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① Why portfolio management?

② Process overview


③ Roles overview

④ 6-Monthly Cycle

⑤ Monthly Cycle

⑥ Daily Cycle

⑦ Range of use



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What are the 5 most important **problems**
you have with your projects?



The bottom-left icon means you should ask the question from the class and ask them to answer it individually.

The bottom-right icon means you should ask people to work in teams of two, take a few minutes, and then present their opinion.

For this question, the bottom-right icon is highlighted.

Give them a few minutes to list the most important problems they have with their projects. Collect and summarize them, and throughout the course, when we address one of those problems and give a solution for it, cross it out. At the end, check the remaining problems for those that can be addressed by a portfolio management system, and if there are any and you have enough time, discuss them with the class.



The customer
rejects many of
our deliverables

We start by reviewing a few common problems in the project ecosystem and use that to explain why we need to have more than one level of management.

The customer
rejects many of
our deliverables

The customer rejects many of our deliverables

Our projects are not compatible with each other.

Our projects are not compatible with each other.

The customer rejects many of our deliverables

These two problems are on two different levels. You can either go on and tell them about it or ask if anyone can explain how they belong to two different “levels of abstraction”.

Our projects are not compatible with each other.

All current and future projects should be evaluated in a central place.

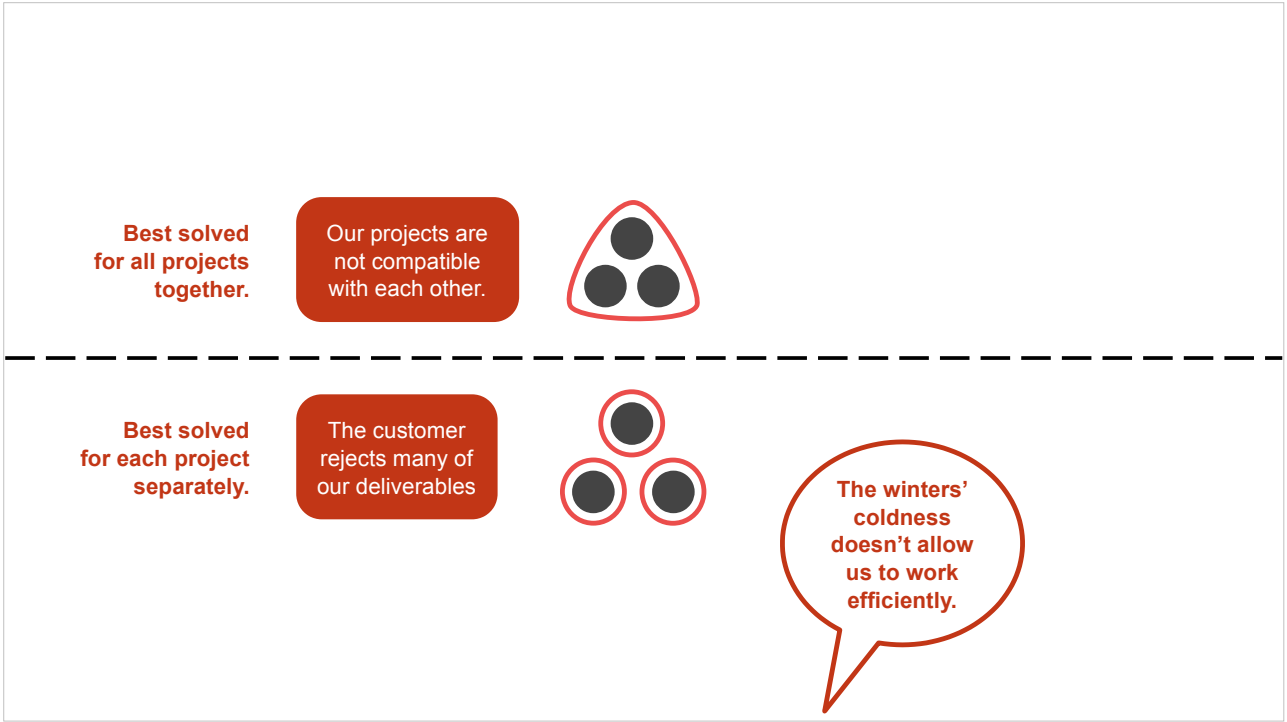
The customer rejects many of our deliverables

We should spend more time understanding the requirements and quality expectations

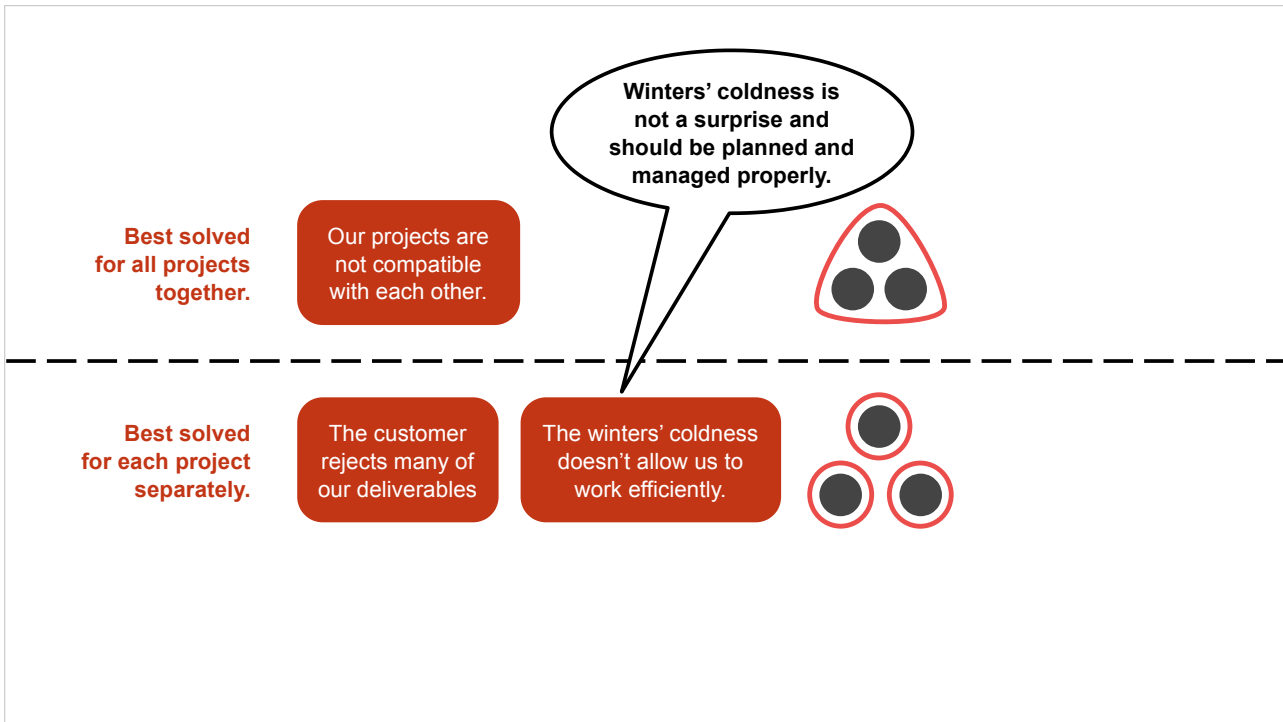


Simply put, one problem can only be solved for all programs and projects together rather than for individual programs or projects. The other problem, on the other hand, is something you can solve in a single project, regardless of what happens in other programs and projects.

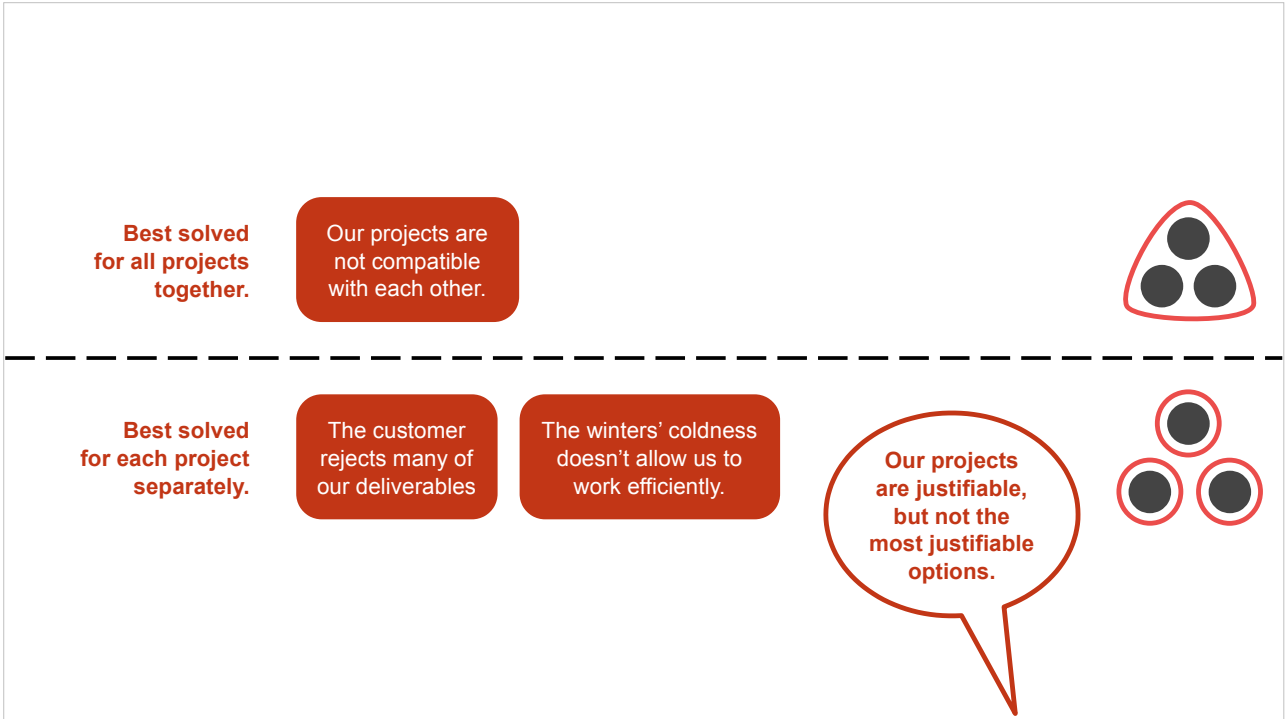
To be precise, there are also aspects of the second problem that can be improved holistically; e.g., by creating a center of excellence. However, the point is that it's possible to solve it in individual programs and projects without a central management, but it's not possible to do so for the other problem.



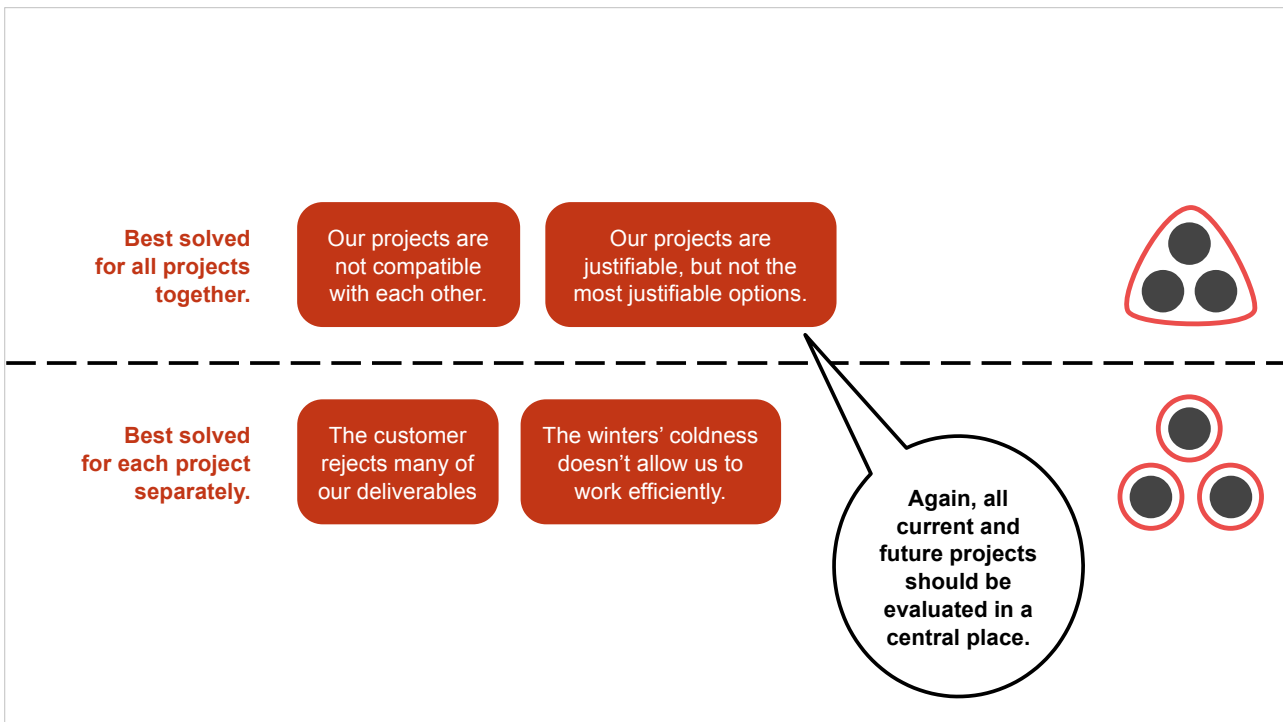
Now we have a new problem proposed. Feel free to ask your audience to which level it belongs.



For example, if you have a construction project, you can't do concrete work when the temperature is below 5°C (or a different but similar temperature depending on your local codes and standards). This is framed as an issue, but in reality, it should not be unexpected, and you can't claim delays because of it unless you show that the duration of coldness was significantly more than in previous years. That's not important for us here, though: it's something we can address in individual projects.

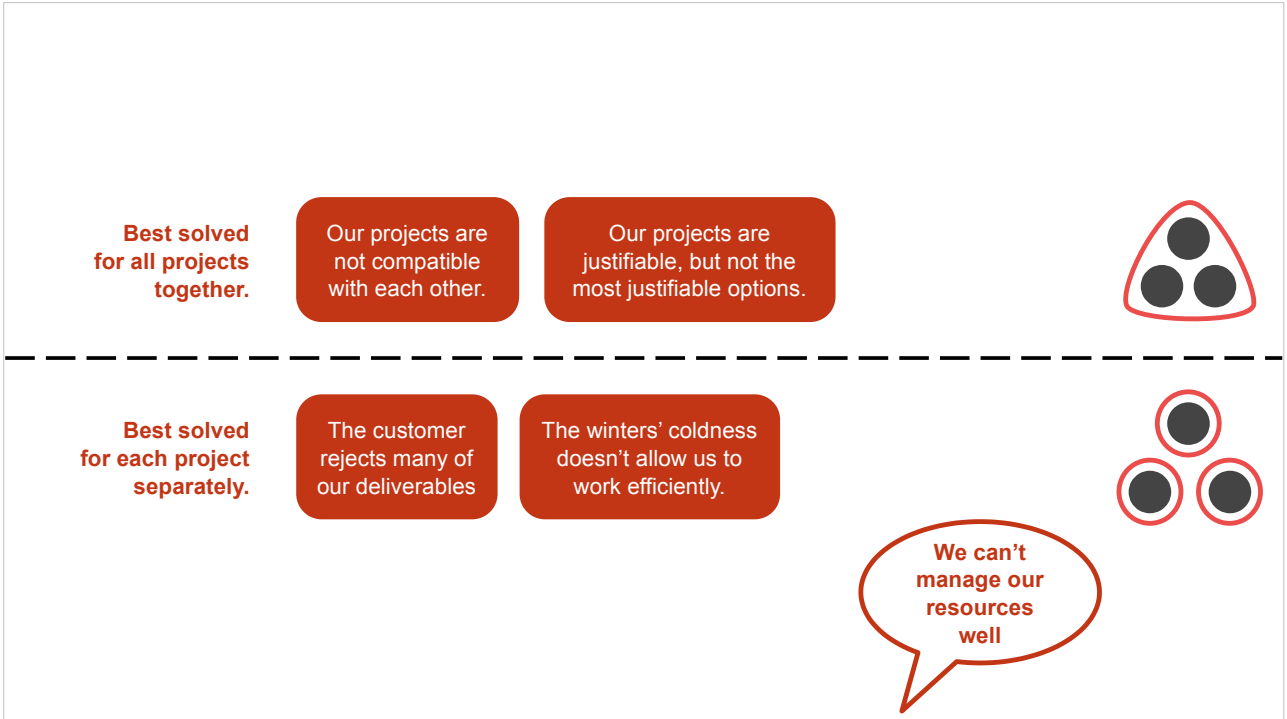


How about this problem? Can it be addressed in individual programs and projects, or should it be in a centralized place for all?

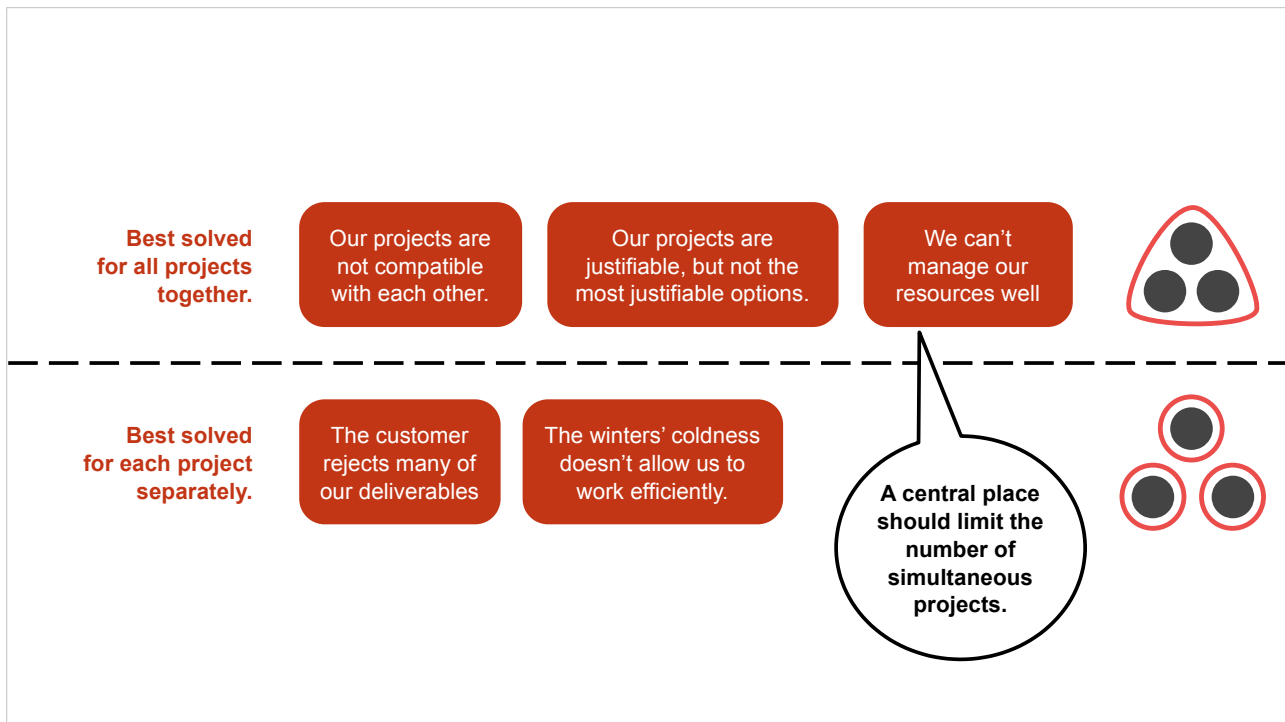


It's describing what we call "relative justification" in P5.express (you don't need to mention the term yet). A program or project may be justifiable in that its benefits are higher than its investment. However, it may not be a great choice for us because we might be able to run a different program or project that's more justifiable.

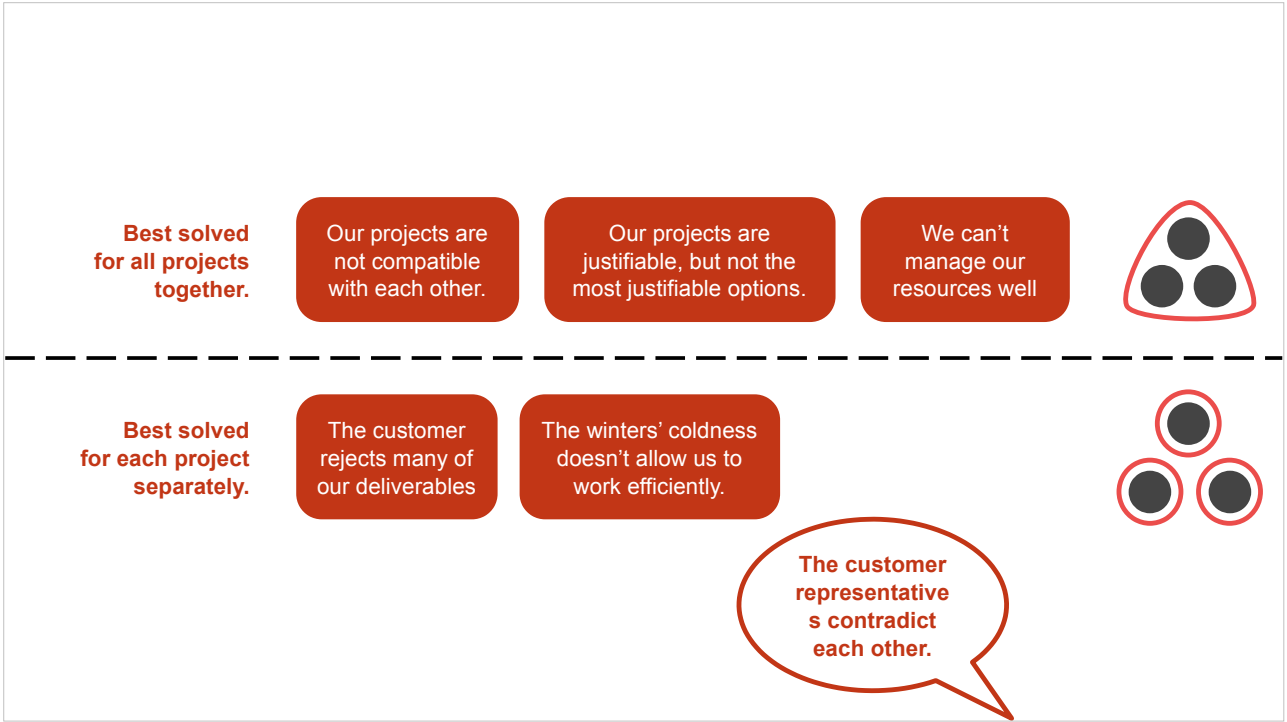
If you have people knowledgeable about financial topics, this is related to the "opportunity cost". If the benefits of a project are 20% higher than its investment but you can do another project instead with a 50% higher ratio, then your first option is justifiable, but it's lower than your opportunity cost. Note: You don't need to mention the "opportunity cost". In general, anything that's not included in the slides and is only mentioned in these trainer notes is not necessary for the course but is mentioned because you may have questions from your audience.



The next problem... does it belong to the top layer or the bottom layer?



There can be many reasons for not being able to “manage resources” properly, including many that need solutions in the lower layer. However, in most cases where people think they have problems managing their resources, the problem is that they are using those resources in too many programs and projects simultaneously. Doing so increases complexity, and no matter how you manage your projects (which is something in the lower level in this model), you will never have good-enough resource management. The solution is to limit the number of simultaneous programs and projects, and when you want to do that, you have to compare them and select a subset of them, which implies doing so at the top level.



The next problem... to which level does it belong? The image reveals the answer, though.



Some people complain that customer representatives contradict each other. Some of them want you to do a certain thing in the project, and others don't want you to. The reality is that this is natural, and it's the responsibility of the project manager to solve them. In fact, solving problems like this is the reason we need to have expert project managers.

Regardless, the point is that this is a problem we have to solve in each project and not in all projects together.

**Best solved
for all projects
together.**

Our projects are
not compatible
with each other.

Our projects are
justifiable, but not the
most justifiable options.

We can't
manage our
resources well



**Best solved
for each project
separately.**

The customer
rejects many of
our deliverables

The winters' coldness
doesn't allow us to
work efficiently.

The customer
representatives
contradict each other.





So, we have identified two levels of management related to projects and discussed why it's necessary to have them like this. The top level is holistic and works with all programs and projects together. It's strategic and determines the future of the organization at a high level. However, the lower level is hands-on and practical and focused on one project at the same time.

These attributes are more or less contradictory, but we need both of them; e.g., the same people can't be high-level and strategic and yet hands-on and practical as well. That's why we have different levels, so that different people with varying knowledge and experience can work in each, collaborate with the other layers, and together do something great that no single team can.

Project Ecosystem



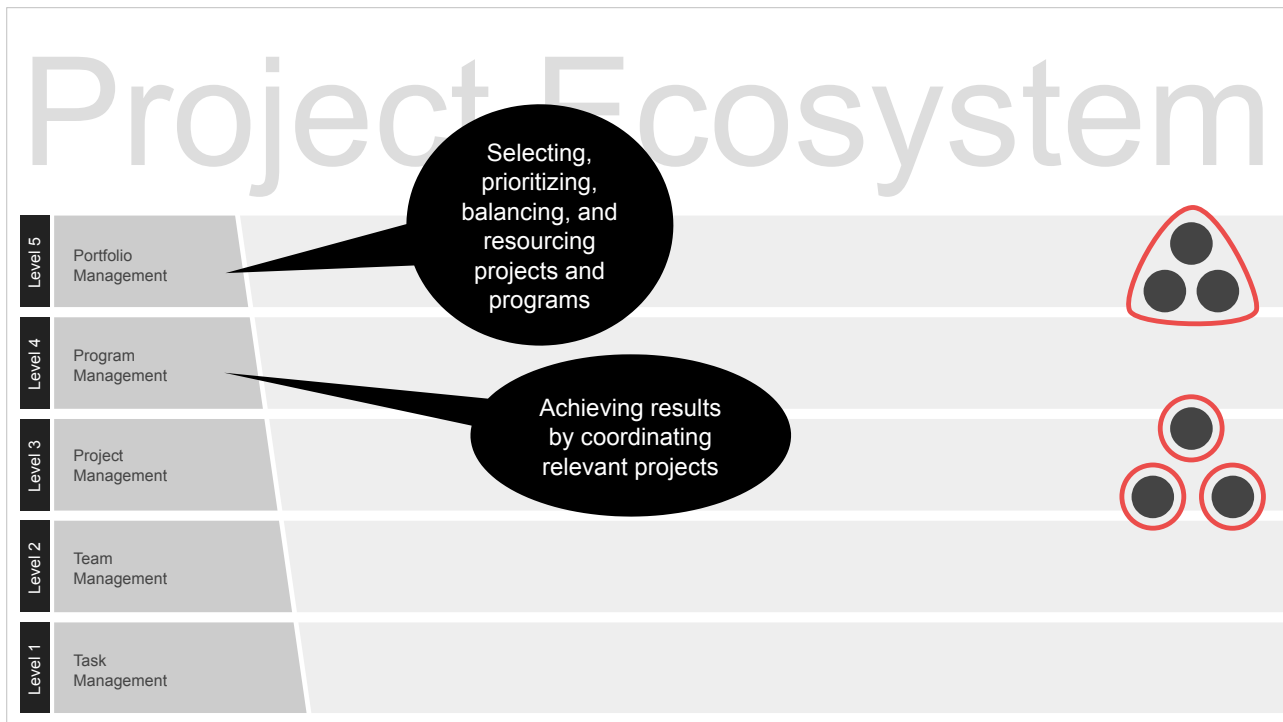
In fact, we're not limited to 2 levels. In OMIMO, we have a 5-level model for the "project ecosystem". Note: For simplicity, we're showing the bottom level in level 3. However, similar concerns exist for level 4 as well.

The project ecosystem is all the management layers that are needed to be successful when working with projects. Many resources have similar breakdowns, although it's usually 3 levels in other resources, ignoring what we have as level 2 (team management) and level 1 (task management). On the other hand, some late Agile methods promoted a single-layer model where everything is done with the same people at the same level. That's a model mainly formed in simple, single-product environments, where their layers tend to merge. However, in general, a single-layer system doesn't work well, and people who are expected to be responsible for all those layers practically ignore the higher levels, especially level 5, because they are more abstract. Some of the established project management institutes that always had a multi-level management model have unknowingly followed the said Agile trend and promote portfolio management responsibilities as project management responsibilities. This implies a single-level system, which is both wrong and also inconsistent with their own models.

Project Ecosystem



It's a simple description, or a non-official definition, of what portfolio management is.



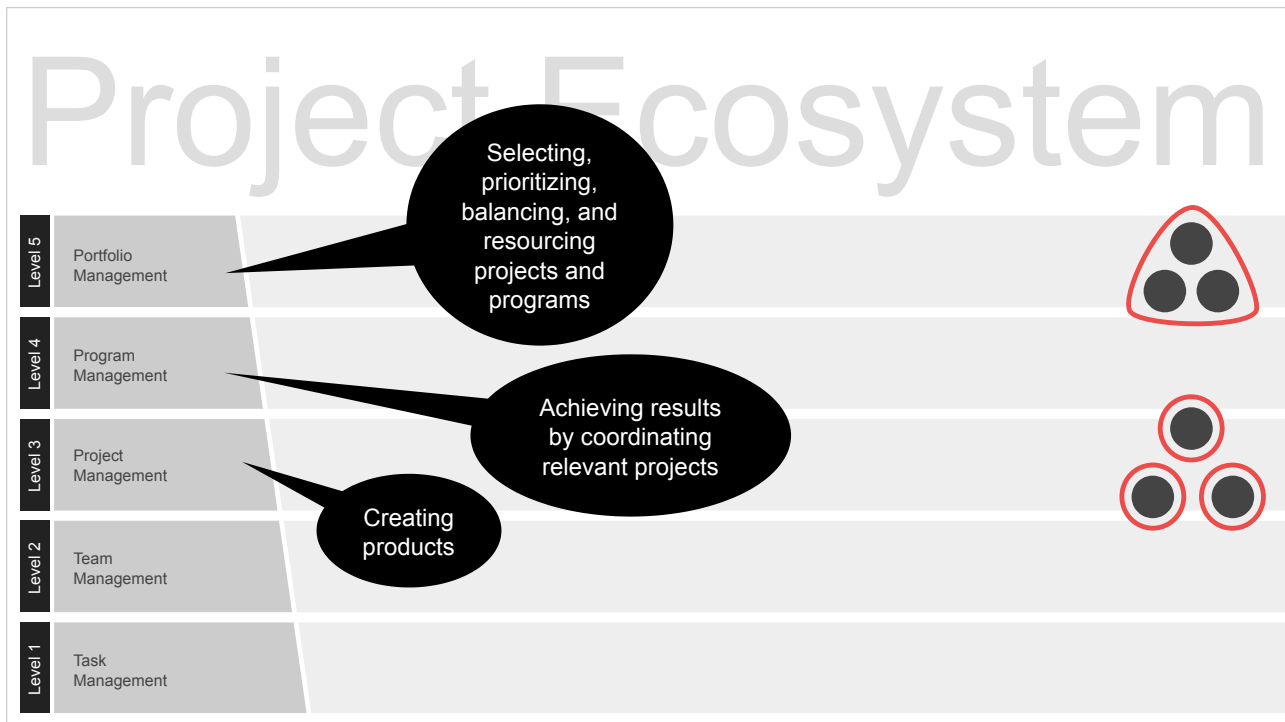
We won't go much into the details of what program management is, mainly because P4.express is not published yet. The description above may be enough for now, but the devil is in what makes projects relevant! In general, some people tend to consider smaller initiatives as projects and larger ones as programs, which is not correct. These two have different natures, and that's why we need to have different levels with different methodologies for them.

Take these:

1. Build a 1000-unit apartment building.
2. Improve the accessibility of your website.

The first one is a project because it's describing a product. The second one is a program because it describes an expected "result". Such a result can be achieved by running a few projects.

Note that these definitions are not the same in all resources.



To make it clear, we have to distinguish portfolio management from program and project management. Portfolio management is where we select projects and programs, and project and program management is where we run them. So, this difference is clear.

- ① Doing the **right** thing
- ② Doing the thing **right**

Which one belongs to which level in the project ecosystem?



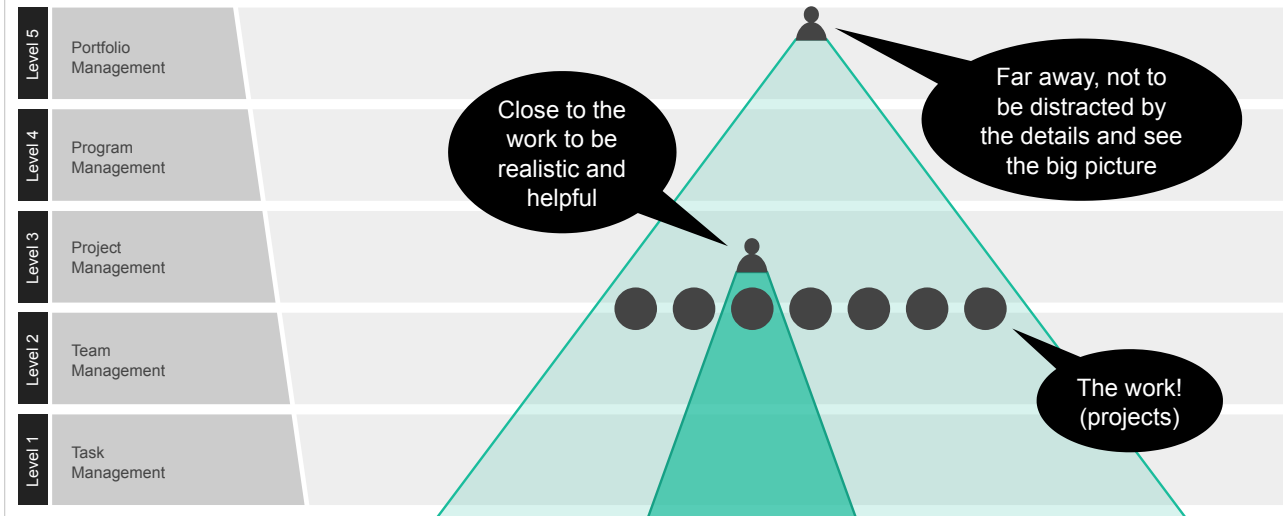
Portfolio management is about doing the right thing.

Program and project management, and especially project management, is about doing the thing right.

In other words, we may manage our projects very well, but if we select the wrong projects, we won't be successful.

On a related note, many of the definitions for project success mix the success of the project management system with that of the product of the project, which has to do with portfolio management, among other things. In general, defining project success is very difficult, and OMIMO has not published an official definition for it yet, but whatever it will be, it won't mix levels of management.

Project Ecosystem




It's necessary for portfolio management to stand further away and see the big picture, whereas project management should be close to the work to stay realistic and able to help. This creates a contradiction if we expect the same people to do the same, and that's why we need to have two different levels of management for them.

OMIMO Modules



OMIMO Modules





① Why portfolio management?

② Process overview

③ Roles overview

④ 6-Monthly Cycle

⑤ Monthly Cycle

⑥ Daily Cycle

⑦ Range of use

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② Process overview

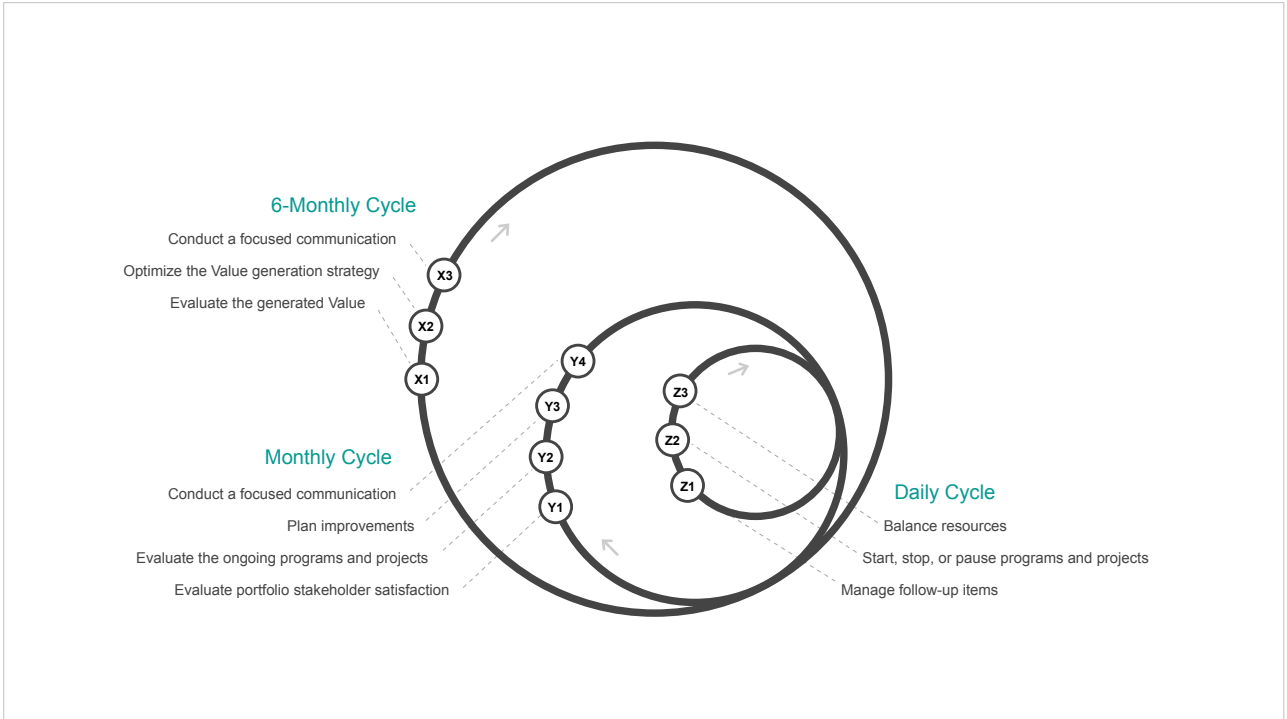
③ Roles overview

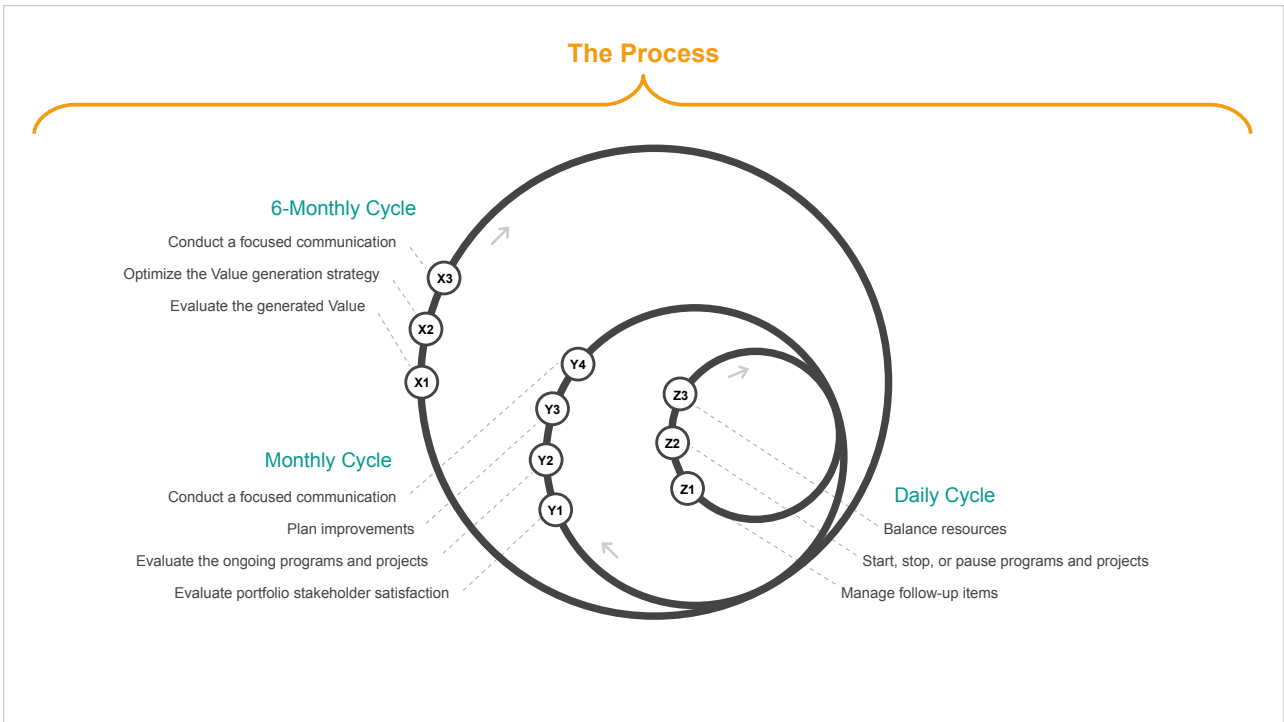
④ 6-Monthly Cycle

⑤ Monthly Cycle

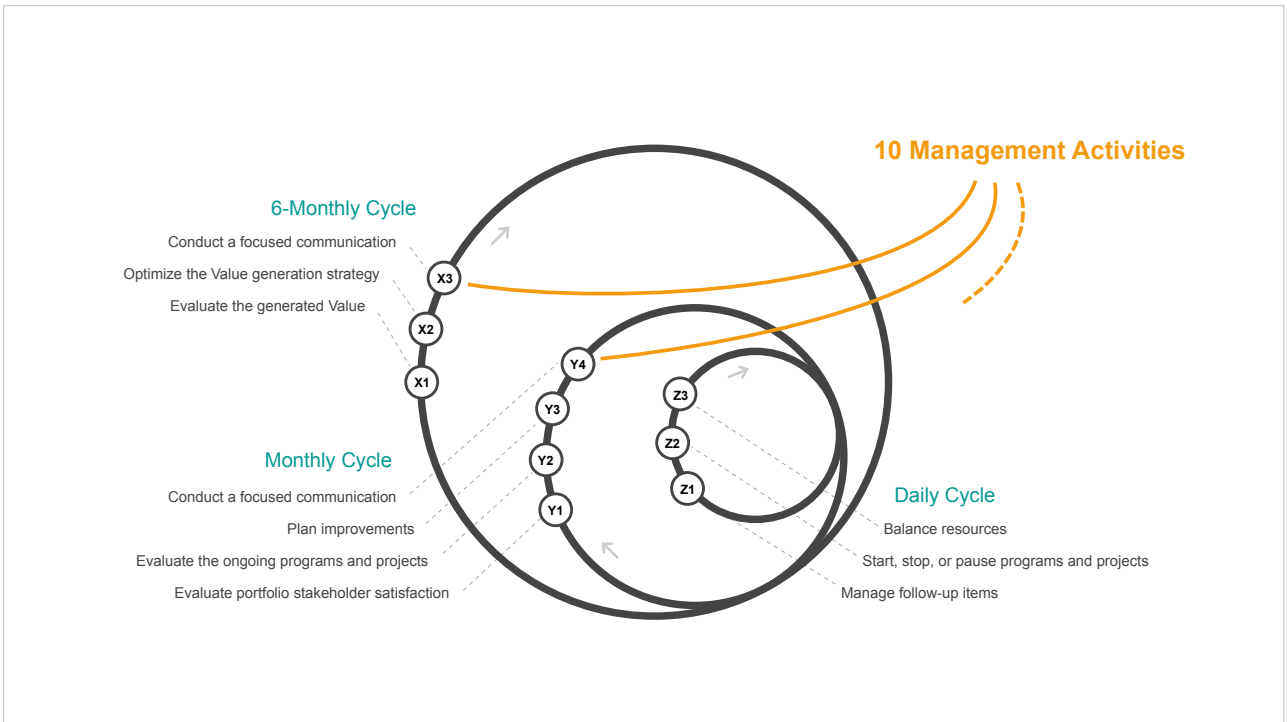
⑥ Daily Cycle

⑦ Range of use

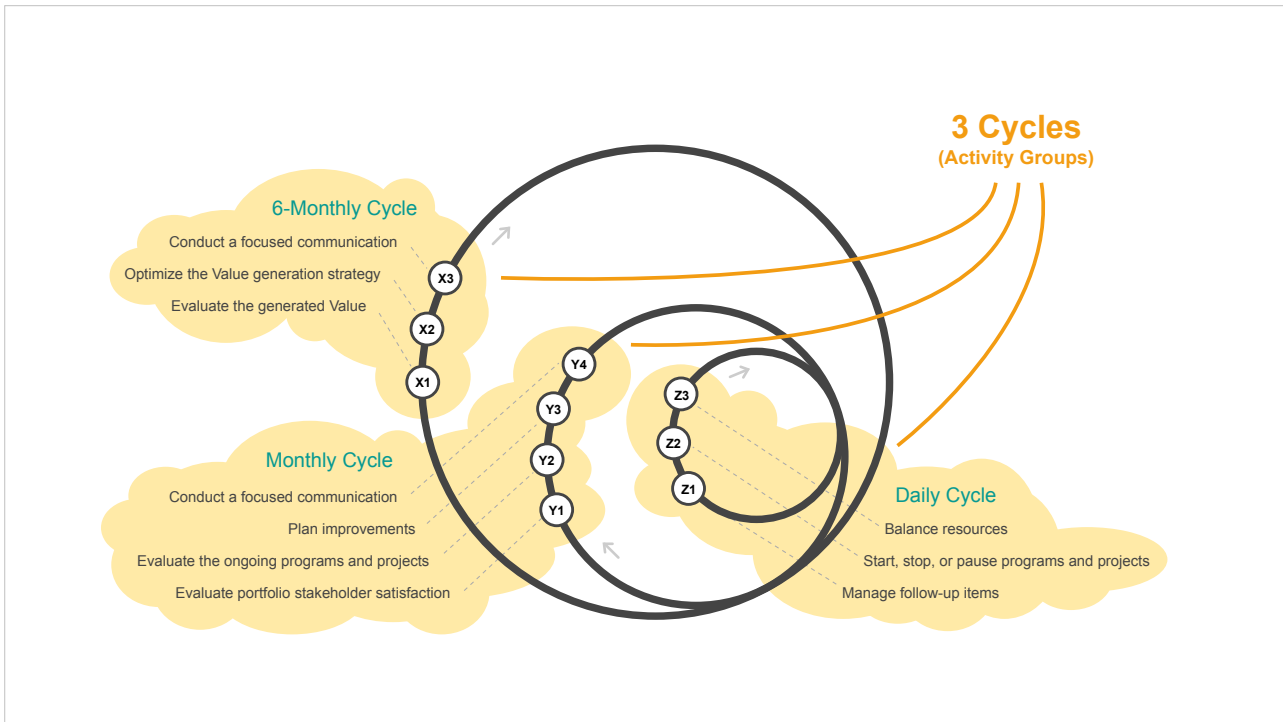




This is what we call “the P5.express process”.

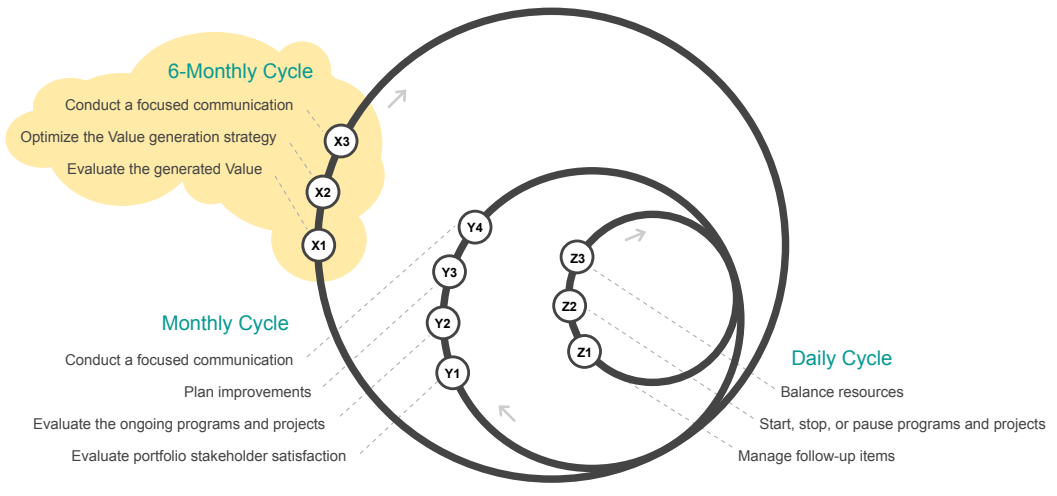


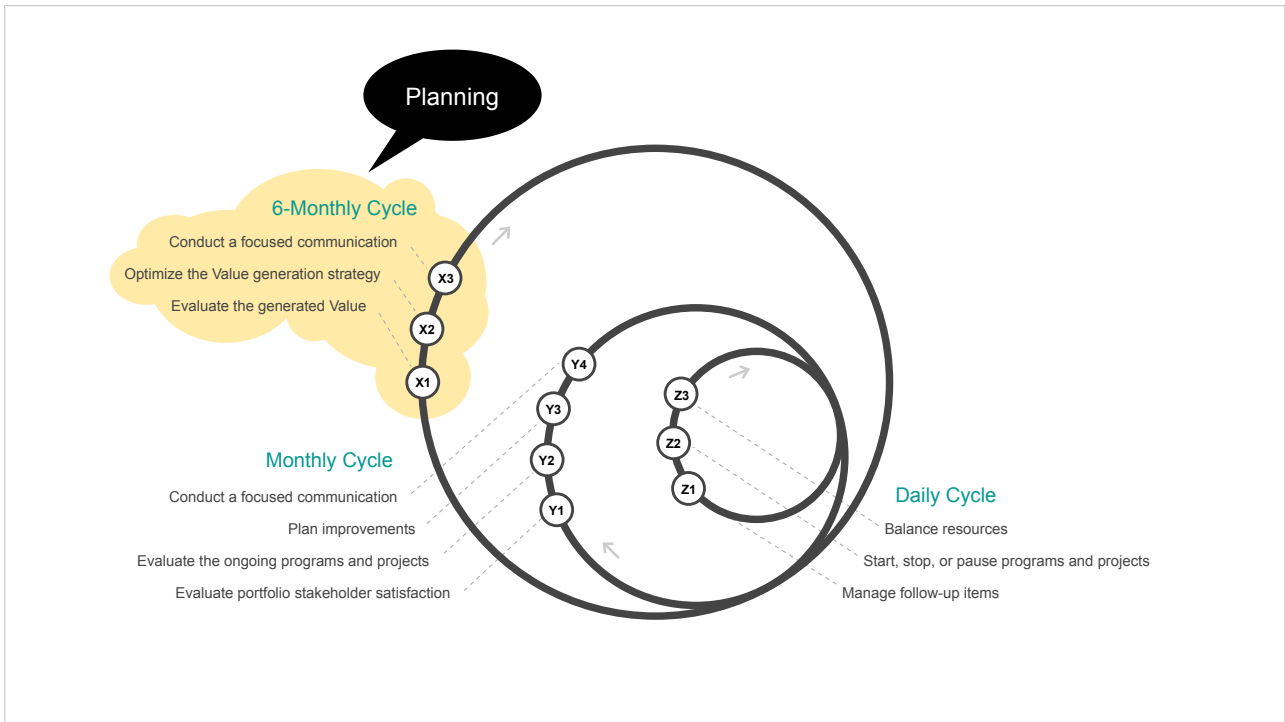
Each of those circles is a “management activity”, and there are 10 of them in P5.express.



The management activities are divided into 3 cycles (or activity groups) with different frequencies that match their nature.

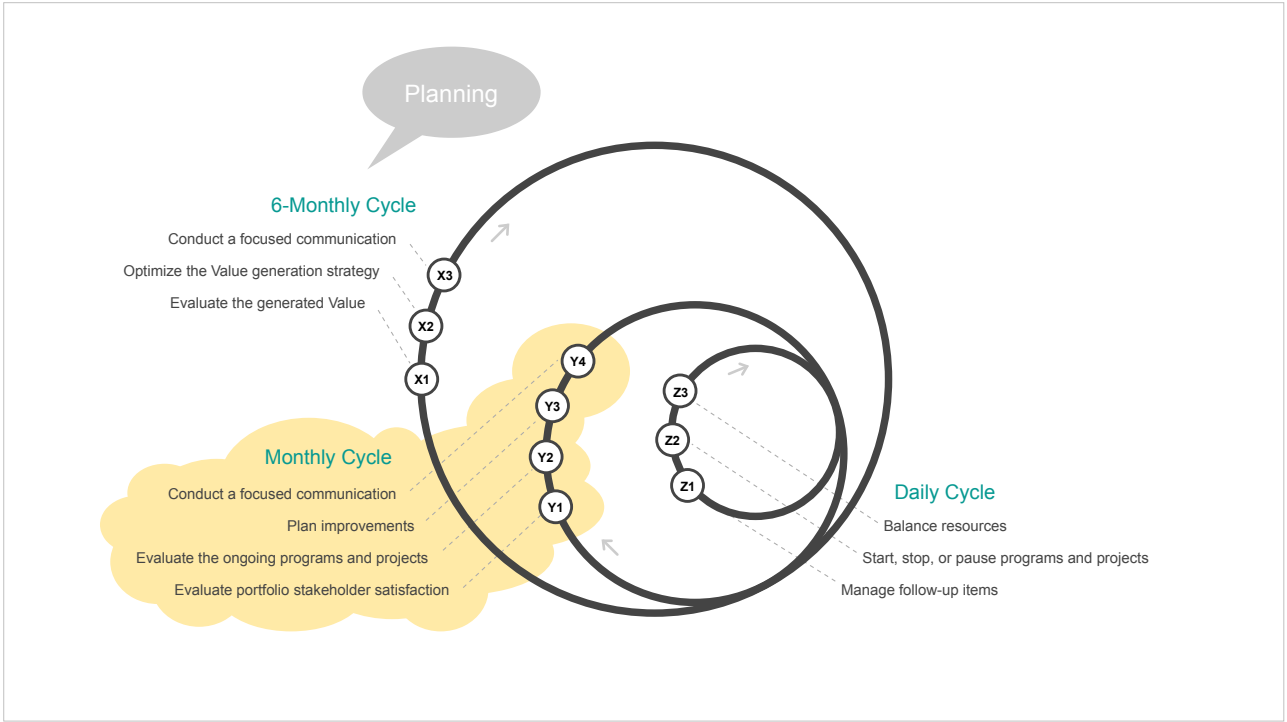
In other modules such as P3.express, there's a difference between "cycles" and "activity groups", because some activity groups are not cyclic (project initiation and project closure) and some cycles have more than one activity group (monthly initiation and monthly closure). However, in modules like this and P1.express, there's a one-to-one relationship between cycles and activity groups. So, we can use these two terms interchangeably here.

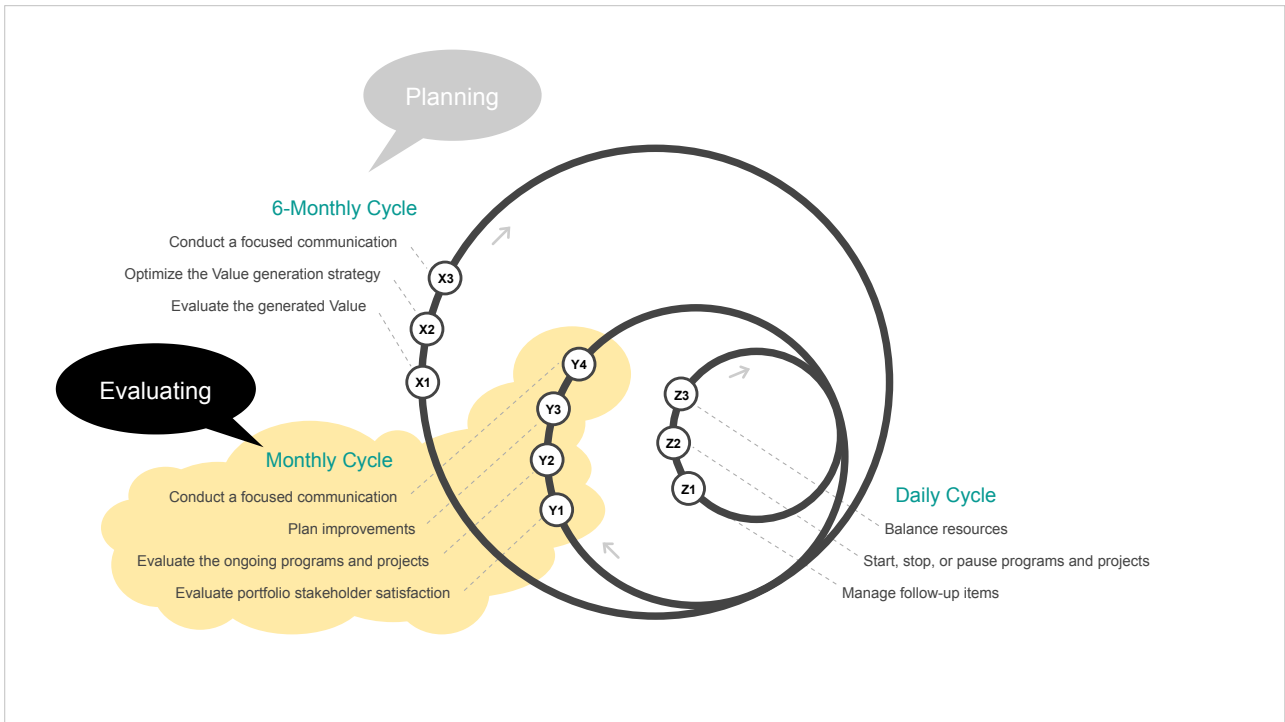




The 6-Monthly Cycle is mostly about planning the portfolio. It's about deciding which projects and programs we want to run and in which order. Every 6 months, we update that as well and probably add new items.

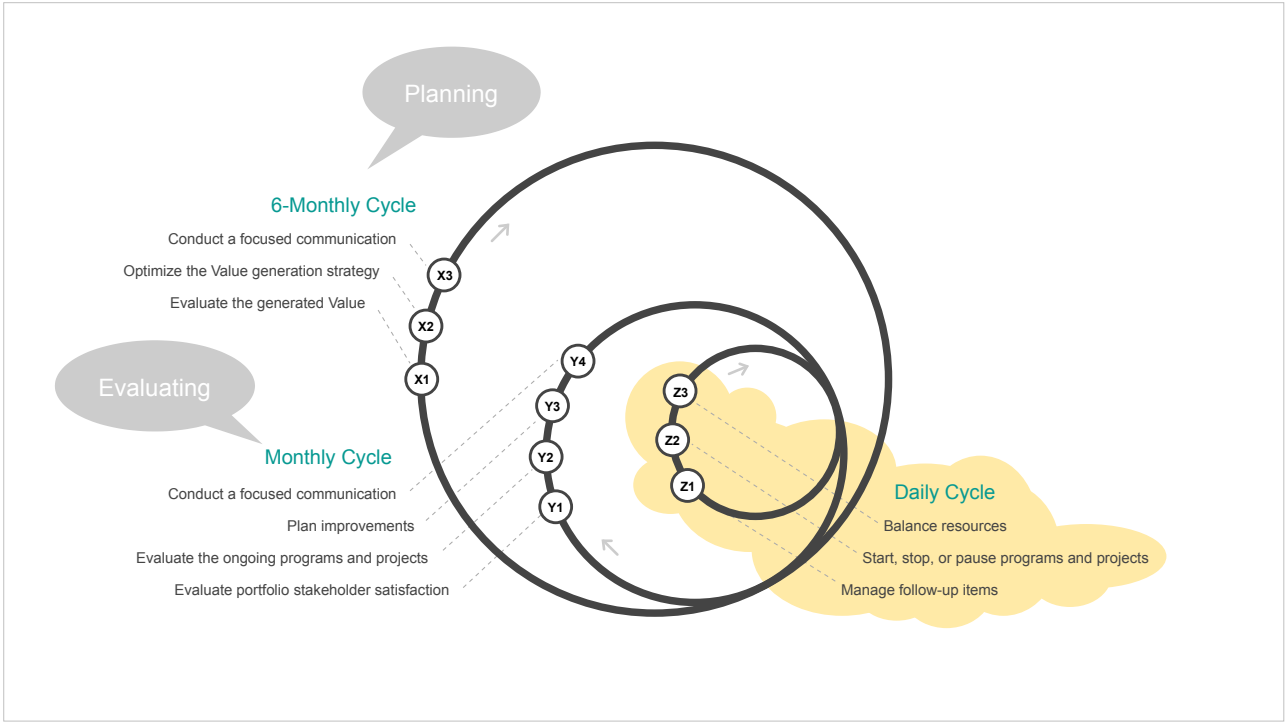
Note that when something exceptional happens, we run the big cycle immediately and don't wait for its turn so that our plans can be adjusted and better match our environment.

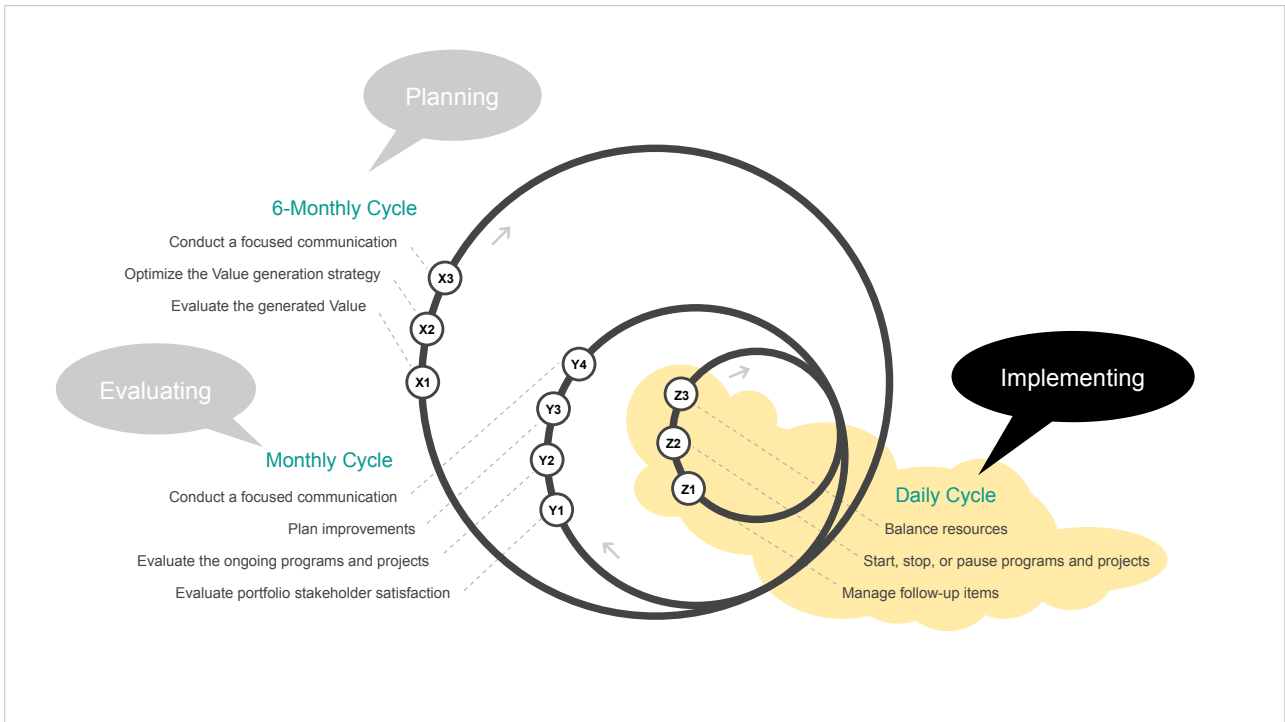




The Monthly Cycle is mainly about evaluating what's going on.

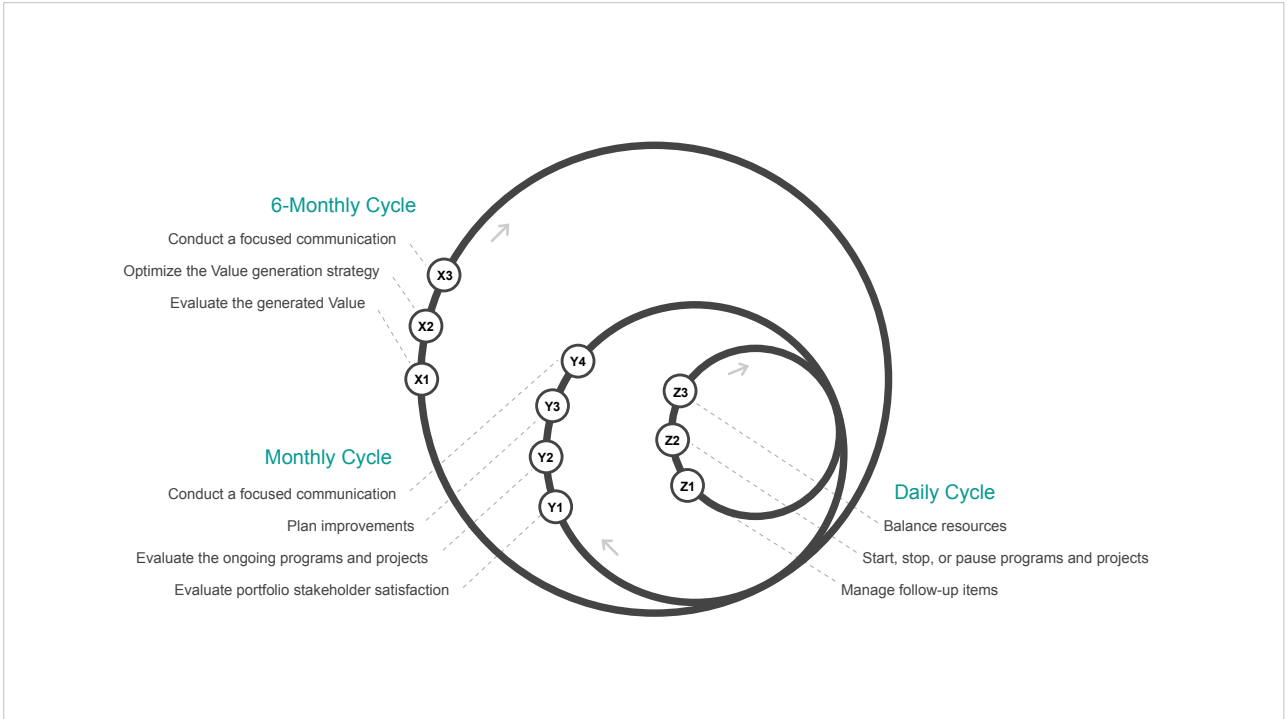
A common problem in organizations that think they have a portfolio management system (they may call it a PMO) is that all they do is collect information about projects and programs, store them, and report on them. That's not real portfolio management! Our final goal is to select the best projects and programs for our organization and order them in a way that creates a balanced set for us. Any data we gather is only justifiable if it's necessary for our goal.

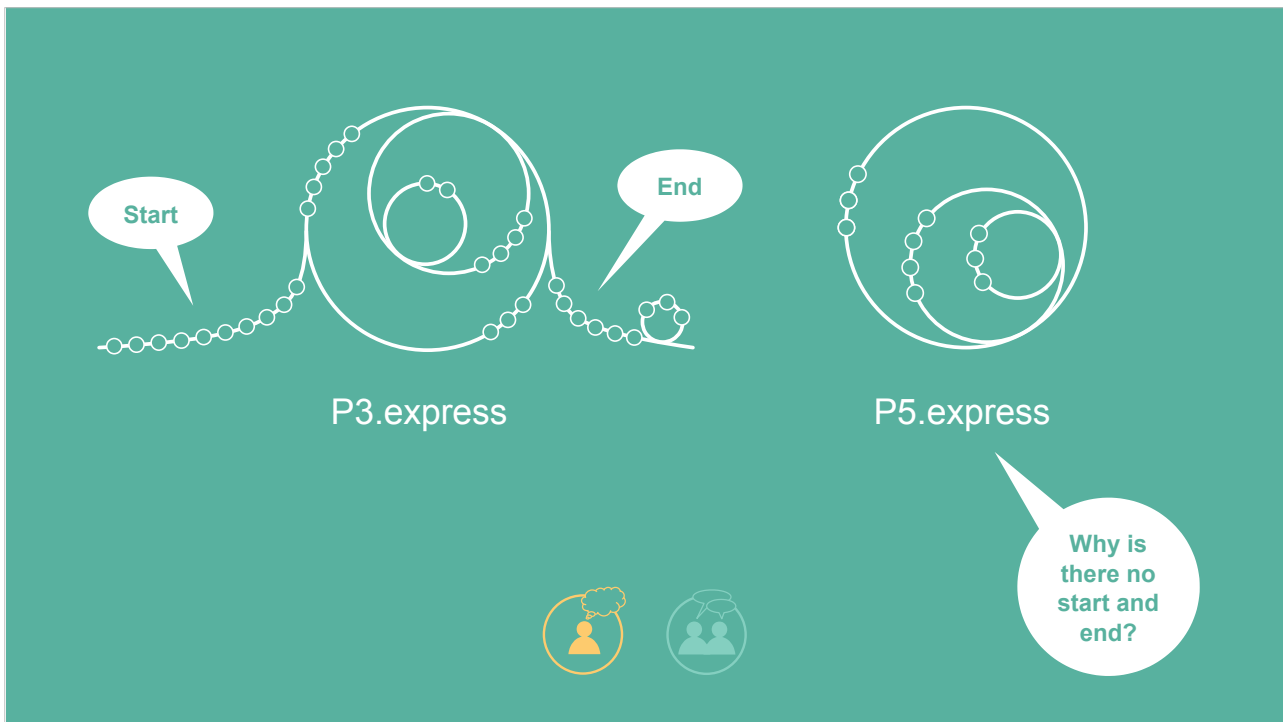




The Daily Cycle is mainly for implementing the plan. This is where we do the day-to-day job of portfolio management.

Note that when the cycle is “daily”, it doesn’t mean that the activities must be done every day, but that every day we must ask ourselves whether any of those activities should be done.





P3.express, micro.P3.express, and P4.express processes have a start and an end, but P5.express and P1.express don't. That's because programs and projects are temporary and run until we achieve something specific. Portfolios, as in the case of P5.express, and sets of tasks an individual has from different projects, operations, friends and family, and hobbies, which is the subject of P1.express, are not temporary and go on as long as it makes sense or it's possible. It doesn't mean that they don't have a start; that's when you decide to implement and use the process, but that's different from starting the subject of the process.

We don't need to get into details, but in case you had questions, the process for implementing these methods is not included in the method itself because that process has a nature that's not necessarily the same as the nature of the method itself. In fact, the implementations are usually programs and can be implemented using P4.express (later on, when it's published). In other words, the knowledge and experience needed for running something can be different from that needed for implementing it.

Regardless of the start, there's also an end to everything (the organization and its portfolio management system, humankind, the Earth, and the whole world), but that's also the end for the process itself and not the subject of the process.

So, most likely, you don't have to discuss all these details, and the simple answer would be that only temporary goals like projects require processes that have a start and end.

In case someone asks: Yes, Scrum doesn't have a start and end, whereas it's usually used for temporary goals. That's because Scrum is created based on a mindset coming from production (Lean), which is not temporary, and it was never created to be a complete project management system. Its lack of start and end is one of the reasons some of its practitioners look for alternatives.

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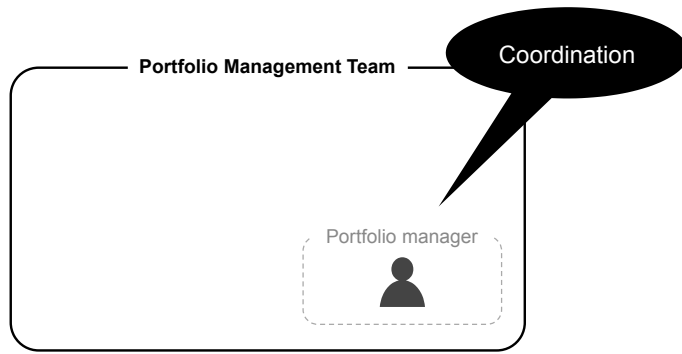
⑦ Range of use

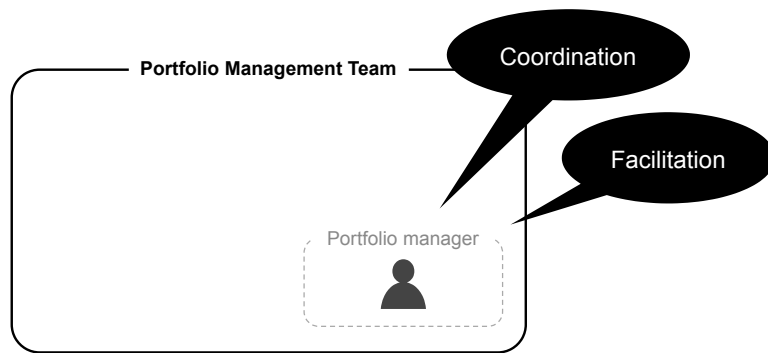
Portfolio Management Team

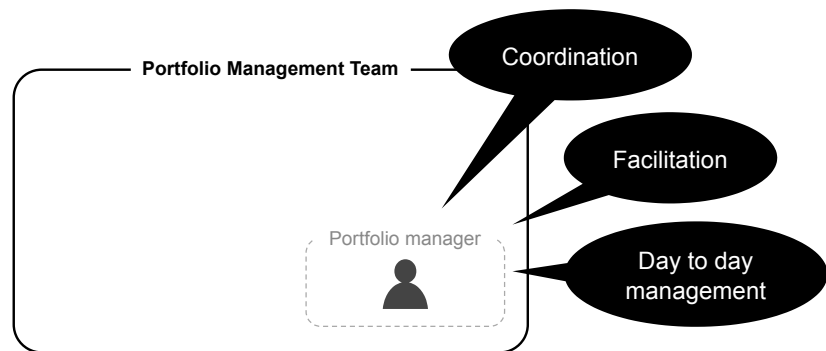
Portfolio Management Team

Portfolio manager









Similar to other modules, the manager here is not everyone's boss. In fact, in the case of P5.express, the organizational level of the portfolio manager is lower than most of the team members! That makes it clear that it's all about facilitation and enabling.

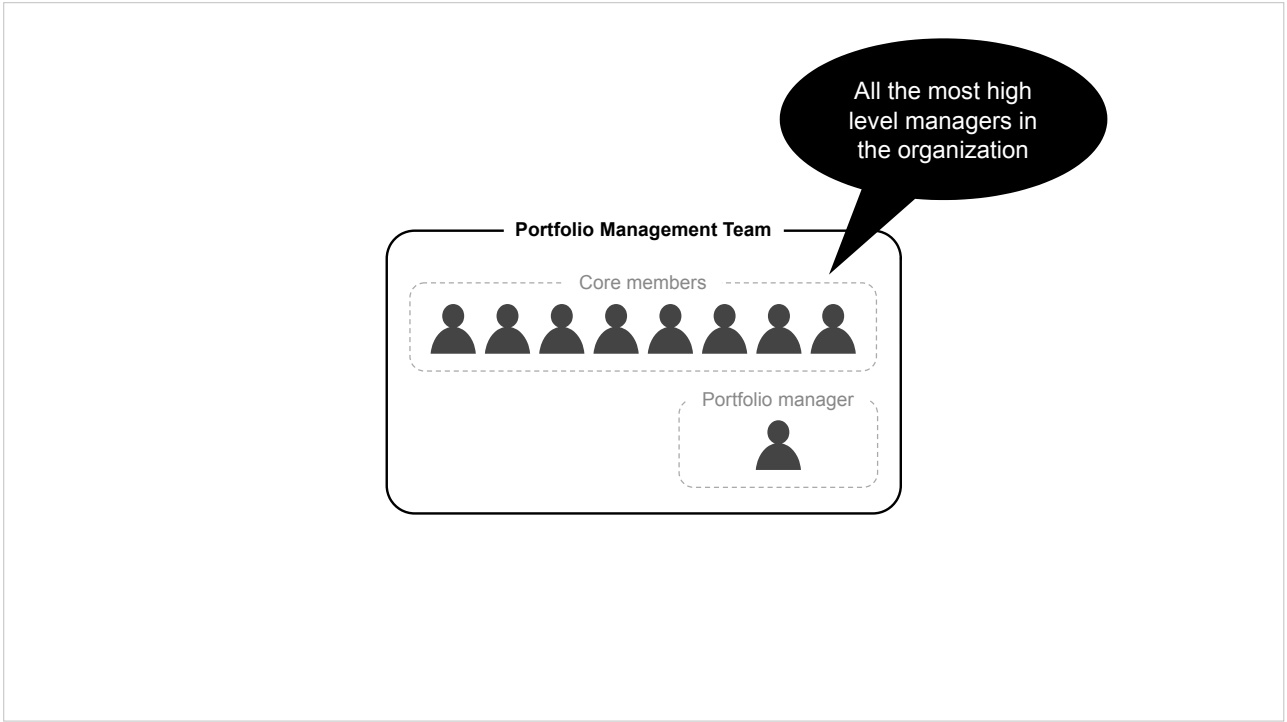
Portfolio Management Team

Core members

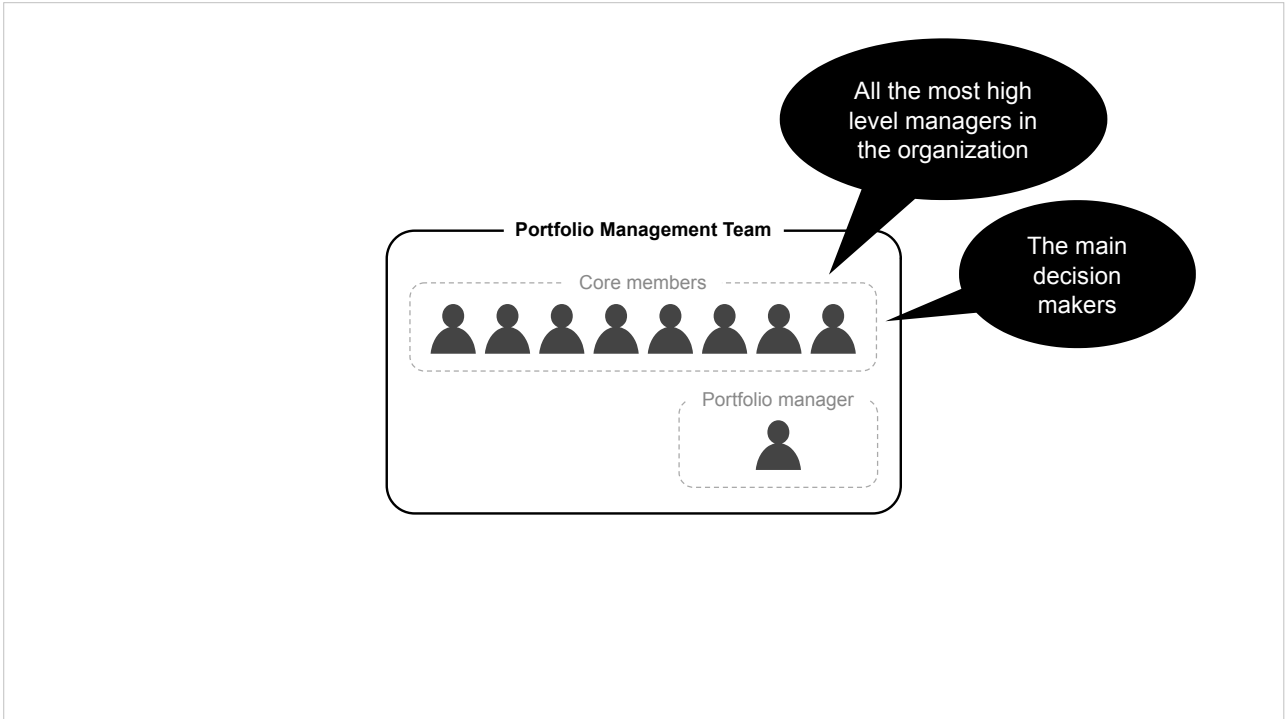


Portfolio manager

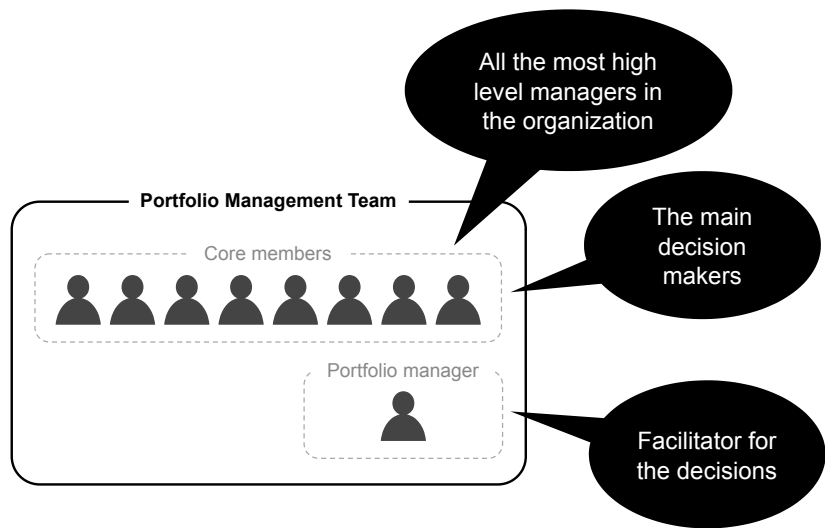


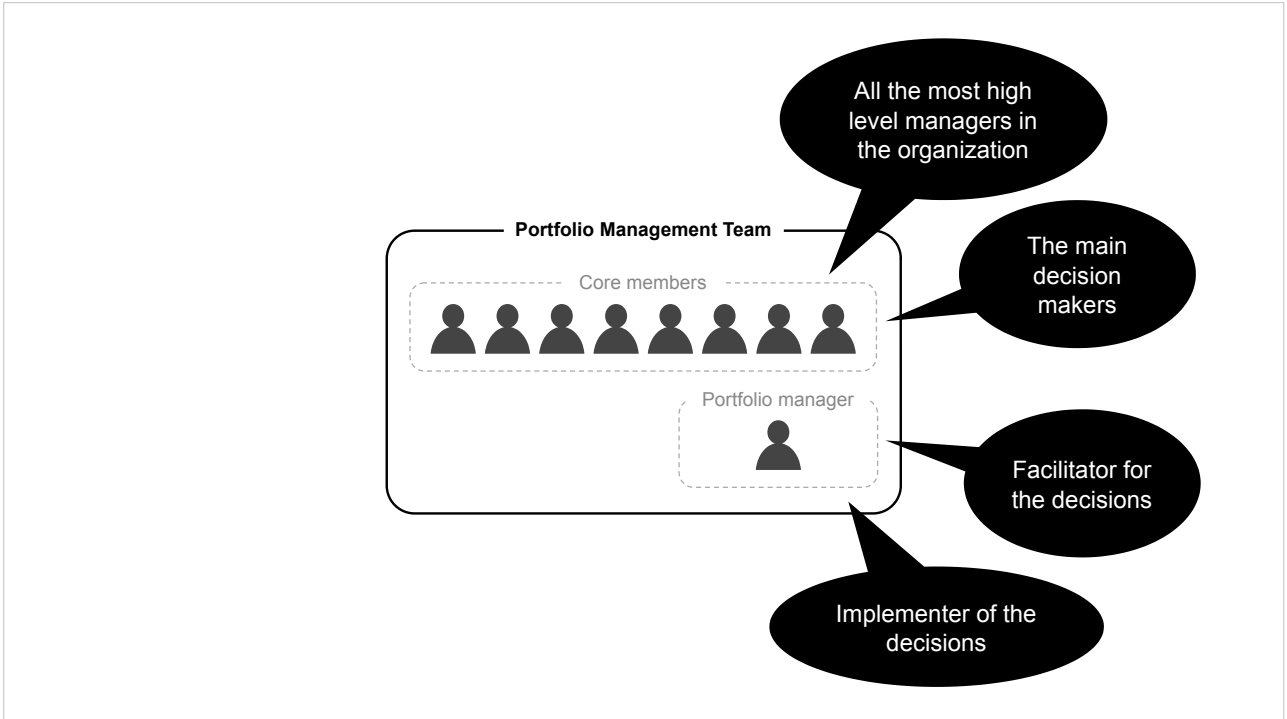


In many organizations, it would be all the directors/executives.

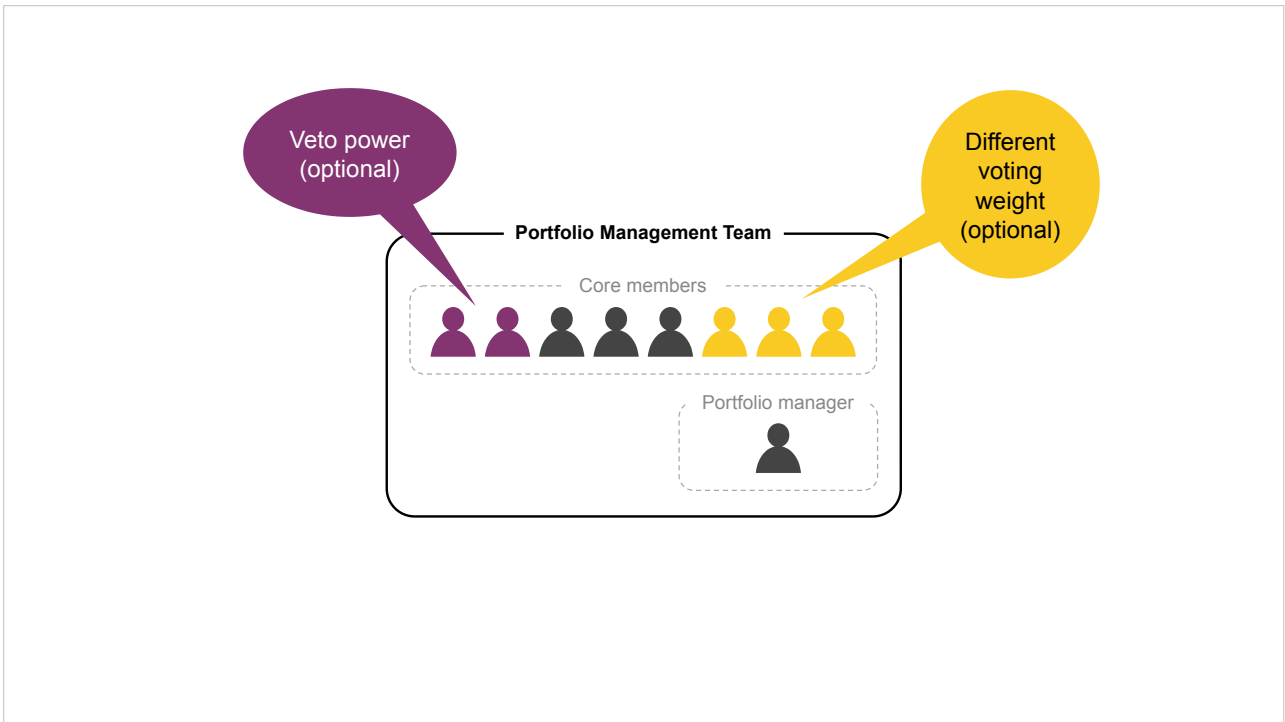


In general, the portfolio management team is responsible for making some of the most important decisions in the organization. That's not shocking, though... these people are the most high-level managers anyway.





As was said before, the portfolio management decisions belong to the core members. Later on, we'll see that the portfolio manager is responsible for doing many things that look like making decisions. However, what the portfolio manager does is interpret the existing decisions of the core members, not make personal decisions. That's key, because the core members cannot be gathered for meetings very frequently.



So, depending on the organization, the core members may have different voting powers, and some of them may even have a veto power. When possible, it's a good idea to avoid both so that core members can feel the same level of power and responsibility and collaborate more naturally.

Portfolio Management Team

Core members

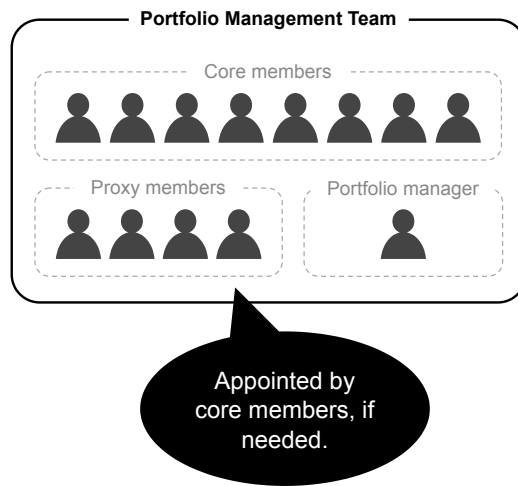


Proxy members

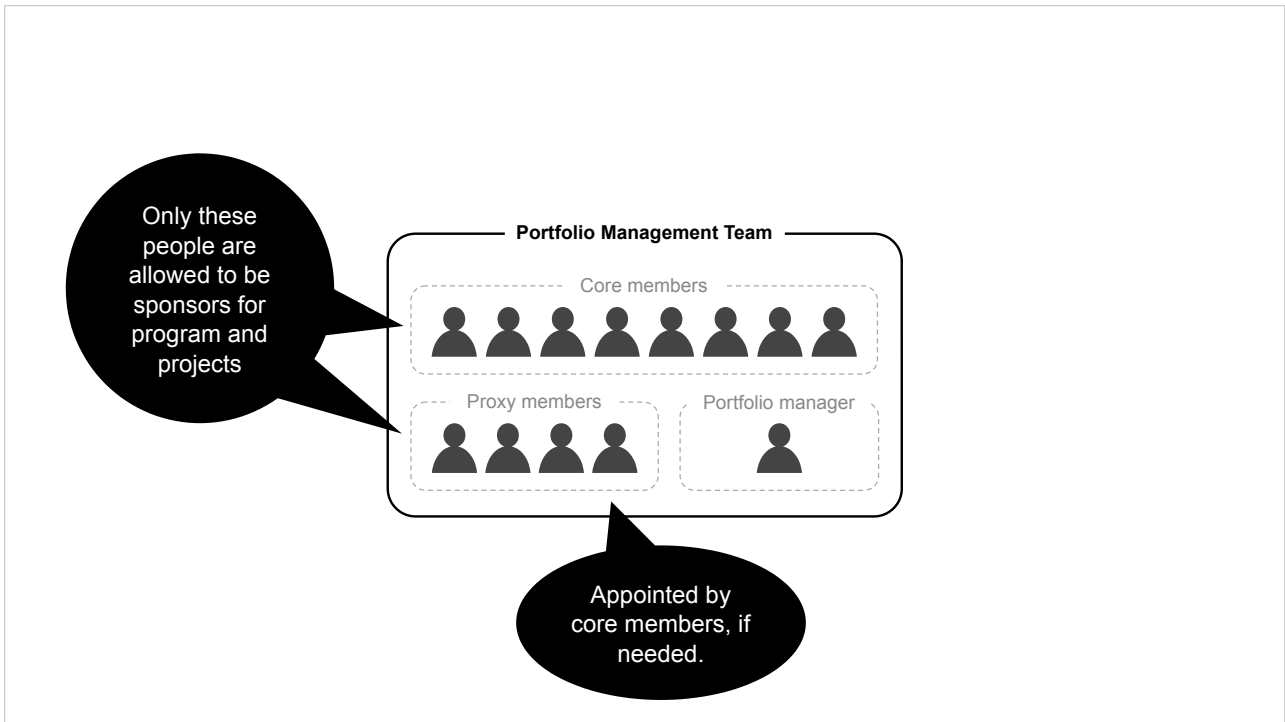


Portfolio manager





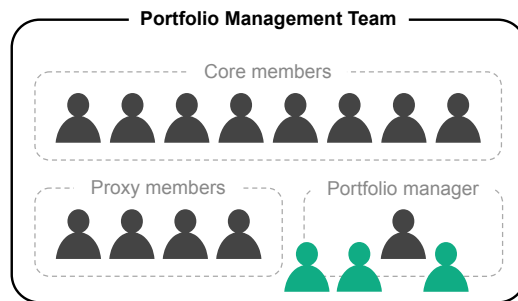
Each core member can bring a fixed proxy member as well, so that if the main member is not available, the proxy can represent them when voting.



An important rule in P5.express is that the sponsor of all programs and standalone projects in the company must be one of the portfolio management team members. That way, we'll be confident that the high-level decisions they make in projects and programs are based on all the relevant information.

On the other hand, core members may be too busy to sponsor many projects and may need help. That's another important reason for allowing proxy members in P5.express. They can be seen as extra sponsors for programs and standalone projects.

All programs and projects in the organization must be directed by the portfolio management system. The only exception is projects that are part of a program. For those, their directing belongs to the program management system, and only their program will be directed by the portfolio management system. Projects that don't belong to a program and directly come to the portfolio management system are called standalone projects in P5.express.



Help for the portfolio manager in organizations that have many programs and projects

These people may help with calculations, admin work, facilitation, etc. This can be needed when there are many programs and projects in the organization.

Portfolio Management Team

Core members

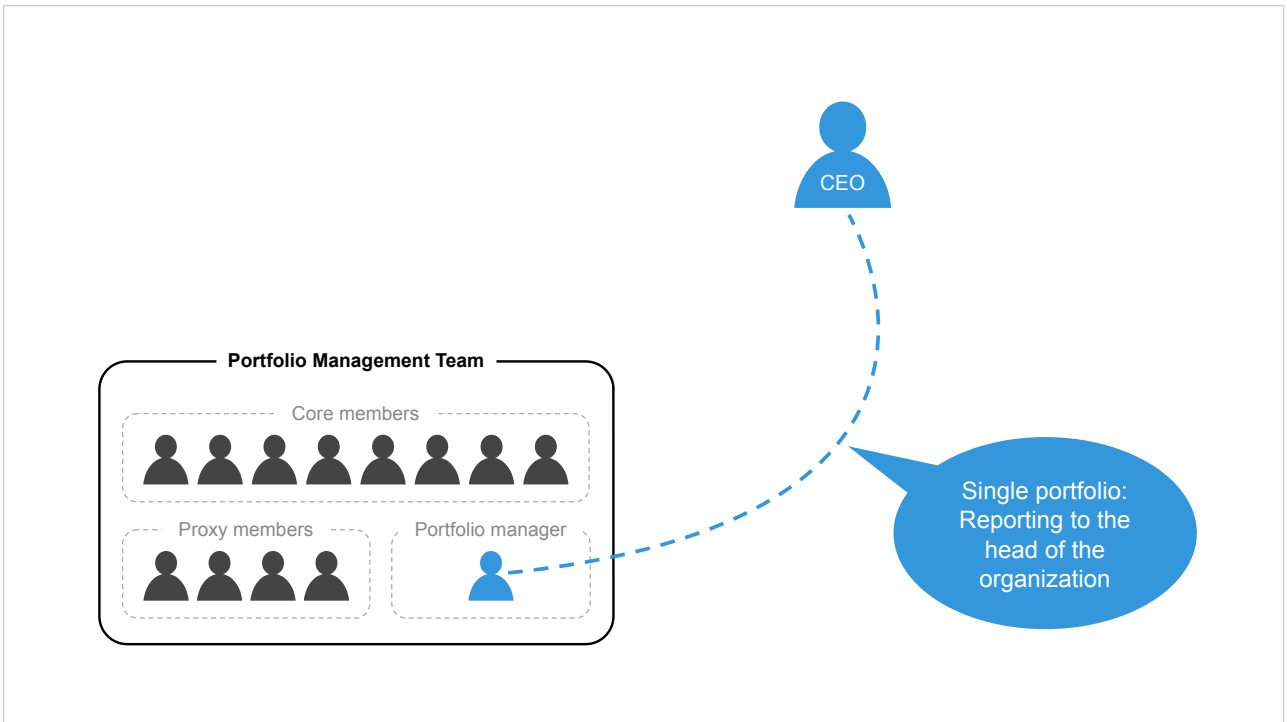


Proxy members

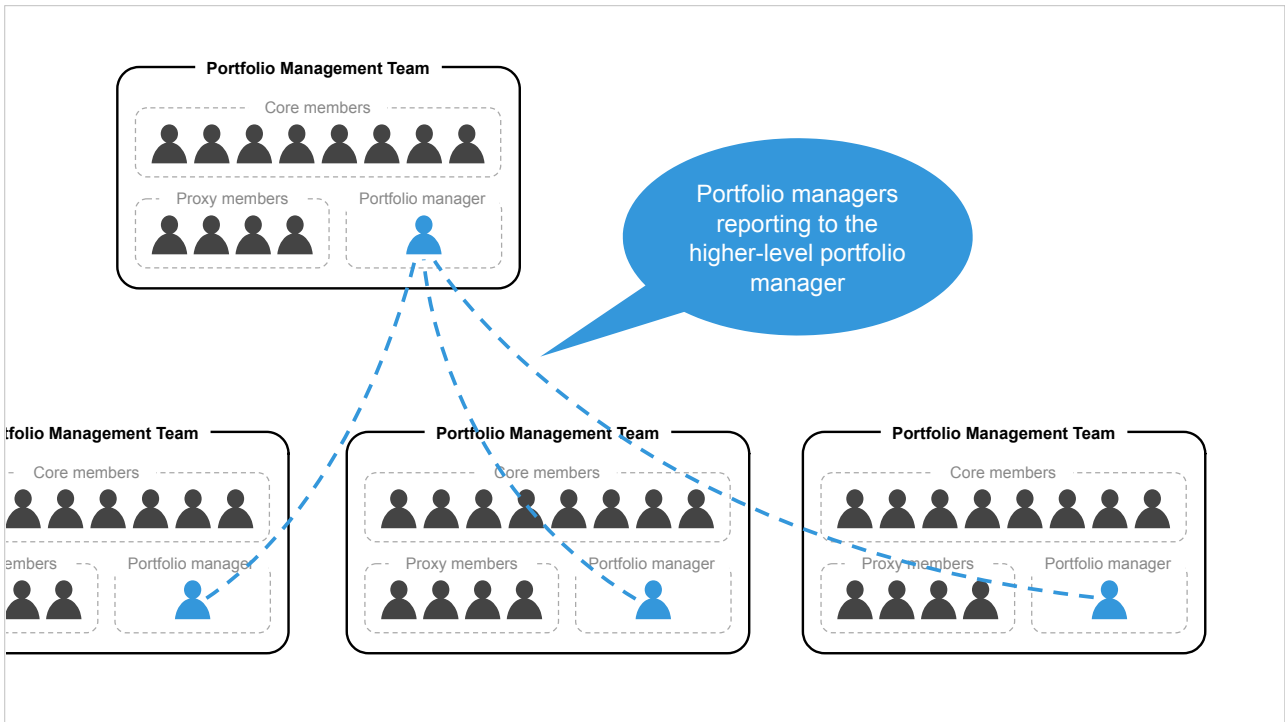


Portfolio manager





When there's a singular portfolio, its portfolio manager should report to the CEO because the other high-level managers are members of the core team, and reporting to one of the team members in the system can be a conflict of interest.



When there's more than one portfolio in an organization, the parent portfolio's portfolio manager reports to the CEO, and the portfolio manager of each underlying portfolio reports to the portfolio manager of the higher-level portfolio.

Level 5
Level 4
Level 3
Level 2
Level 1

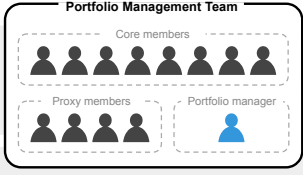
Portfolio Management

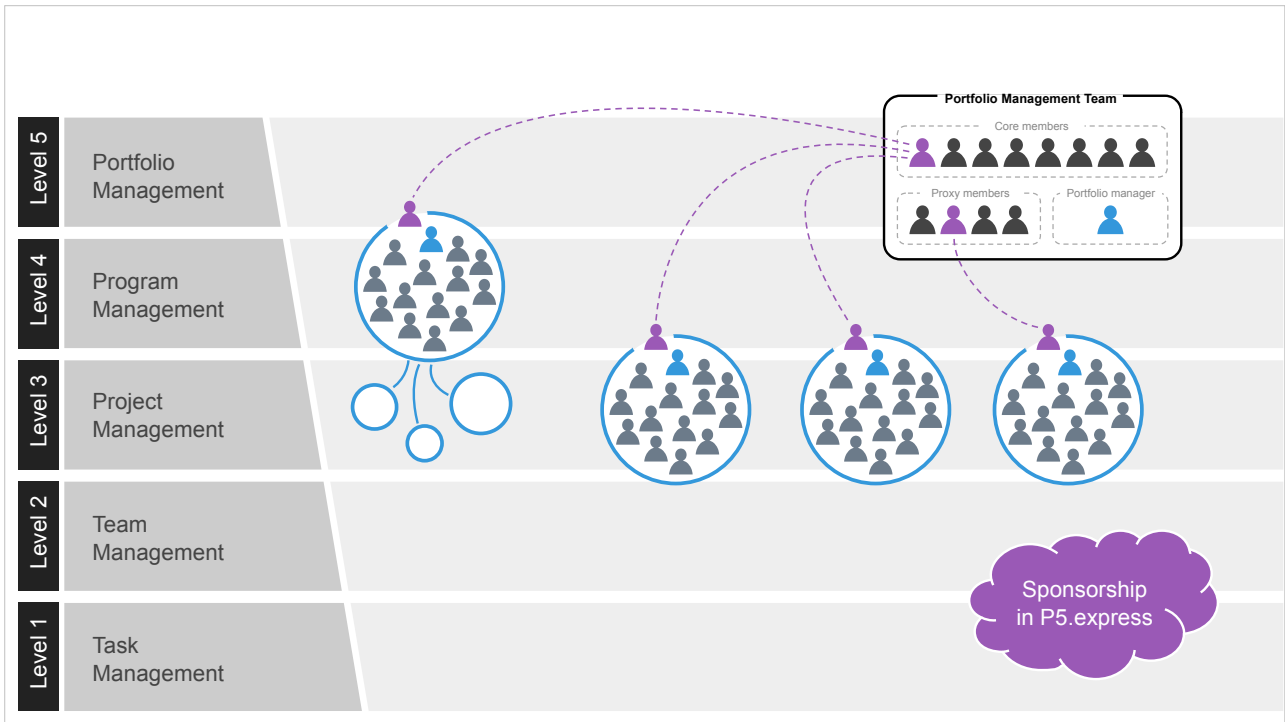
Program Management

Project Management

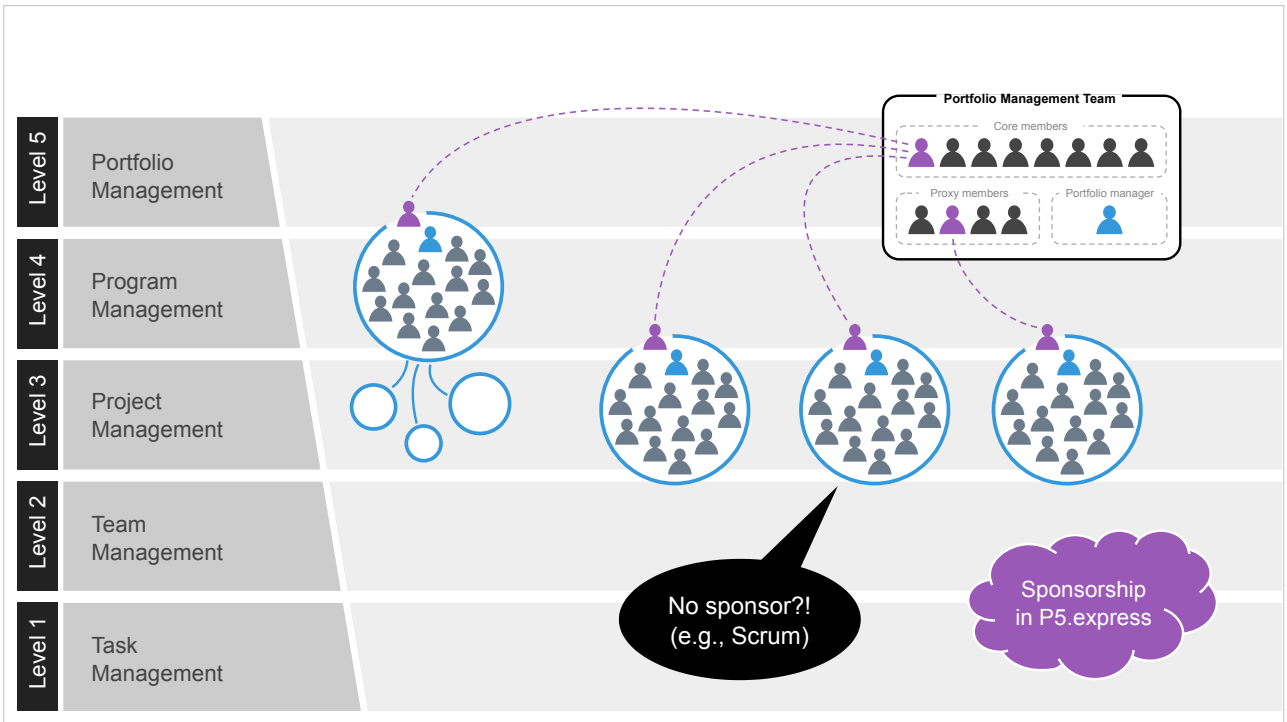
Team Management

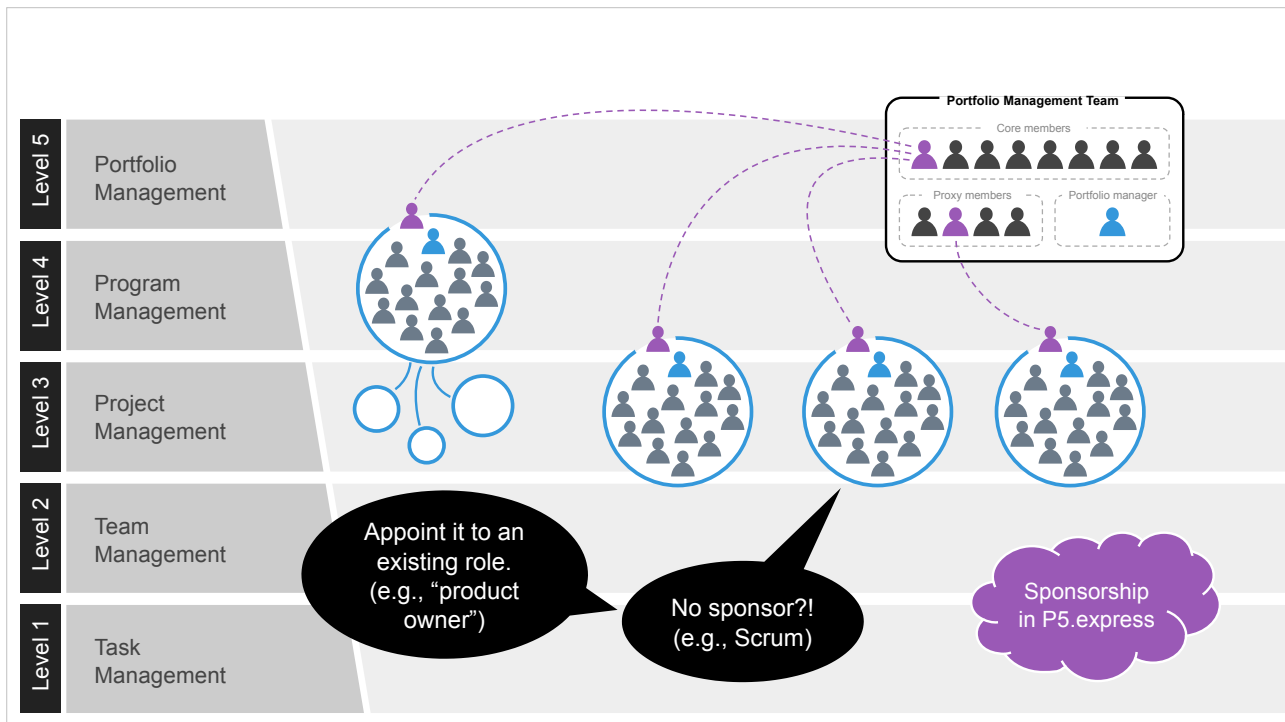
Task Management



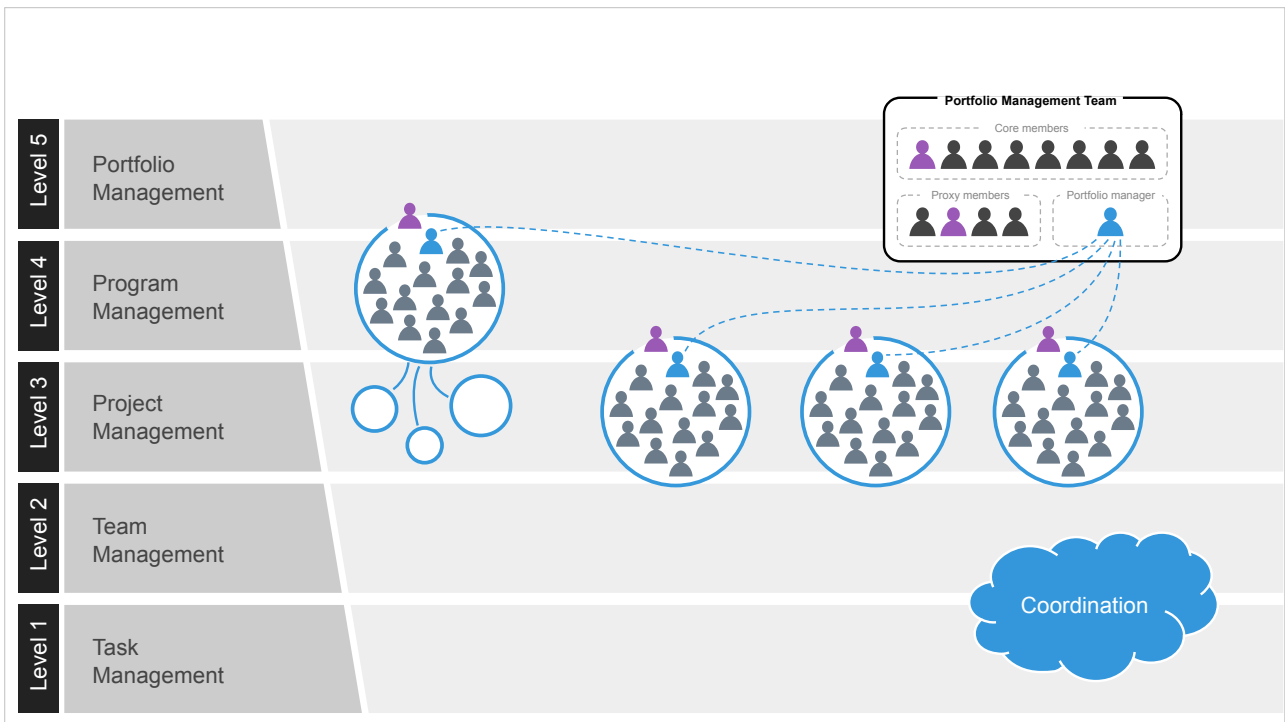


So, as mentioned before, the sponsor of each program and standalone project must be one of the portfolio management team members, and this is really important in P5.express.

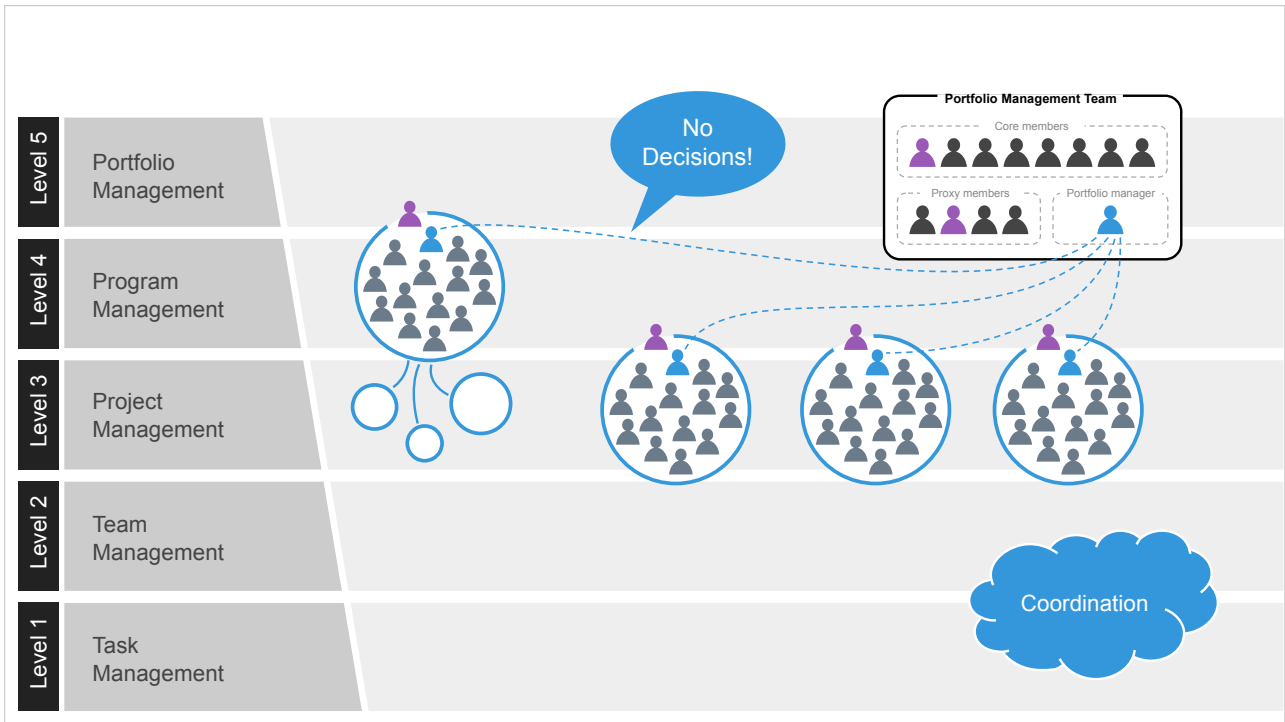




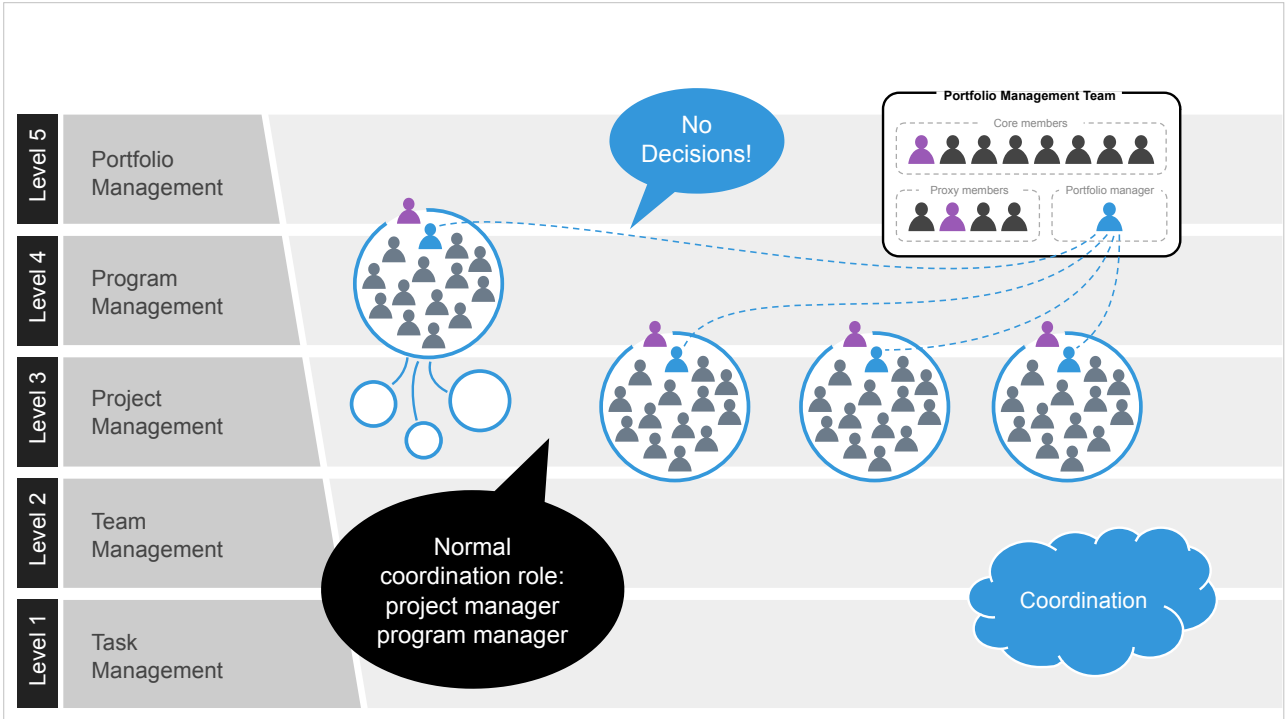
P5.express is designed carefully to work with all project management systems. However, while most of them have a sponsor role, which may be called other names such as “project executive”, some don’t have such a role. Scrum is such a system, and all Agile systems derived from Scrum have also inherited that. For such projects, it’s necessary to give the sponsor function to one of the existing roles. The “product owner” role of Scrum is better than other roles for accepting this function (although not perfect). Another option is to create a new role, but that can be against the guidelines in the system; e.g., Scrum doesn’t accept extra roles. So, if one does it, the person is practically moving from standard Scrum to a new system derived from Scrum. Such customizations are dangerous as they might harm the internal consistency of the system.

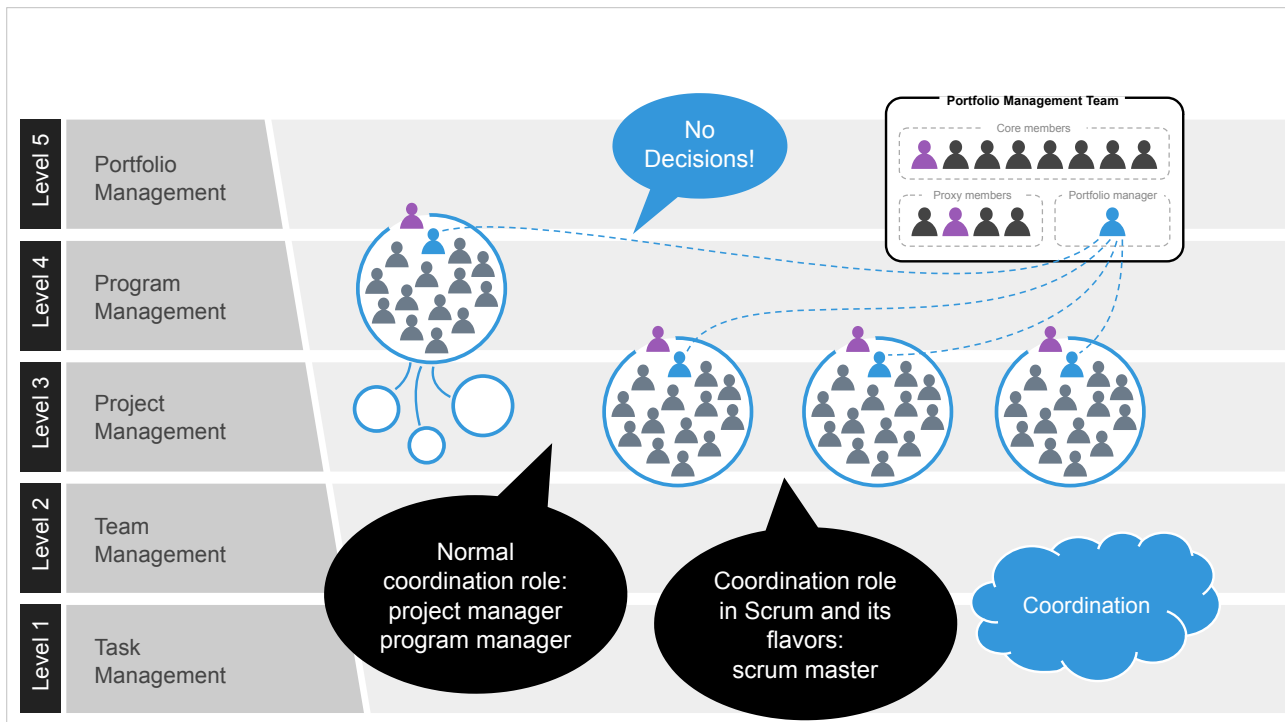


The previous slides were about the sponsorship relationship between programs and standalone projects and the portfolio. There's also a "coordination" relationship.



It's important to remember that the important decisions belong to the sponsor, and the portfolio manager doesn't have any authority over its underlying programs and standalone projects.





Similar to the sponsorship issue, Scrum and its flavors lack centralized coordination (project manager), which makes their interface with other layers of management difficult. Again, the solution is to give the function to an existing role. The “scrum master” role in Scrum is a good candidate for taking on the coordination responsibilities.

Note that the difficulty of working with Scrum is not about the portfolio management system but about the fact that Scrum has a partial project management system. Being partial means that many of the necessary elements are lacking, which causes problems. However, it still has some project management elements, which makes it difficult to mix it with a project management system because then there will be an overlap between the two with the potential for many inconsistencies.

An old colleague of yours works in a so-called PMO. Some of their tasks are portfolio management tasks, and they have problems with them. According to your colleague, the problem is that there's **no support** from senior managers and their outputs are not used. How would you diagnose it?



It's a common problem that a group of people, other than the highest managers in the organization, become responsible for what's effectively portfolio management. They do something, and then the senior managers don't pay attention to it. The reason is that what they are trying to do needs the strategic knowledge and authority of the senior managers and must not be done by anyone else. Process experts should become the portfolio manager or helpers to the portfolio manager, but not the people of the portfolio board who decide. When you give the senior managers their rightful place in portfolio management, the problem will be solved automatically. That's why the team structure of P5.express is what you've seen.

① Why portfolio management?

② Process overview

③ Roles overview

④ 6-Monthly Cycle

⑤ Monthly Cycle

⑥ Daily Cycle

⑦ Range of use

① Why portfolio management?

② Process overview

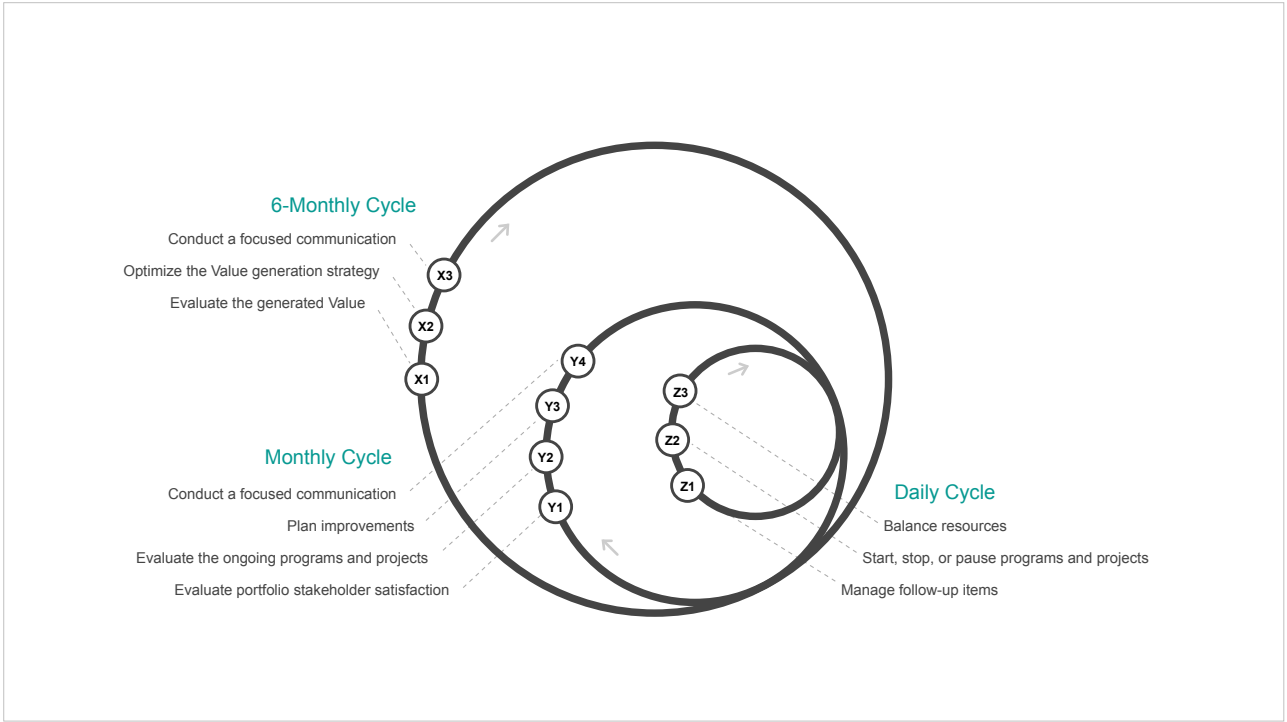
③ Roles overview

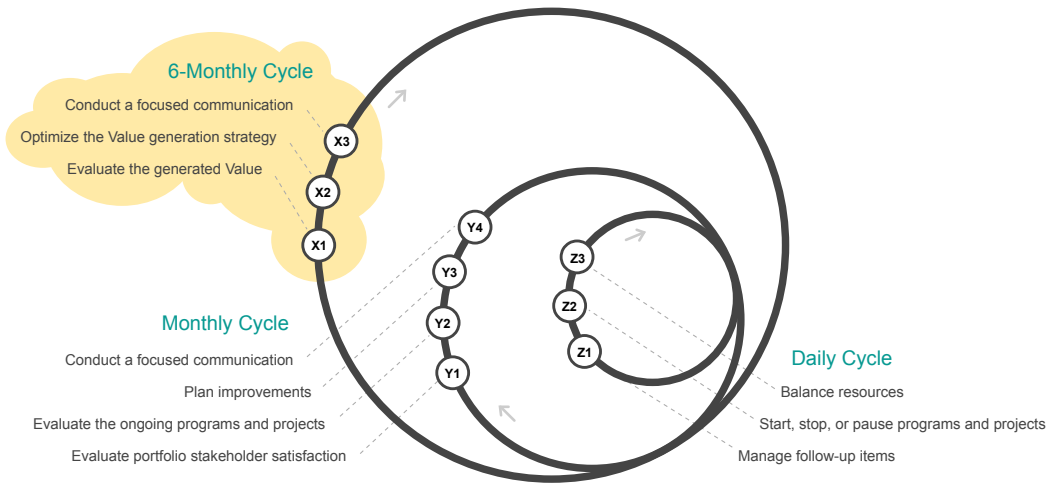
④ 6-Monthly Cycle

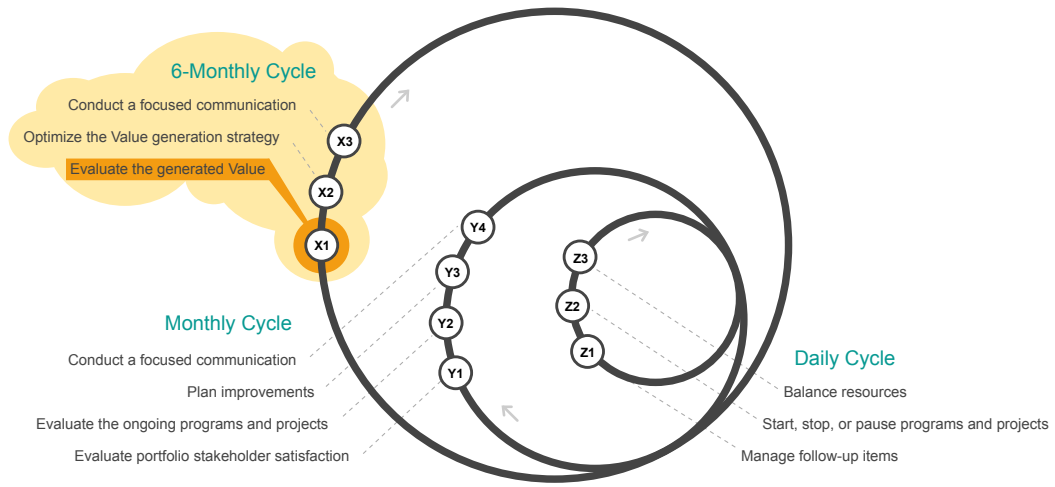
⑤ Monthly Cycle

⑥ Daily Cycle

⑦ Range of use





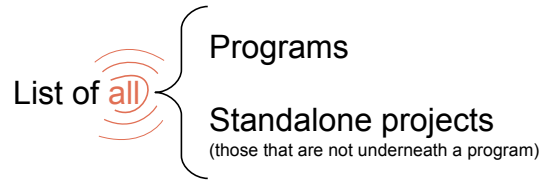


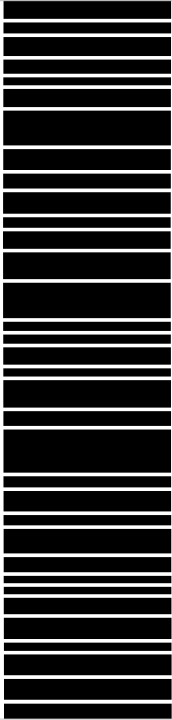
Value Generation Matrix

The Value Generation Matrix is the most important document/artifact in P5.express.

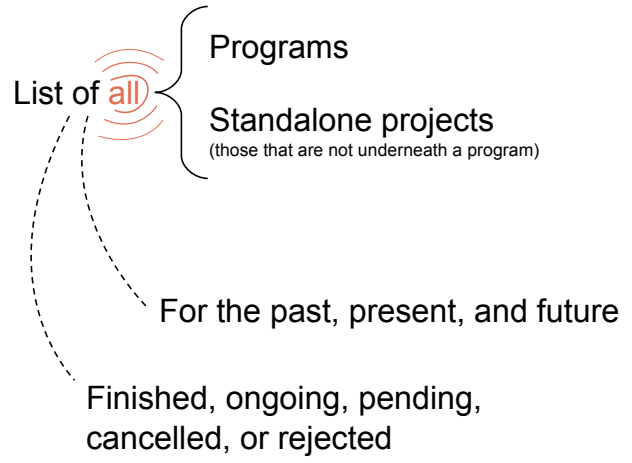
Note that when the topic is about one of the activities and the process diagram is not shown, the activity code is shown on the top-left corner.

Value Generation Matrix





Value Generation Matrix



What are the advantages and disadvantages of making it mandatory for all programs and standalone projects to be in the portfolio instead of allowing departments to manage certain programs and projects **independently?**

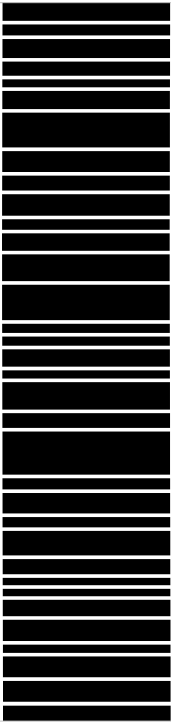


Some resources accept the idea of having what they call a “standalone project” or a “standalone program” as one that’s not part of any portfolio. First, note that we don’t have “standalone programs” in P5.express, and what we call standalone projects are those that are not part of a program and are controlled in the portfolio.

The problem with allowing some programs and projects to be outside the portfolio is that the portfolio management system won’t have full control over the investments, and there may be some inconsistencies and reworks across the organization. Also, some executives may play with the rules so that they can bring their pet projects out of the portfolio and have full autonomy over them. These are the problems we avoid by making such initiatives forbidden.

The disadvantage of not allowing any program or standalone project to be outside the portfolio is that it increases the number of items in the portfolio, especially the smaller ones that won’t be in there otherwise. The P5.express solution, which we will see a little further, is that it encourages merging smaller items into programs when possible.

X1



older
newer
older
newer
More valuable
Less valuable
newer
older
newer
older

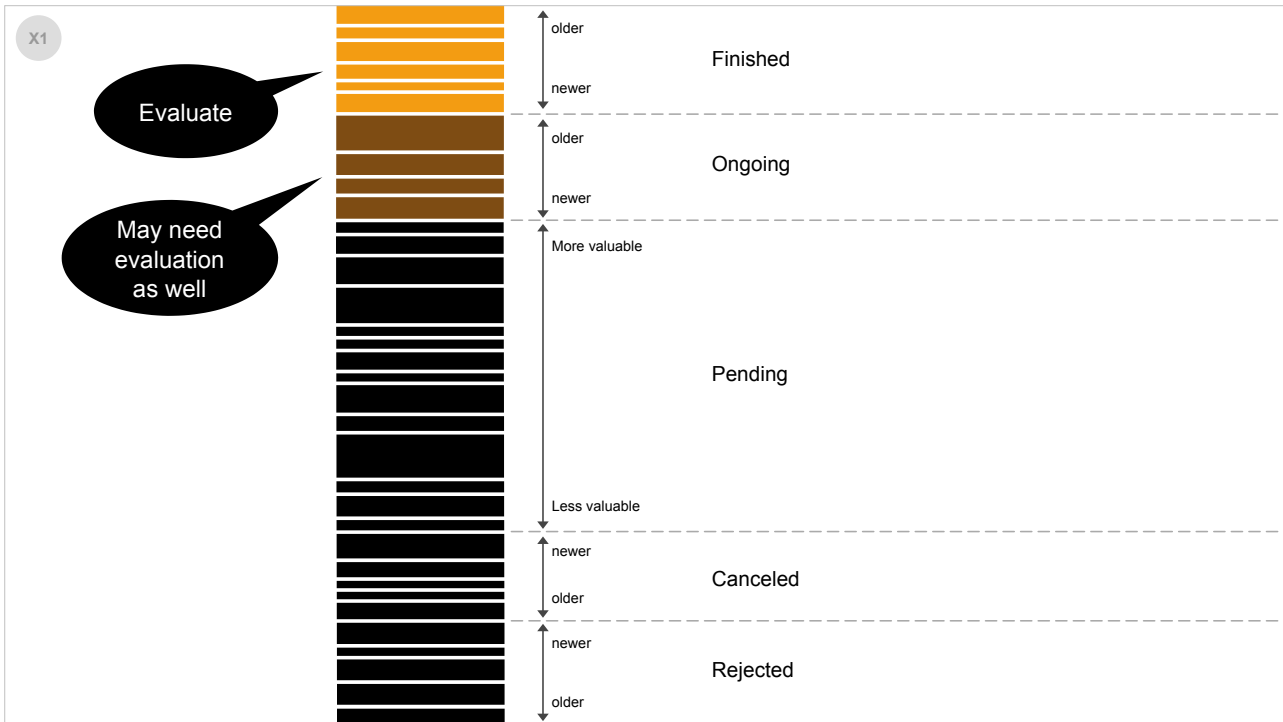
Finished

Ongoing

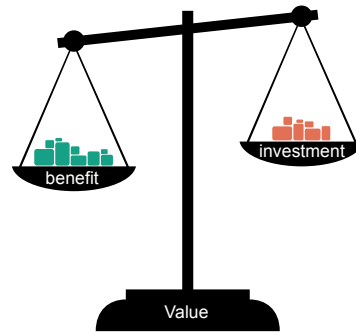
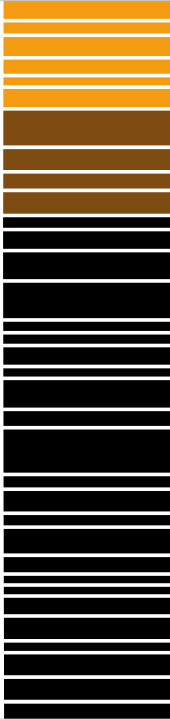
Pending

Canceled

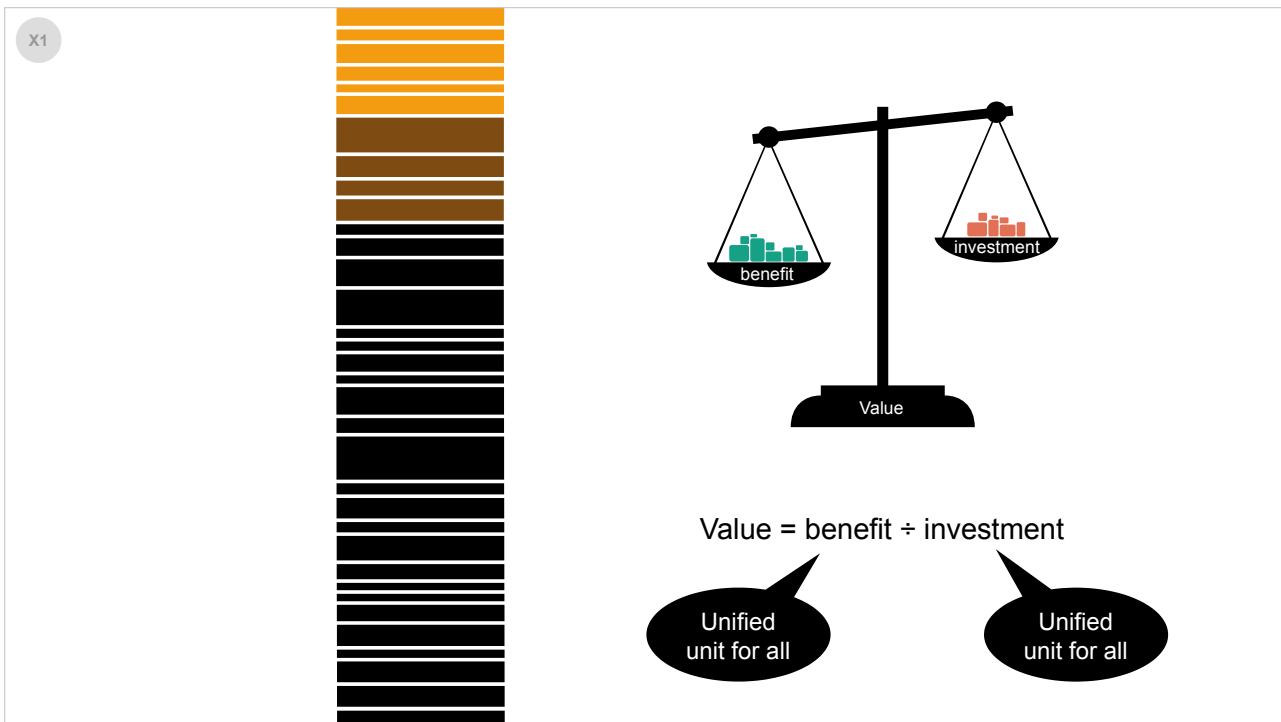
Rejected



So, the evaluation we talked about would be presented like this on the matrix. The finished items need evaluation, unless they are too old and you've excluded them from the process because all their potential is realized. For the ongoing projects and programs, it depends on their production method and operations. In many cases, they won't generate benefits until you finish them, but there are cases, such as IT projects developed in an adaptive (Agile) way and put into production as the project is ongoing, where some benefits are realized even before finishing them.



$$\text{Value} = \text{benefit} \div \text{investment}$$



What we want to measure is Value (note that we capitalize Value to differentiate it from its day-to-day use).

Many resources talk about Value, especially in the last 15 years. However, most of them don't define it and sometimes use it in different ways that imply two incompatible definitions in a single resource. So, here we can see a clear definition. This is not the only acceptable definition for Value, but probably the most straightforward one. Other systems may have other well-formed definitions of Value, but the differing definition may require more complicated processes.

So, to evaluate Value, we must evaluate the benefits (the part actualized by now and our adjusted estimate of the future benefit) and compare it with the investment we've put into the project. To do that properly, these two must have the same unit of measure. In theory, it's possible to have one unified unit for measuring all forms of benefit and a second unified unit for measuring all forms of investment, and that would work well in P5.express. However, it's better to have one unified unit of measurement for all forms and benefit and investment (instead of two).

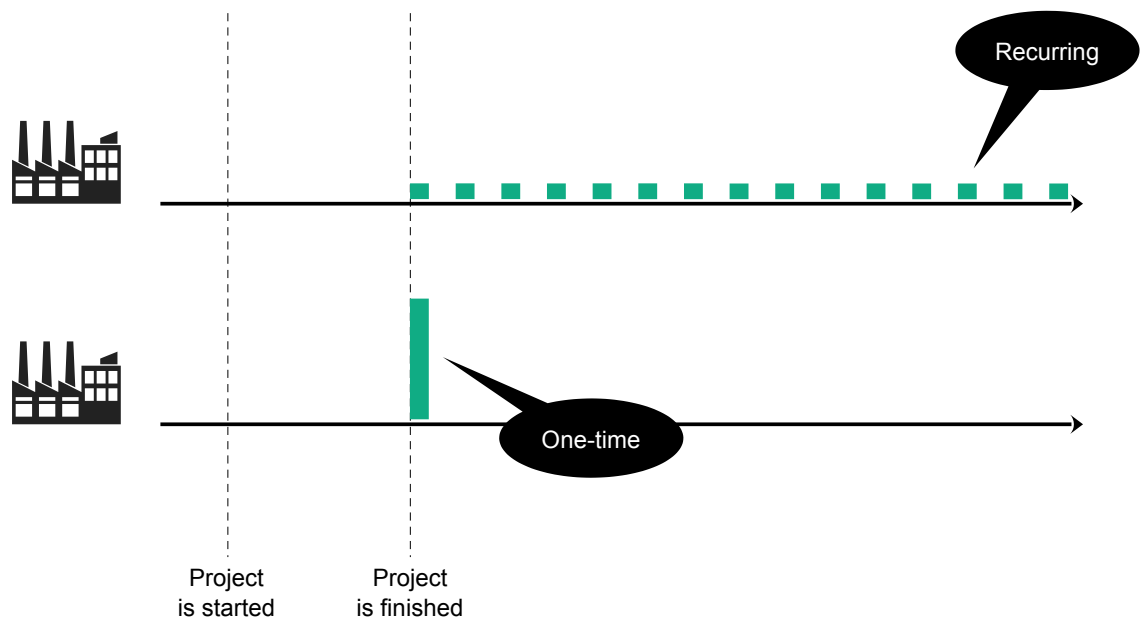
Benefit

according to your organization



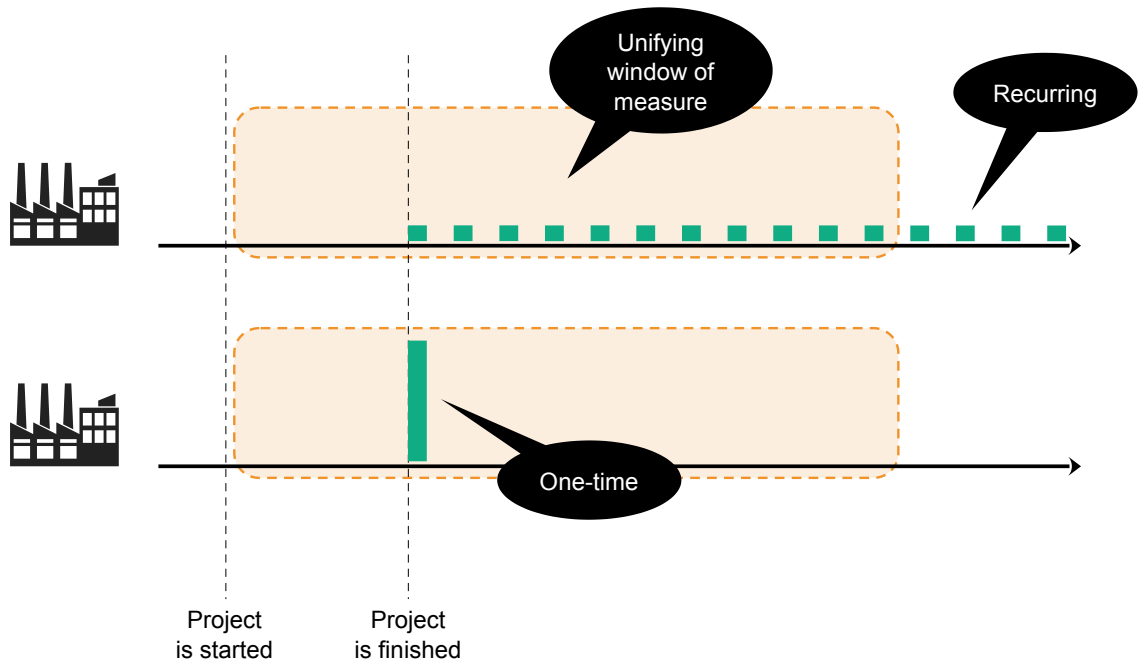
Money

So, starting with benefits. The most common form of benefit is money.



But even money, which is probably the simplest form of benefit, is not as easy to measure as some may think. For example, some programs and projects have a one-time monetary benefit when they are done (e.g., the money you get from the client), while some have a recurring monetary benefit (e.g., a service you set up for yourself and keep selling to customers).

These are two different types of “money” that can’t be compared directly, whereas we must have a single, unified unit of measure so that we can compare projects’ benefits with each other.



The solution to the last problem is to consider a window of measure and use that to convert all monetary benefits into a single value.

You may have many questions right now... so, let's have an exercise to answer them.

	Q1	Q2	Q3	Q4	Q5	Q6	Q7	Q8	Q9	10	11	12
#01	26	22	18	15	13	11	09	08	07	06	05	04
#02	42	--	--	--	--	--	--	--	--	--	--	--
#03	05	05	05	05	05	05	05	05	05	05	05	05
#04	-30	-10	20	50	90	--	--	--	--	--	--	--
#05	50	00	00	40	00	00	30	00	00	20	00	00

Calculate a single number for the benefit of each item above.



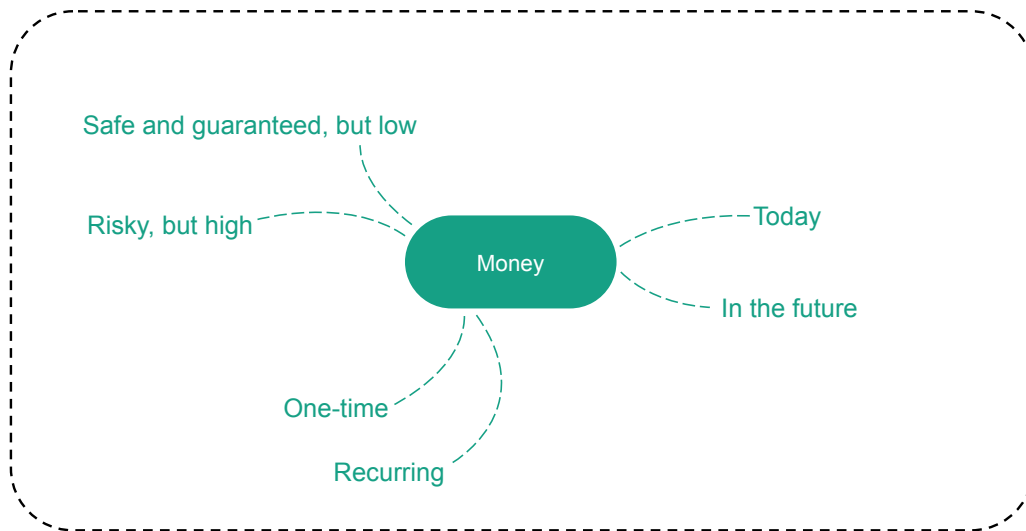
So, there are 5 programs or standalone projects here, numbered #01 to #05. In the other dimension, you can see the number of quarters passed since the program or project started generating benefits. The estimated benefits are measured using a unified unit of measurement. The cells that show "--" are those after the output of the program or project has stopped generating benefits. That differs from "00", as in "00", we expect it to go higher again. Some cells are negative, suggesting that we estimate to lose money (in operations) in those quarters, but we do that because we estimate higher benefits later on.

There are many ways of calculating the numbers; for example, if we use 6-quarter windows:

- #01: 105
- #02: 042
- #03: 030
- #04: 120
- #05: 090

Shorter or longer windows can be justified based on the patterns in these numbers, and using those, the result would be completely different, and if we use them for prioritizing our portfolio, we'll get entirely different results. However, that's part of the game! It's not a completely deterministic system, and there are many approximations everywhere; e.g., the numbers on this table are only educated guesses (in the best case). So, for engineers in your audience who might be very disturbed now, explain that the portfolio board should use their knowledge and experience, as well as deep knowledge of the organization, to select the best calculation window and adjust it later if it doesn't seem very good.

Benefit according to your organization

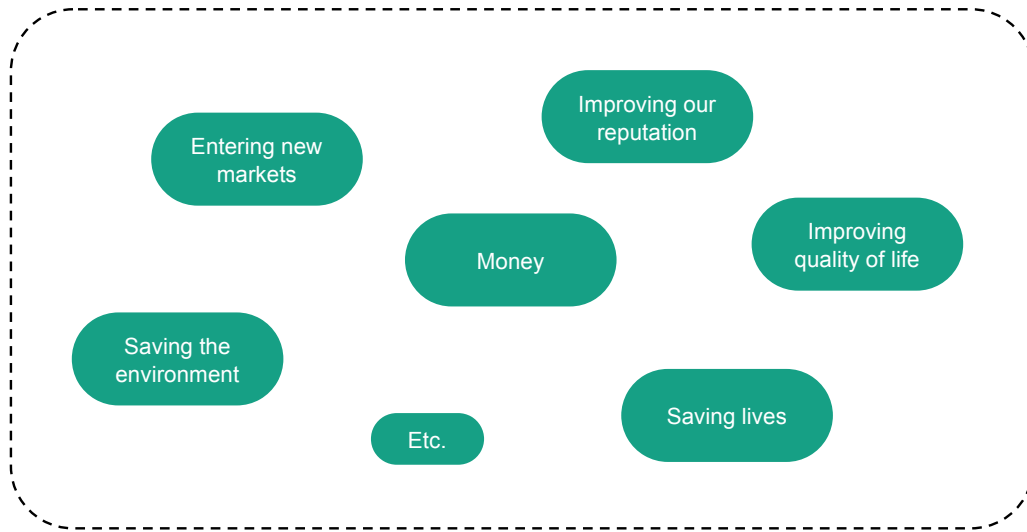


We talked about one of the difficulties in measuring monetary benefits: unifying one-time and recurring profits. There are more problems... for example, how would you compare today's money with the potential for earning money in the future? How would you compare an estimated profit that's high-risk with a low-risk one?

There are many of these, and there are various techniques for coping with them, and many of those techniques are industry-specific. That makes it difficult to discuss in a general resource like P5.express, and we'll focus on the general, methodological aspects here.

Benefit

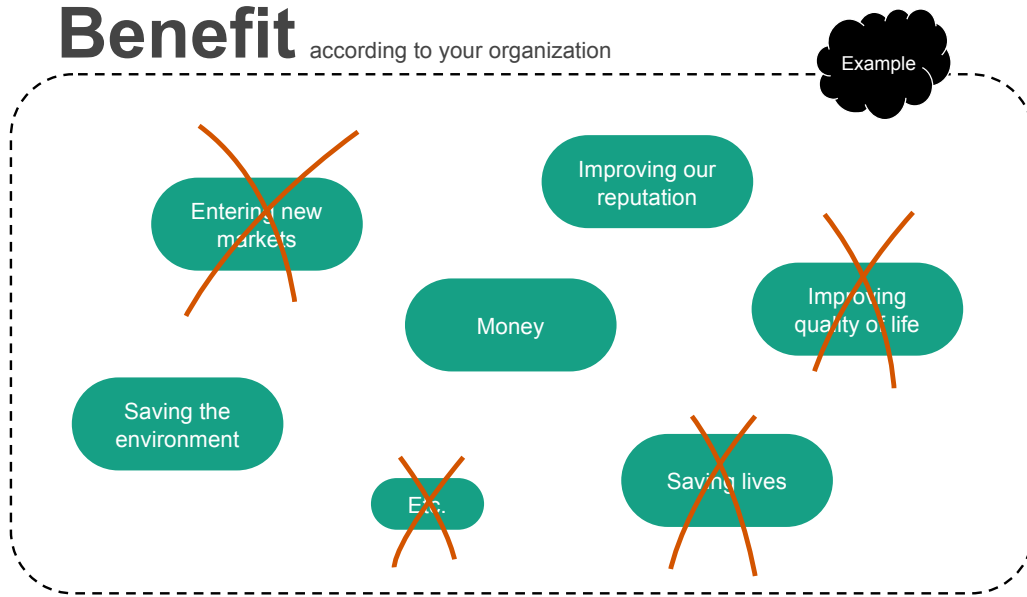
according to your organization



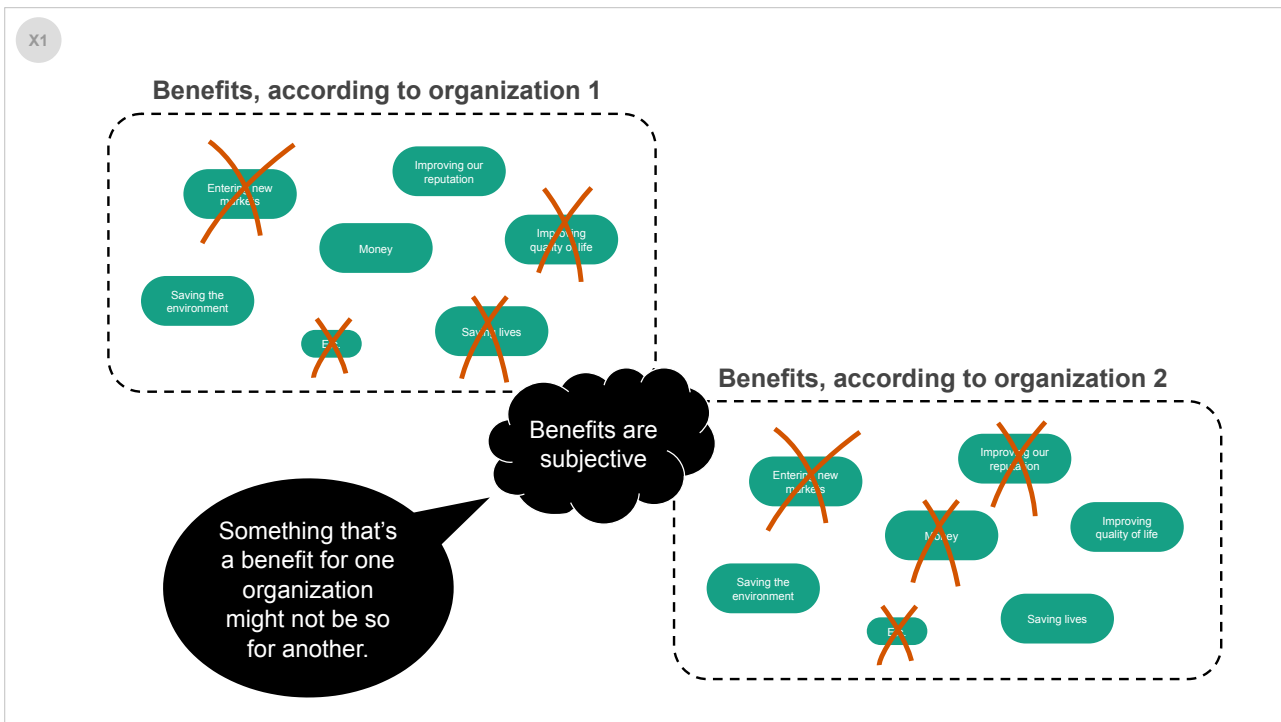
Besides the fact that money is a complicated concept for measuring benefits, we also have this difficulty: money is not the only thing sometimes, or sometimes it's not even a benefit in some organizations.

Benefit

according to your organization



Each organization has one or more types of benefits, and that completely depends on the vision and mission of the company.

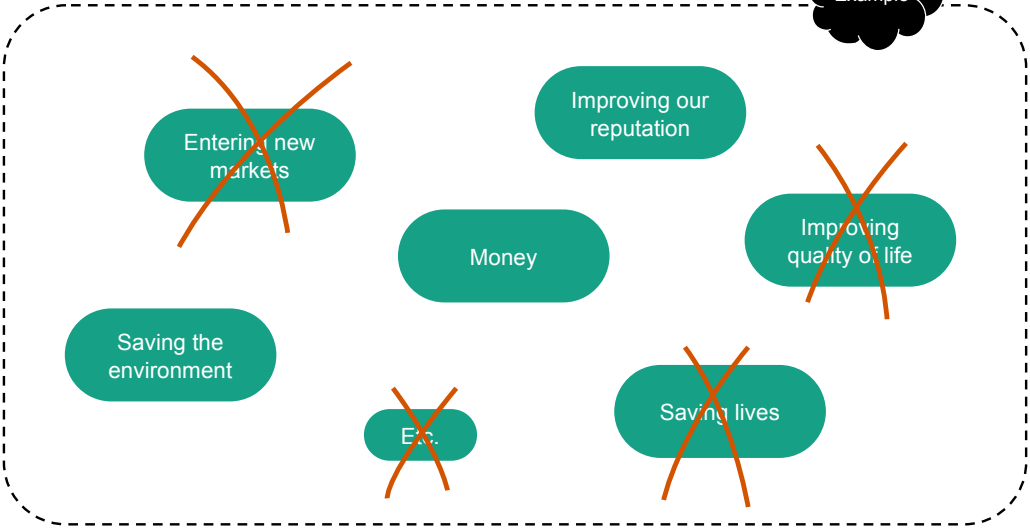
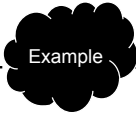


We say that benefits (and Value) are “subjective”, meaning that what might be a benefit for one organization might not be a benefit for another. That makes it clear how important it is to define what’s a benefit for your organization.

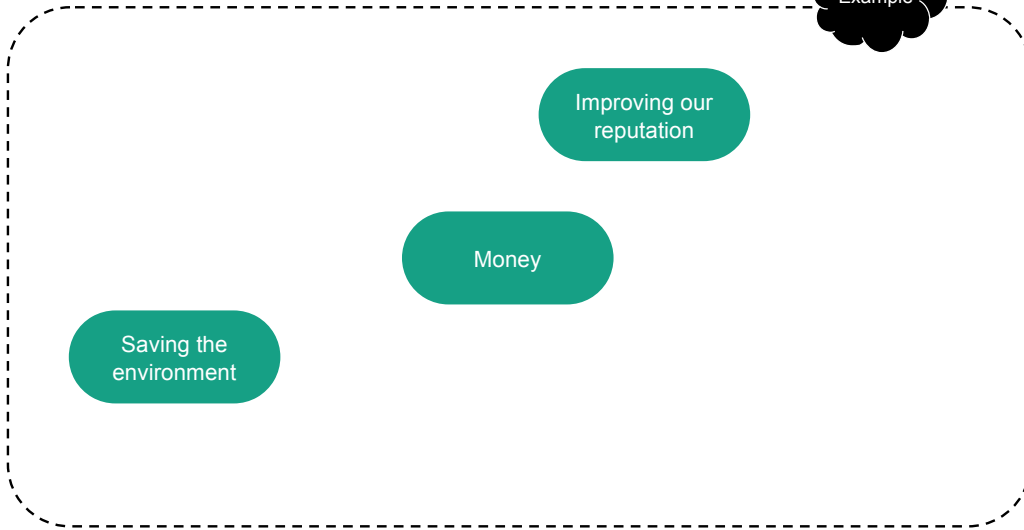
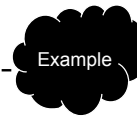
Some of your candidates may be thinking something like this: “saving lives” is not our goal or benefit, but we won’t say no to it if we can! How would that work?

The answer is simple: Would you ask yourselves, “Have we saved enough lives recently, or should we invest more in saving lives in the next cycle?” If the answer is positive, it’s one of your benefits, and otherwise, it’s not what we call a benefit in this context.

Benefit according to your organization

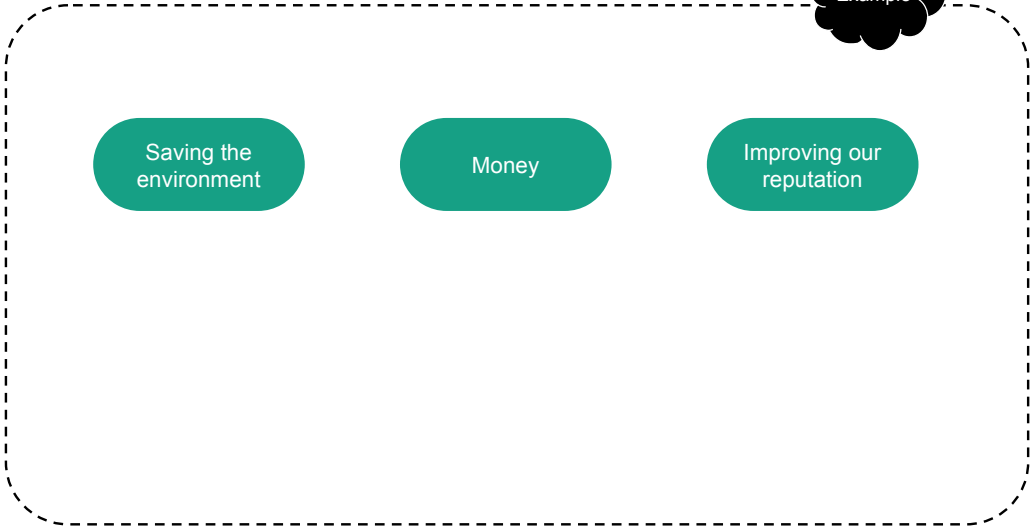


Benefit according to your organization



So, let's say these are the benefits in your organization.

Benefit according to your organization



Benefit

according to your organization

Example

Saving the environment

Money

Improving our reputation



Money is measured with a unit of currency, e.g., euros.

Benefit

according to your organization

Example

Saving the environment

Money

Improving our reputation

↓
2026 € equivalent

However, €100 of 2016 is much more than €100 of 2026. So, while these two seem to have the same unit, they are using two different units; one is 2016 euros, and the other is 2026 euros. Because portfolios deal with very long time frames, you should always convert the money into a certain year and use that, regardless of how low inflation of that currency might be. Some people may know this concept as NPV (Net Present Value).

Benefit

according to your organization

Example

Saving the environment



trees equivalent

Money



2026 € equivalent

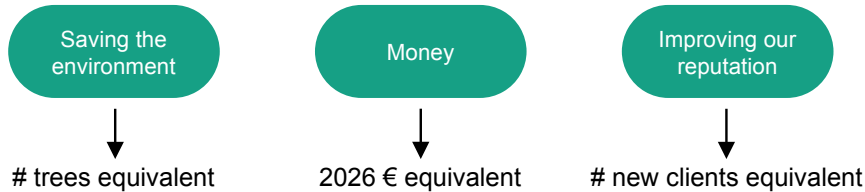
Improving our reputation

For a benefit like “saving the environment”, your unit can be “the number of trees”, as in the number of trees planted or saved.

Benefit

according to your organization

Example



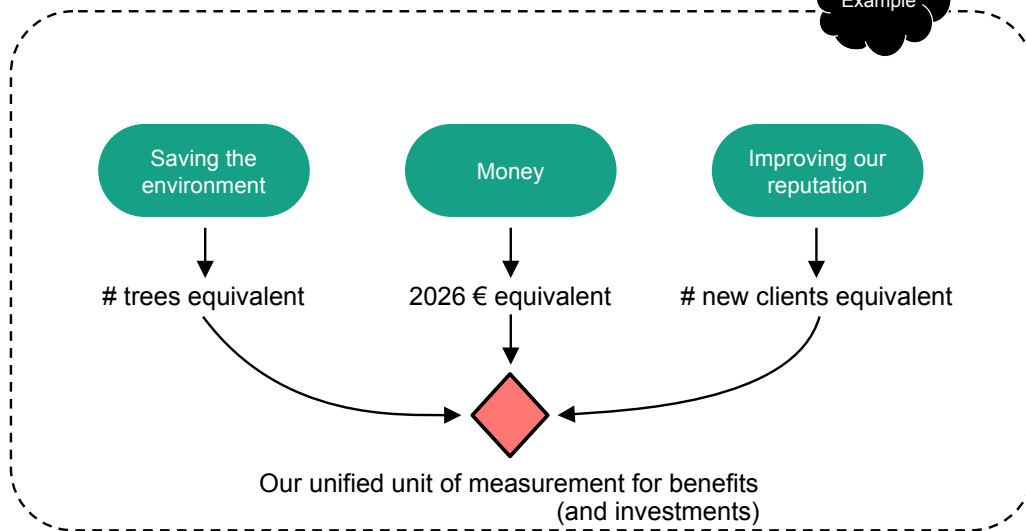
For a benefit like “improving our reputation”, the unit of measure can be “the number of new clients” you get. However, sometimes the improvement in your reputation may help you in ways other than getting new clients, for example, having more projects from the existing clients. In that case, you can equate it to a number of new clients. That’s what it means to have a unified unit of measure.

These conversions may look very complicated, but the reality is that... well, they are really complicated. The only thing is that all “calculations” must have an appropriate level of precision appropriate to their context. In this context, we can’t be precise no matter how complicated our calculations are; so, the best way is to keep them simple and reliable.

Benefit

according to your organization

Example



It becomes more interesting because on top of the fact that you should unify the benefits of the same type (e.g., money), you also have to convert and combine different types of benefits and turn them into a single, unified number.

The same unit should be usable for investments as well.

Let's get into more details about it in the next exercise.

An organization is focused on saving children's lives. They want to use “number of children saved” as the unified unit of measure for both benefits and investments. How would you use such a unit for investments, which is the money donated by financial sponsors?

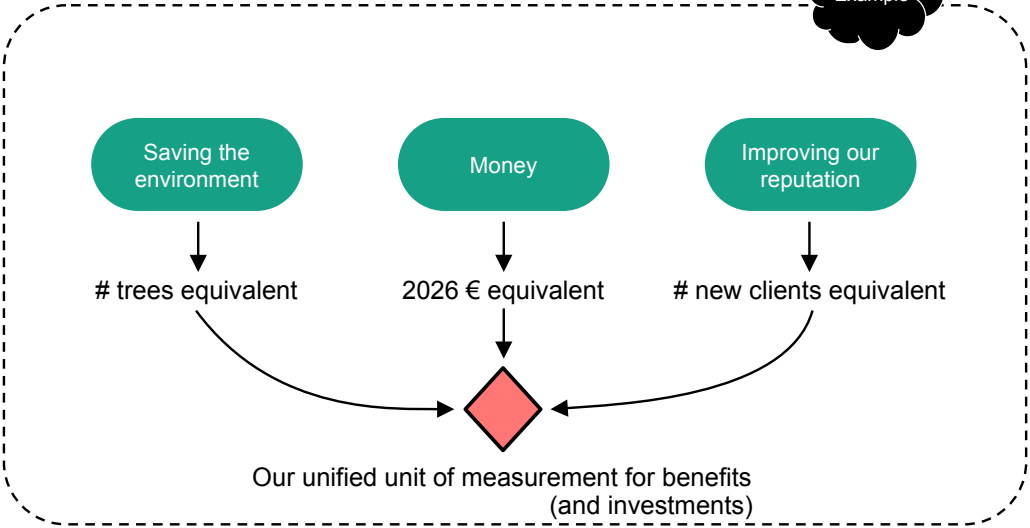
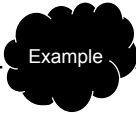


So, to measure benefits, we can count the number of children who actually died and estimate how many of them would have died if we hadn't done anything. The difference is the number of children's lives we've saved. It's not a completely deterministic calculation, but it can be reliable enough to direct our efforts. Remember that if you think that your measurements are completely objective and deterministic, it's only because their indeterministic nature is shifted somewhere out of your reach!

For the investment, we have, for example, 500k units of currency coming from donations of individuals and companies. We can convert that into children's lives saved in many ways; for example, there are meta-charity organizations that receive donations and distribute them among charities. They publish reports on how much money it took their collective of charities to achieve any goal, such as saving children's lives. If, for example, the report says that they could save a child with each 5k donation, you can use that for your conversions: Your current budget is 100 lives. If you can invest it in one or more programs and projects and earn 150 lives, you've done a great job. However, if you see that you've invested 100 and saved only 50 lives, maybe you should donate your money to that meta-charity instead of investing it yourself.

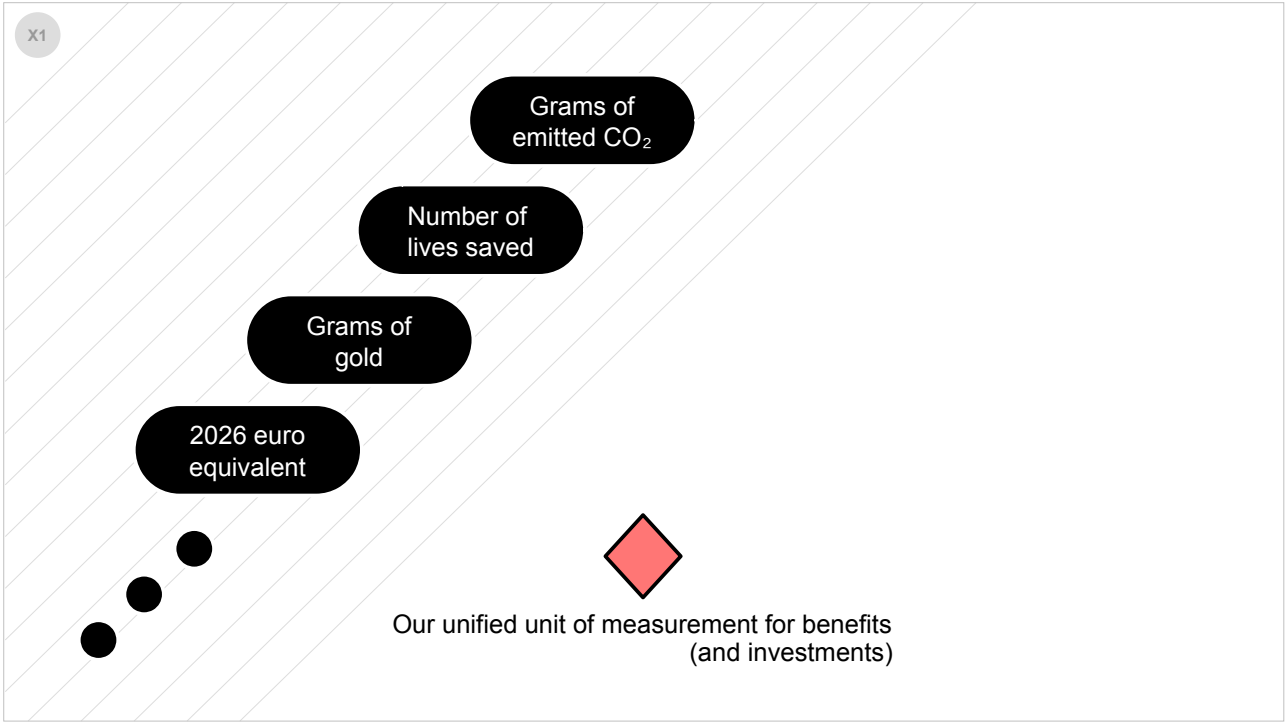
What we did above is “absolute justification”, which we'll talk about later. Feel free to mention the term without explaining it too much so that they are prepared to learn more about it later on.

Benefit according to your organization

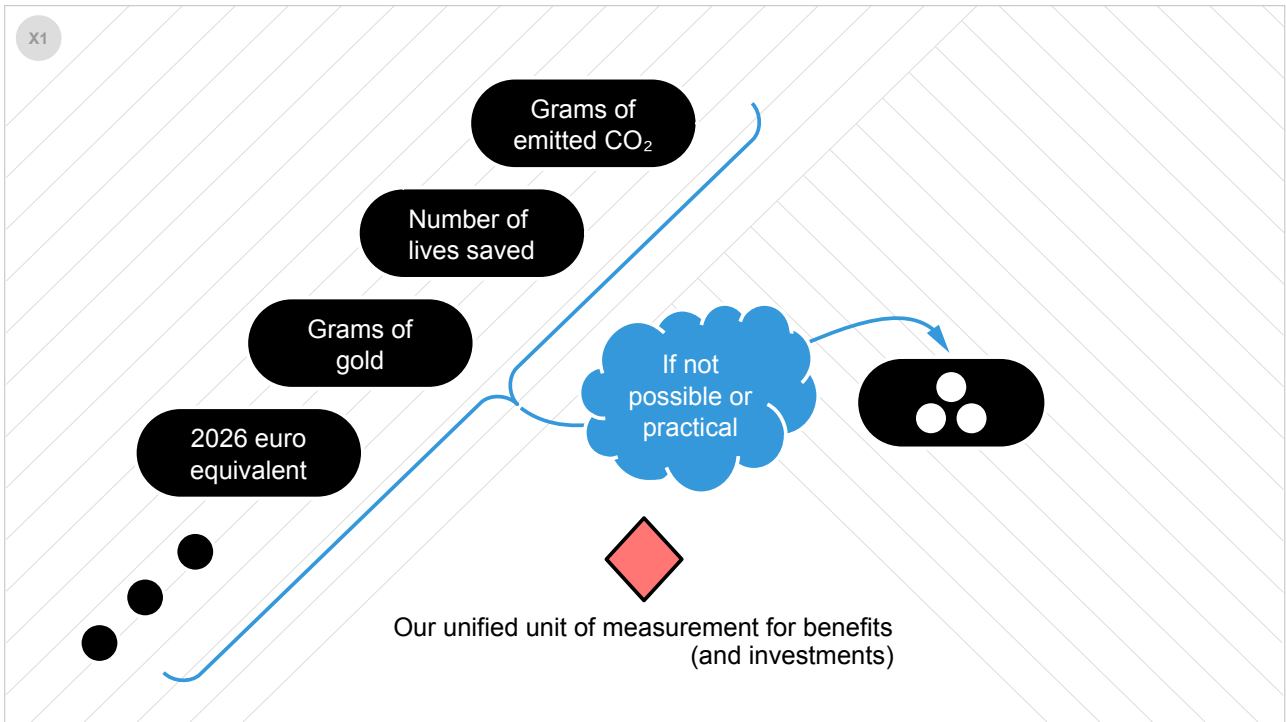




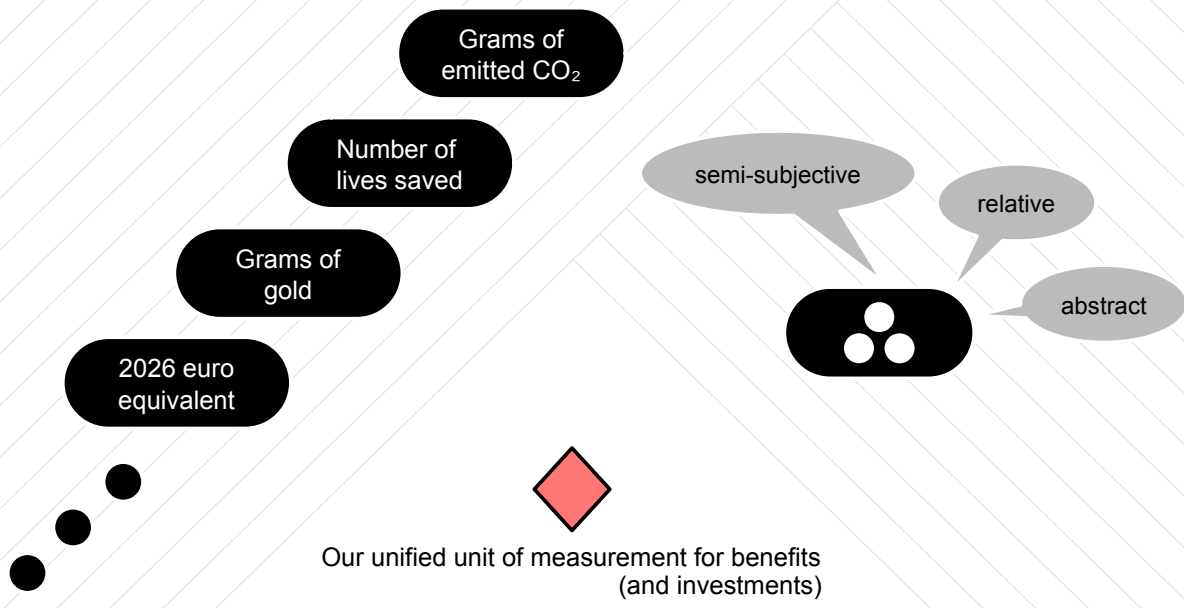
Our unified unit of measurement for benefits
(and investments)

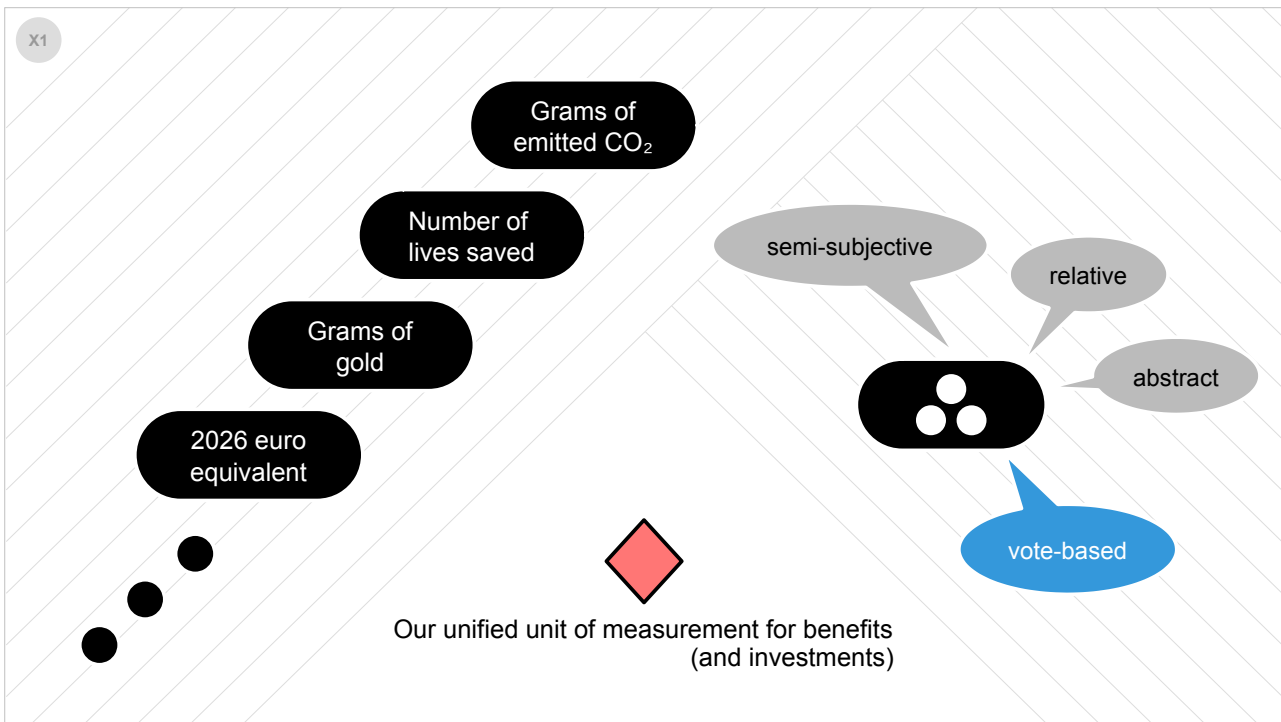


These are examples of different unified units of measure we can have for benefits and investments.



However, sometimes, it's not possible or practical to use any of those units because our subject is too undeterministic. In such cases, forcing ourselves to use such units might add too much effort without any real return. When so, we can use an abstract, relative, semi-subjective unit of measure.





Such a unit would work based on voting rather than normal estimation. The voting process can be similar to “Planning Poker®”. We can exercise it in the next example.

Vision: We envision a future in which everyone eats healthy food.

#01: Campaign to make the nutrition chart larger

#02: Campaign to standardize the location of the nutrition chart

#03: Campaign to force supermarkets to sort similar products based on their nutrition chart

#04: Mobile app to help find more nutritious groceries

#05: Campaign to force restaurants to publish nutrition data

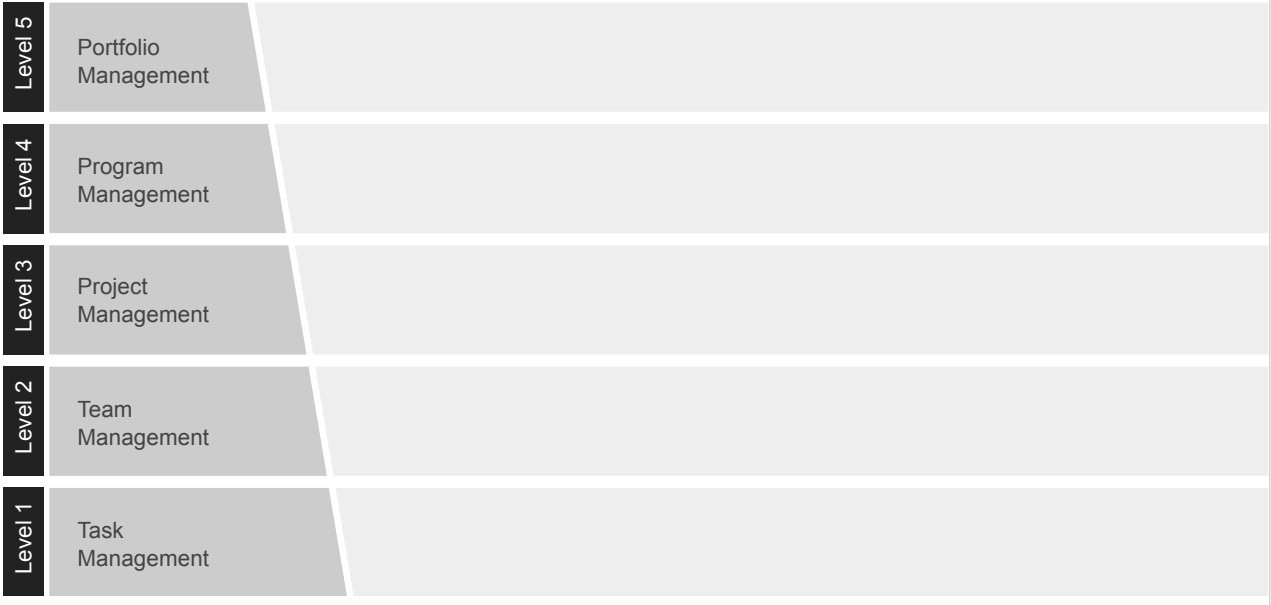
Estimate benefits of these projects.



This exercise is different: you will facilitate a mini-workshop for your audience to estimate benefits of these projects using abstract, relative, semi-subjective units.

1. Ask them to take #01 as the definition of 10 units of benefit.
2. Ask them to think about the amount of benefits for #02 if #01 is 10 units.
3. Ask them to vote.
4. If the values are in the same range, take the average as the estimated benefits. If not, ask them to discuss why they think it's more or less beneficial and then vote again. Explain that they don't have to compromise and give similar numbers, but it's best to give the value they believe in. Don't have more than one round of discussion per project, and take the average on the second vote maximum.
5. Go to the next project.

Note that some people may start thinking about Value (benefits ÷ investment) instead of benefits and therefore give lower amounts to projects that appear to be harder. Explain that their difficulty will impact our estimate of investment, and we should not double-count it.



X1

Level 5

Portfolio Management

Level 4

Program Management

Level 3

Project Management



Level 2

Team Management

Level 1

Task Management

X1

Level 5

Portfolio Management

Level 4

Program Management

Results

Level 3

Project Management

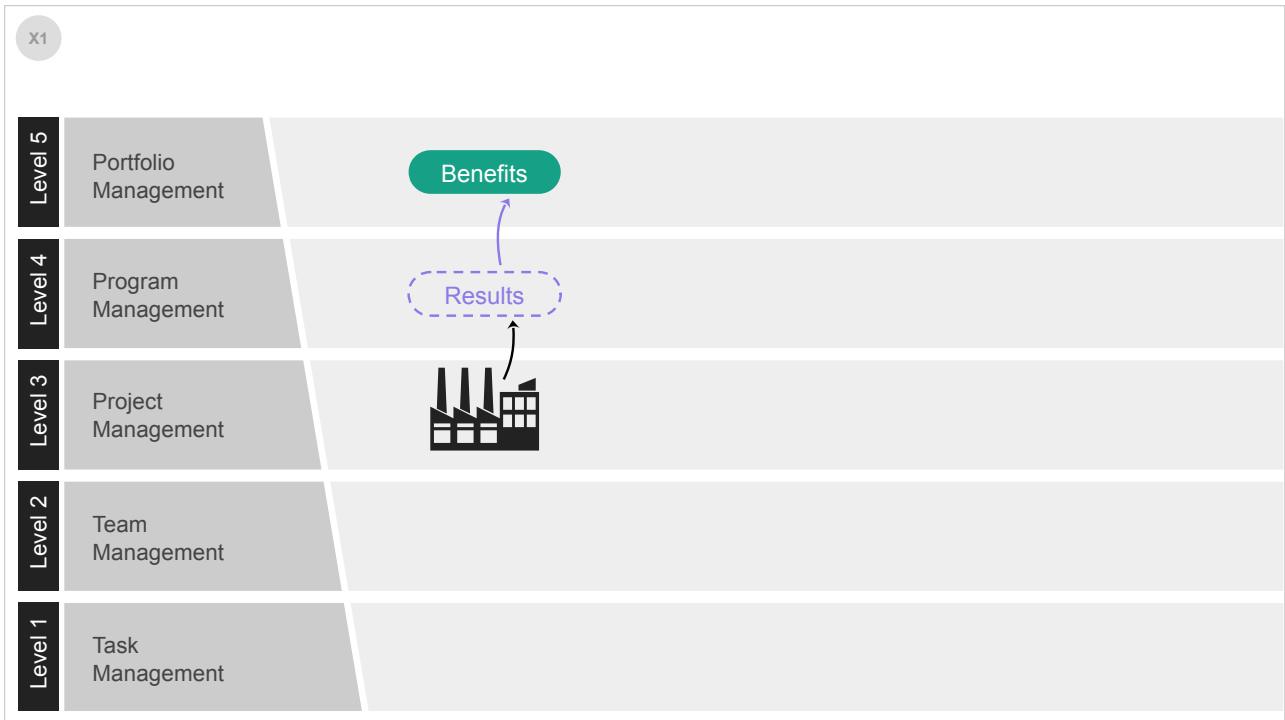


Level 2

Team Management

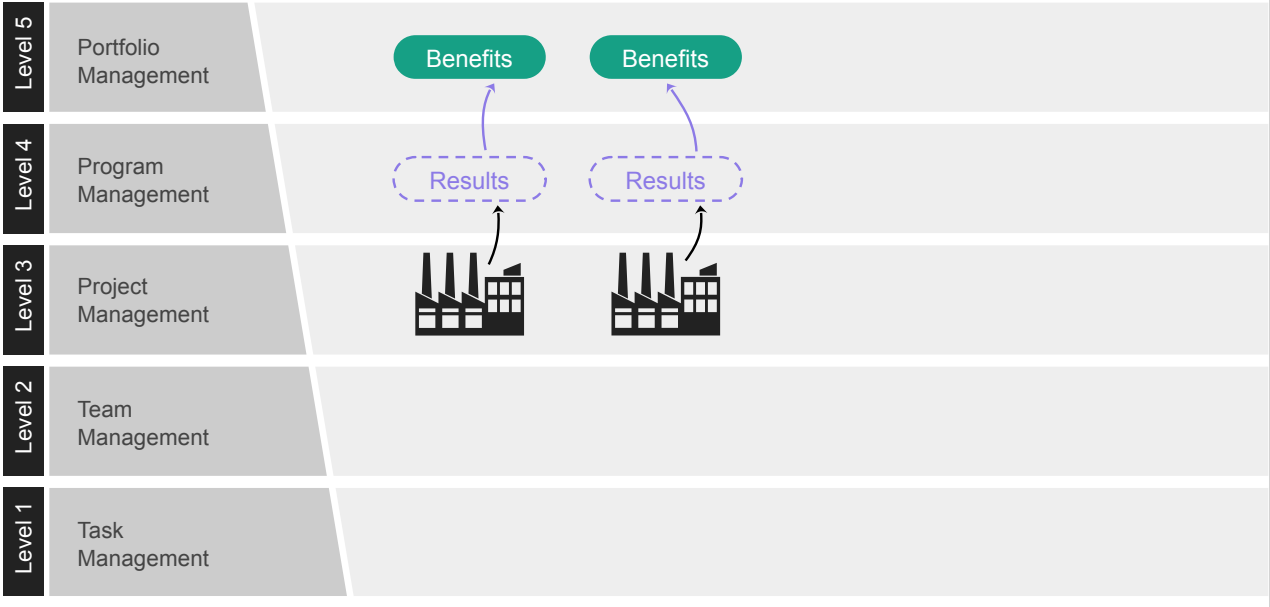
Level 1

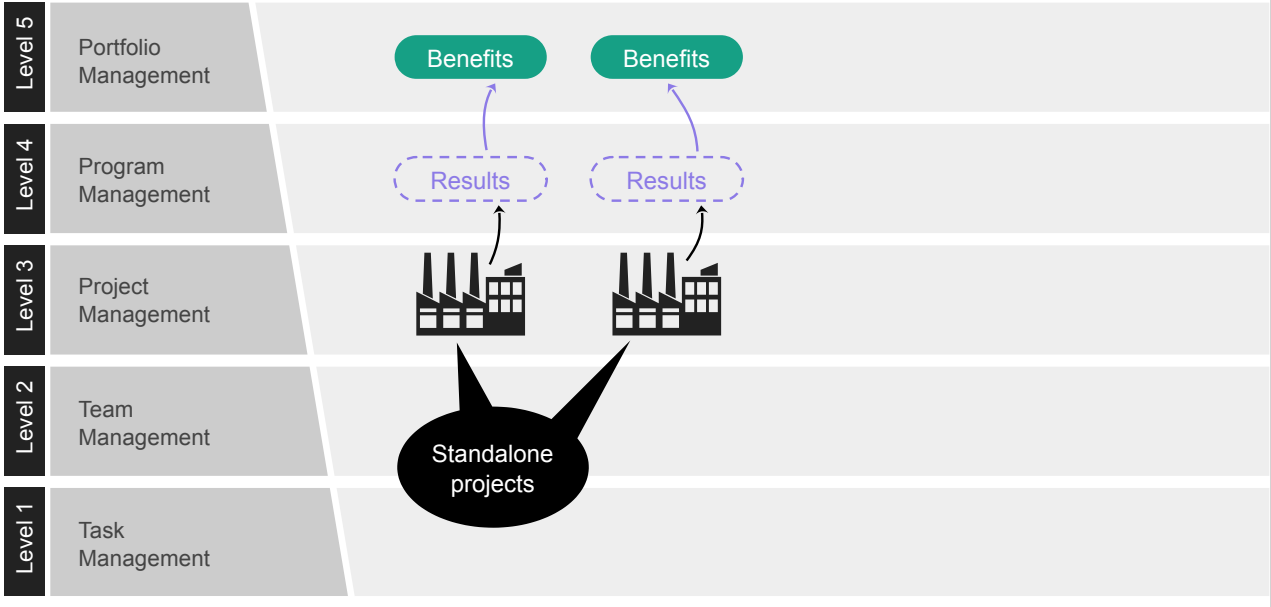
Task Management

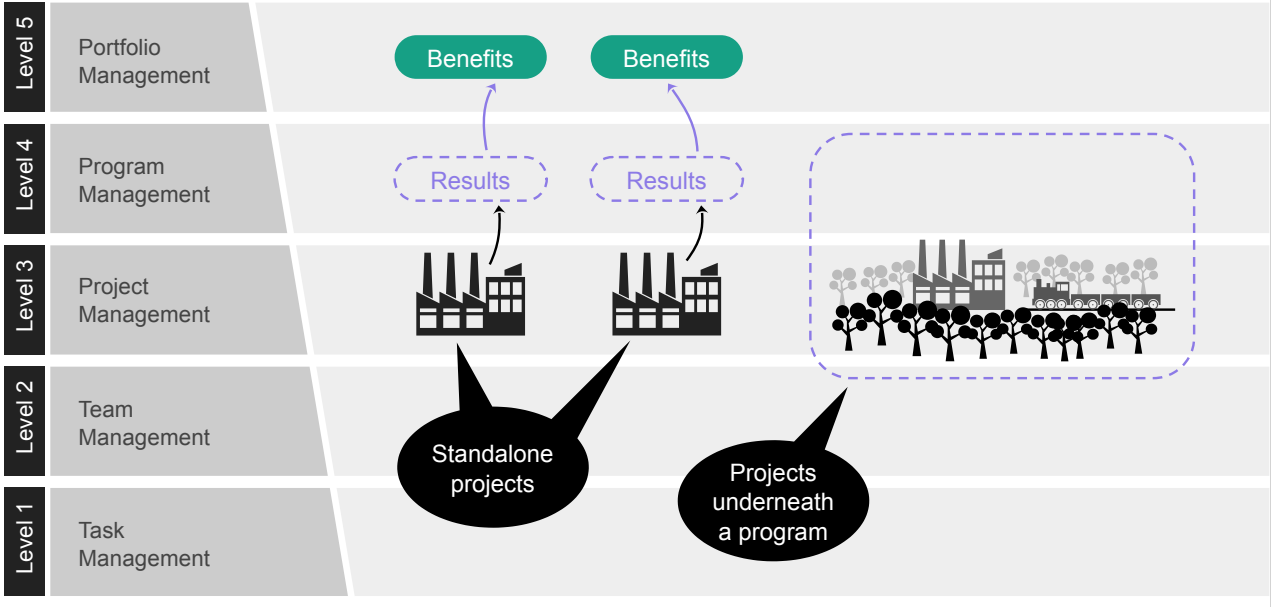


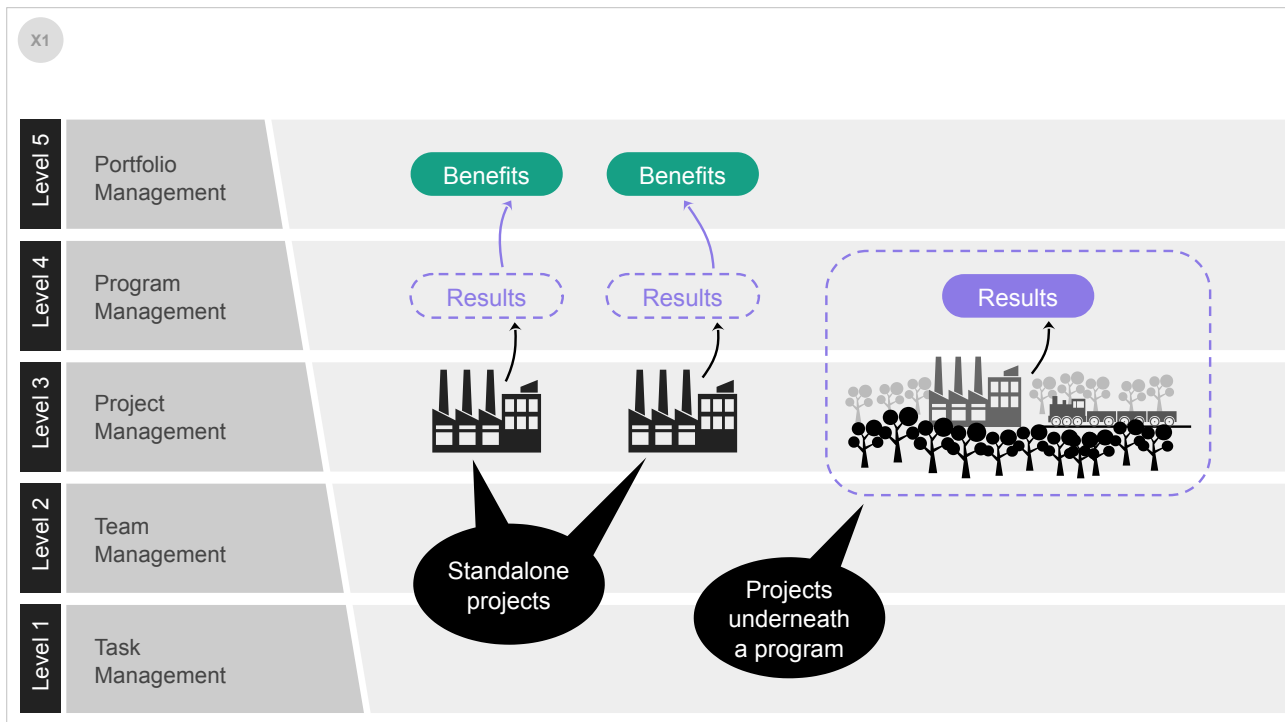
This is the classic concept:

output (product) → outcome (result) → benefits (value)



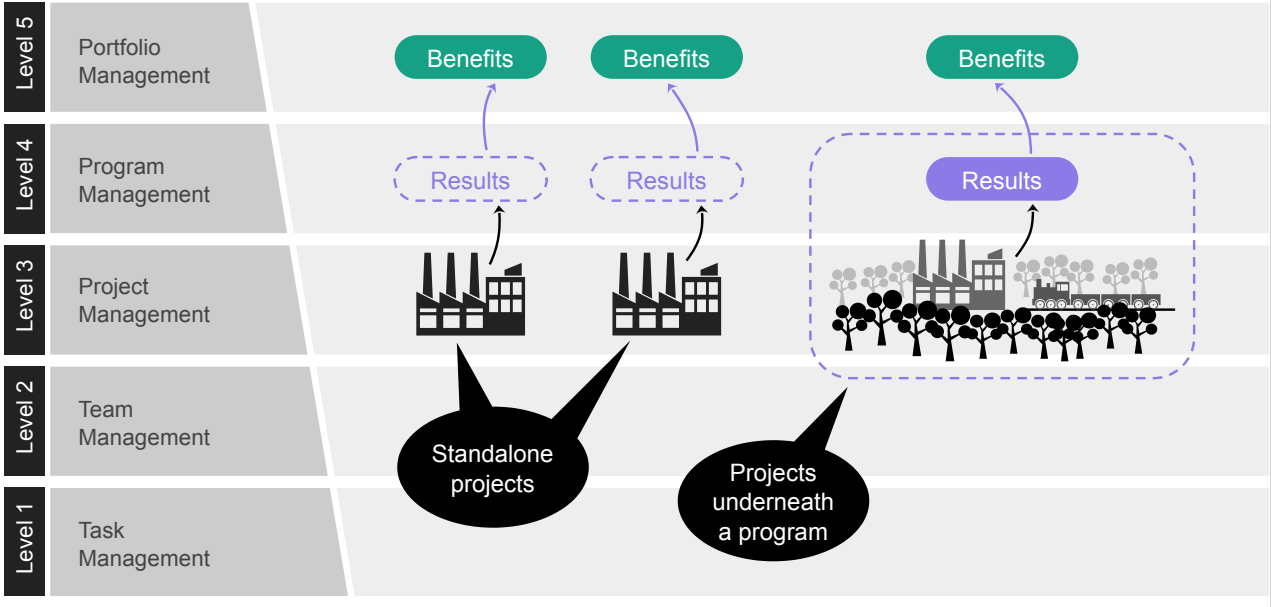


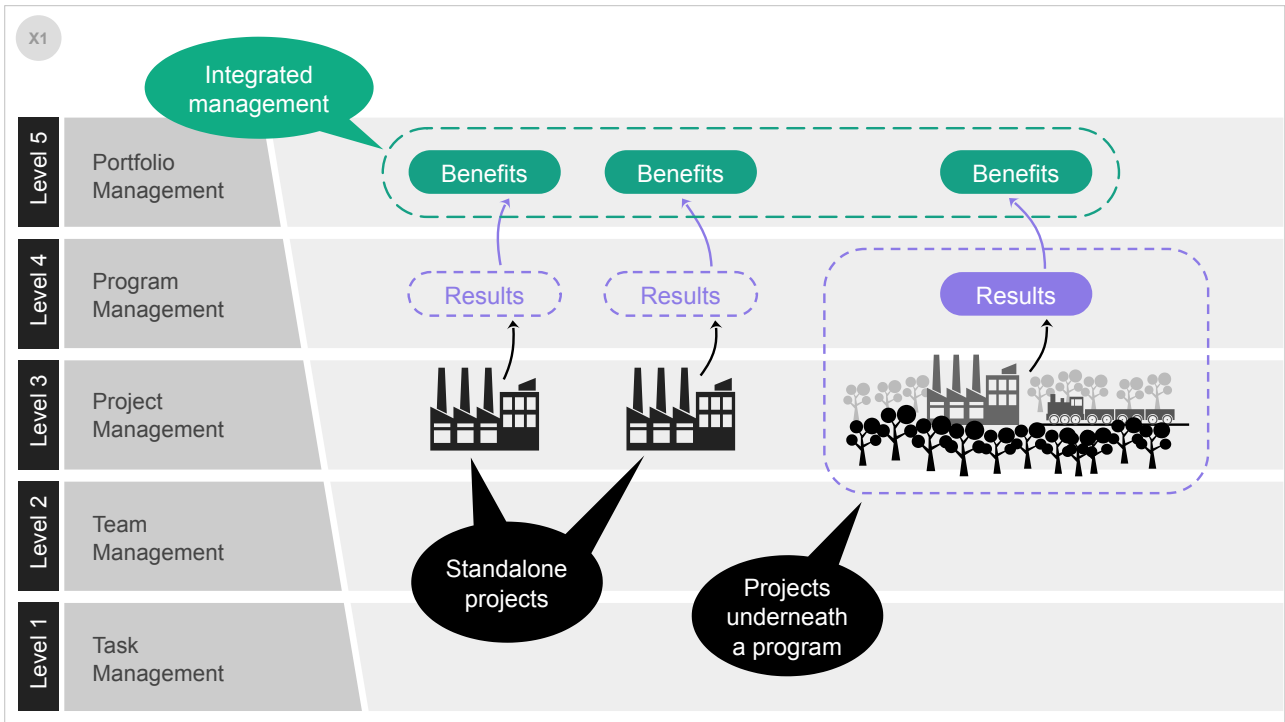




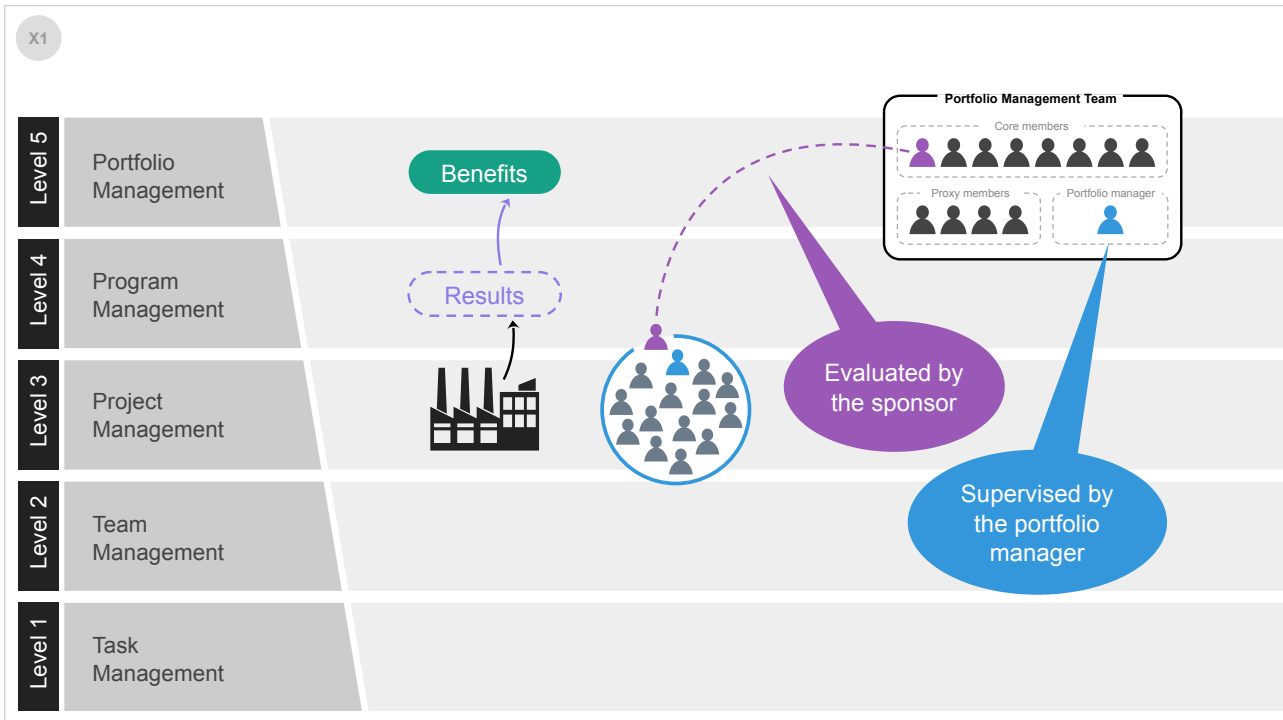
There's a difference between the way results (outcomes) are managed in standalone projects and those underneath a program; the latter has a structured management system for results, while the former has a basic form of it embedded into other layers. We might be able to argue that there's always a program, but in some cases, nearly all of the program is delivered by a single project, and those are cases where we don't consider a program and see it as a standalone project. The fact that there's a single, major project makes the implied program management a lot easier. However, when possible, it might be a good idea to recognize the program because that's a good way of identifying the complementary projects needed to make the major project make sense and have proper "change management".

Regardless, that's the reason for showing the "results" in two different styles when there's a program and when there's not.



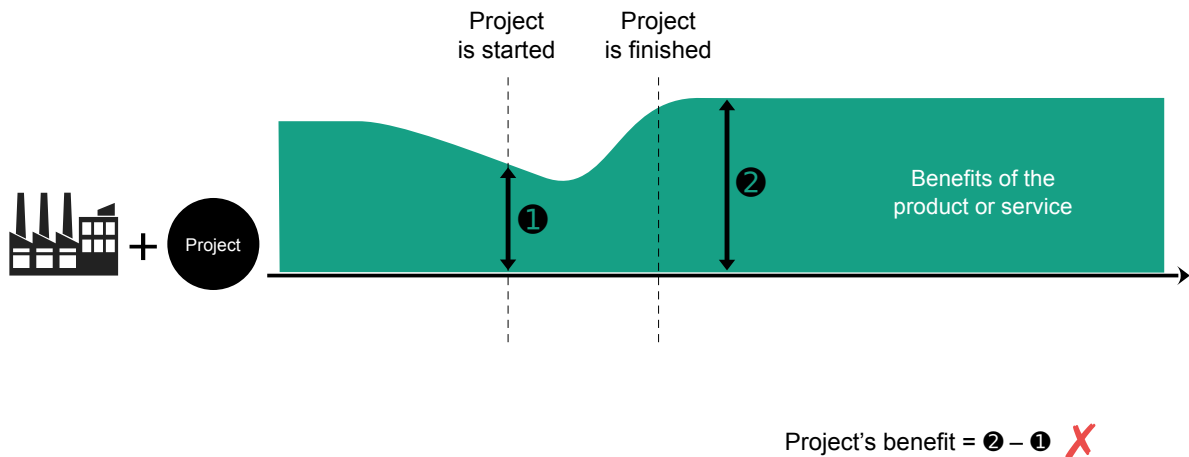


It's important to emphasize that portfolio management is not limited to measuring the benefits of individual programs and standalone projects but about an "integrated" effort that measures everything together, considering their impact on each other.



For this activity, it's the sponsor of each program or standalone project who measures its benefits. In many cases, more than one program or project should be evaluated together, in which case, their sponsors do it together. This is especially the case when those programs and projects were for a single product or service (explained a little further).

Regardless, the portfolio manager supervises everything to make sure the measurements are done correctly.



Imagine that there's an existing product that's generating benefits for us. At some point, we realize that it's declining, and we can think of a change that would improve that. That change will be delivered by a project.

A common mistake in evaluating the benefits of such a project is to take it as $2-1$ in the diagram above; i.e., see how much the benefits are increased after the project compared to before the project. This is not correct because the project is not the only thing that impacts the benefits.

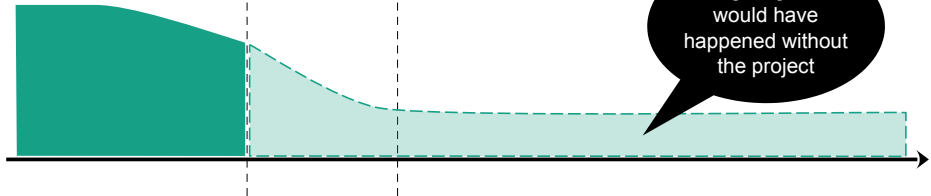
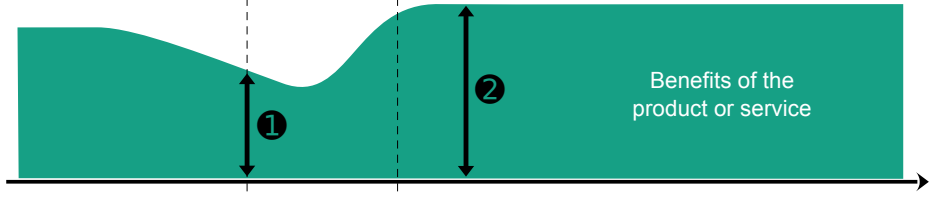


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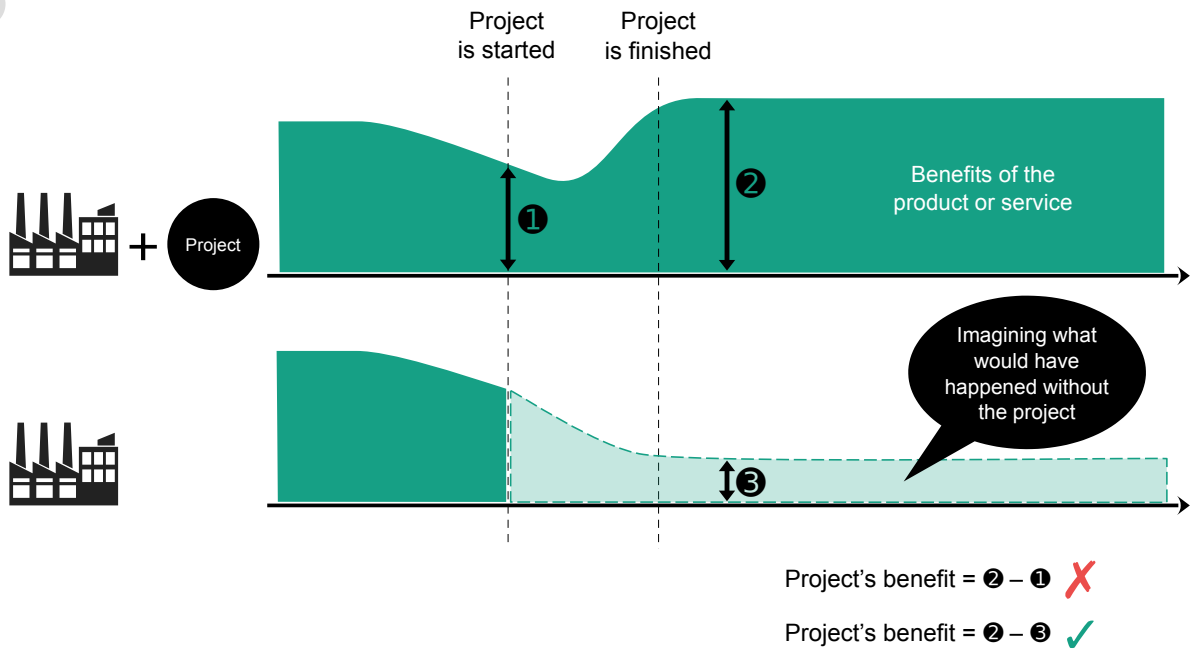
Project

Project is started

Project is finished



Project's benefit = 2 - 1 X



The correct measurement is to “imagine” how the situation would have been without the project and check the difference in benefits between that and the reality.

The next exercise makes it clearer.

Your company has created 3 different subscription-based web applications. One of them, which is responsible for 20% of the company income, generates about 120 units of money every month. A new legislation will take effect soon and based on that, your web app won't be allowed in its current state anymore. If you adjust it, its benefits will become 140 units per month. How much is the benefits of the adjustment project?



If there was no legislation involved, the project would have increased from 120 units of money per month to 140, which is 20 units of money per month benefit because of the project. However, with the legislation, if we don't run the project, we won't be allowed to run the web app anymore, and the existing 120 units per month of profit would go to zero. So, our project actually brings it from zero to 140! The benefits resulting from the project would be 140 units of money per month.

Now, for the detailed people in your audience, they may think that without the project, we can still run the web app, and we would just have to pay a fine every month. Let's say 70 units per month. Okay, in that case, the benefit becomes 50 (120-70) units of money per month without the project, and therefore, the benefits of the project would be 90 (140-50) units of money per month. Although, in reality, such fines will go up gradually so that you'll have to retire the product after a while. So, if your window of measure is large enough, the first calculation would drive the result even with fines.

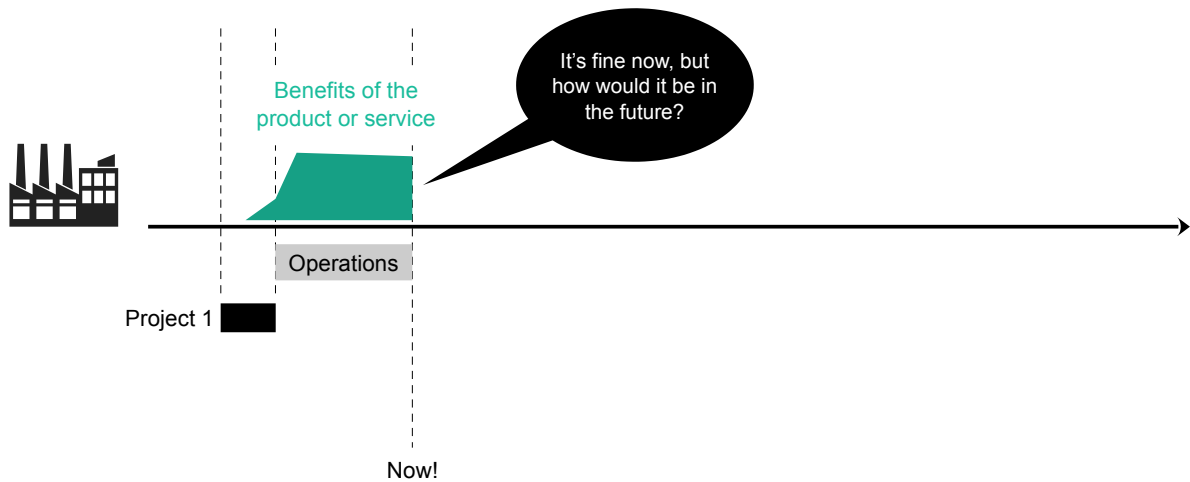


Now, we're going to explore how it works when multiple projects are run for a single product.



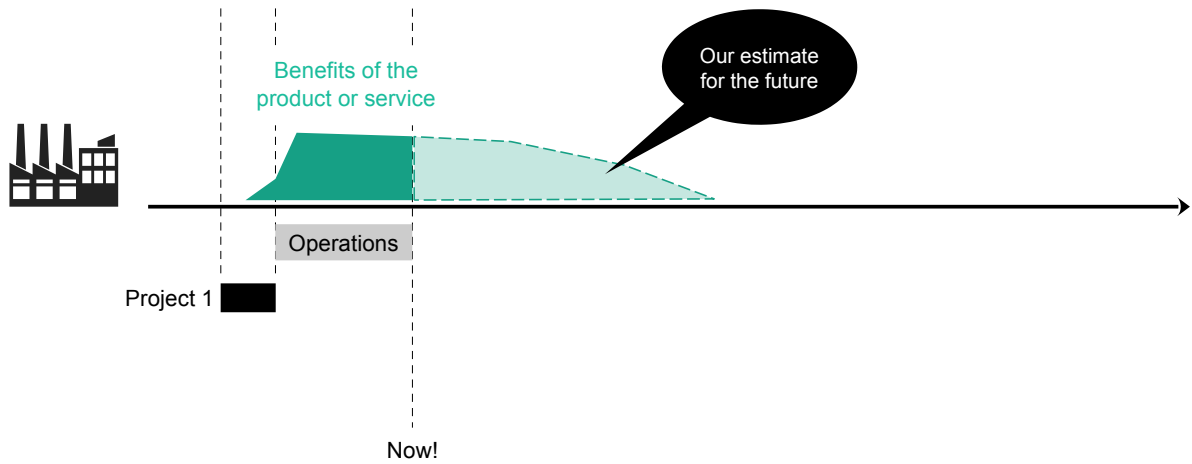
Project 1



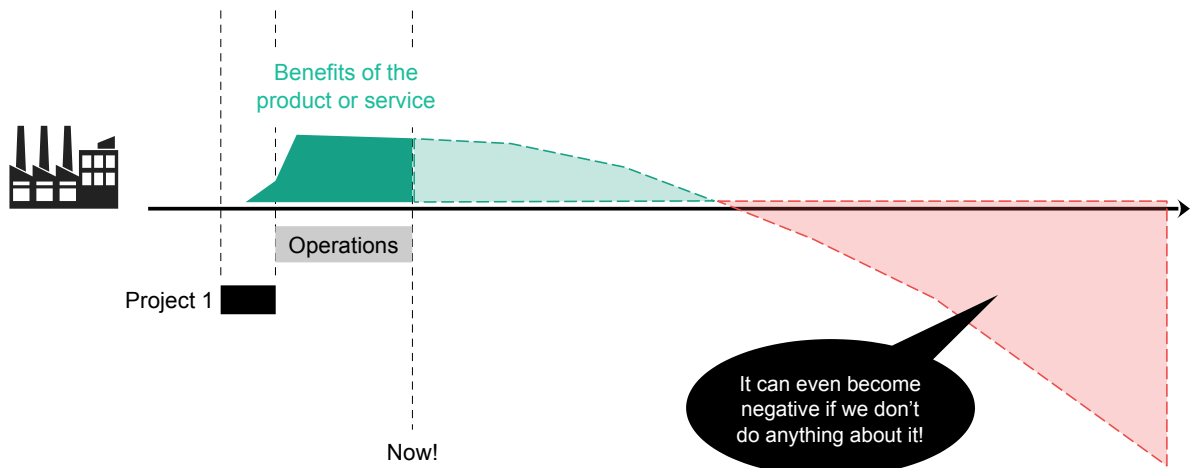


There's a first project that creates the first version of the product. The product will be put into production and generate benefits. Those benefits will be because of the contribution of the project and the operation of the product. For simplicity, we'll ignore the share that operations has in this example.

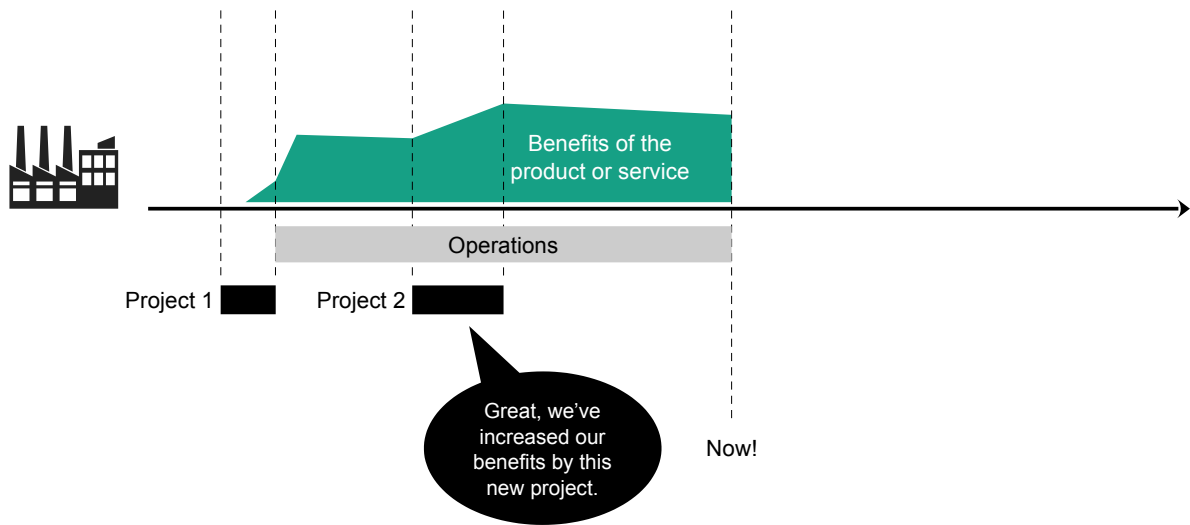
We might be happy with the benefits of the product, but good management always thinks about the future. How would it be in the future?



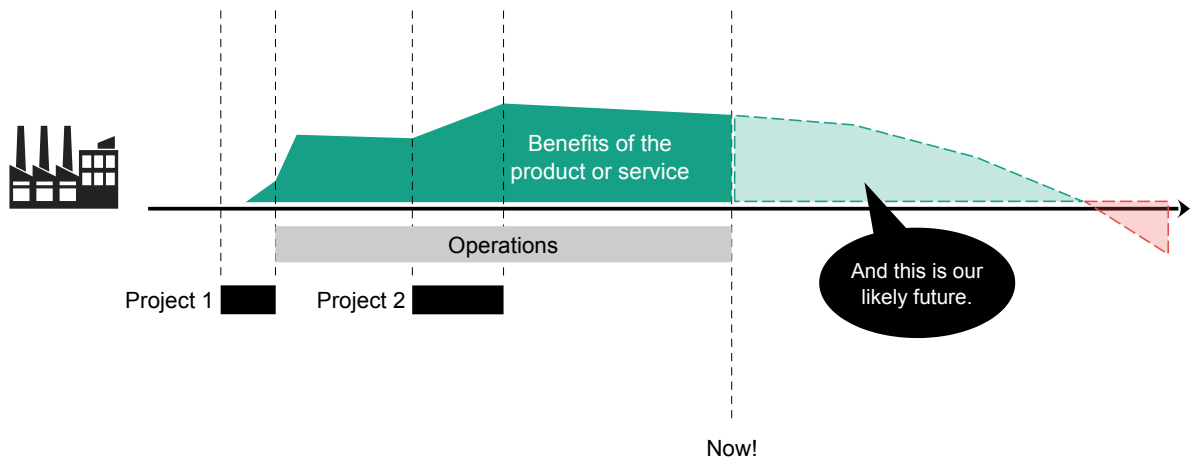
We may estimate that the benefits would go down in the future if we don't do anything about it.



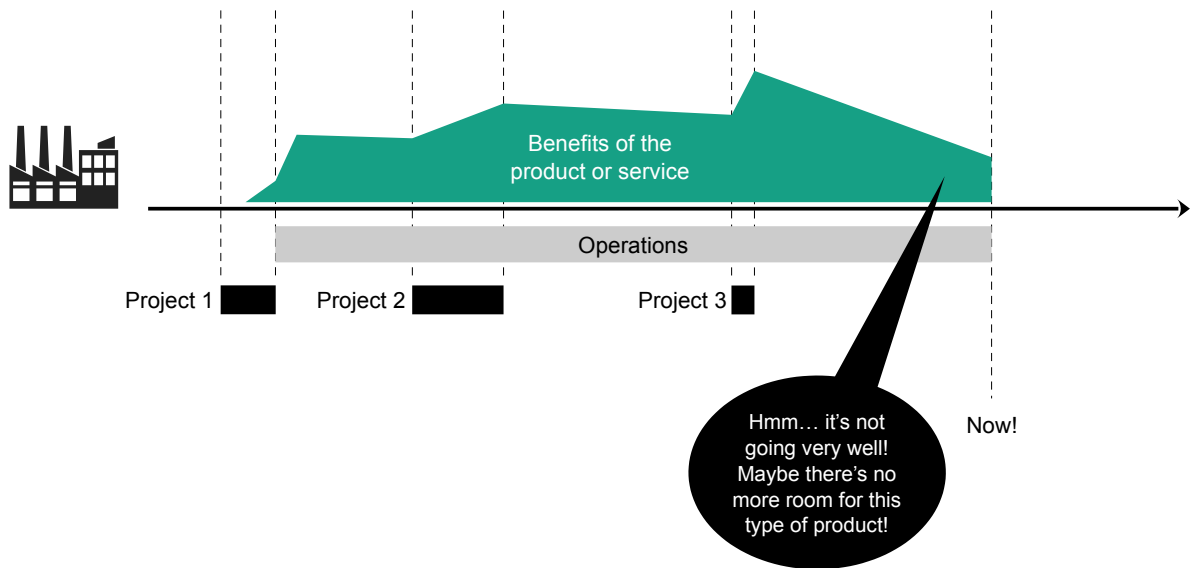
In theory, it would reach zero and then become negative, meaning that we would have to pay money if we really wanted to go on with it (that would be the operations costs along with other costs). In practice, that doesn't happen a lot, and the product will be improved or discontinued.



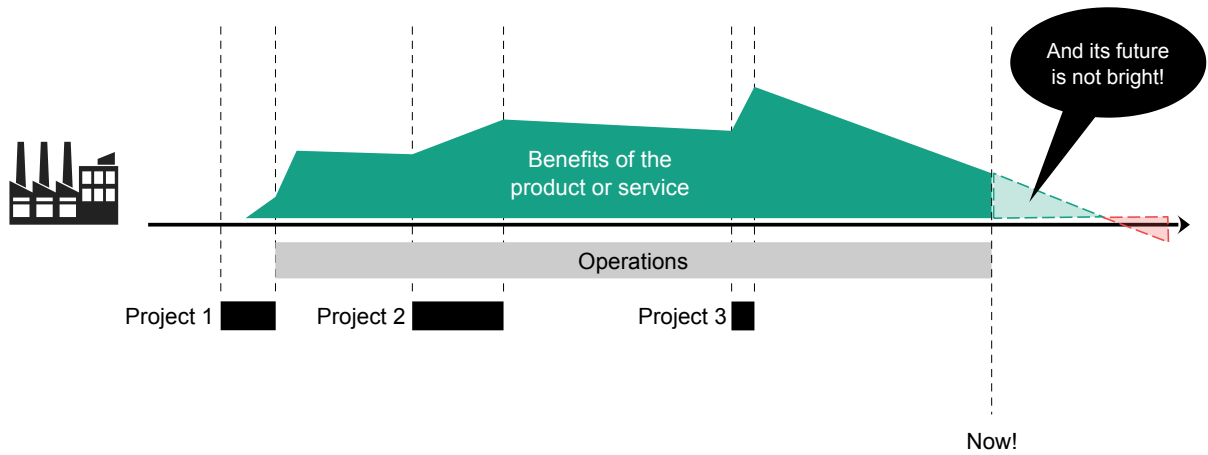
We decided not to wait for the decline in benefits and have the second project to improve it and have the higher benefits as soon as possible.



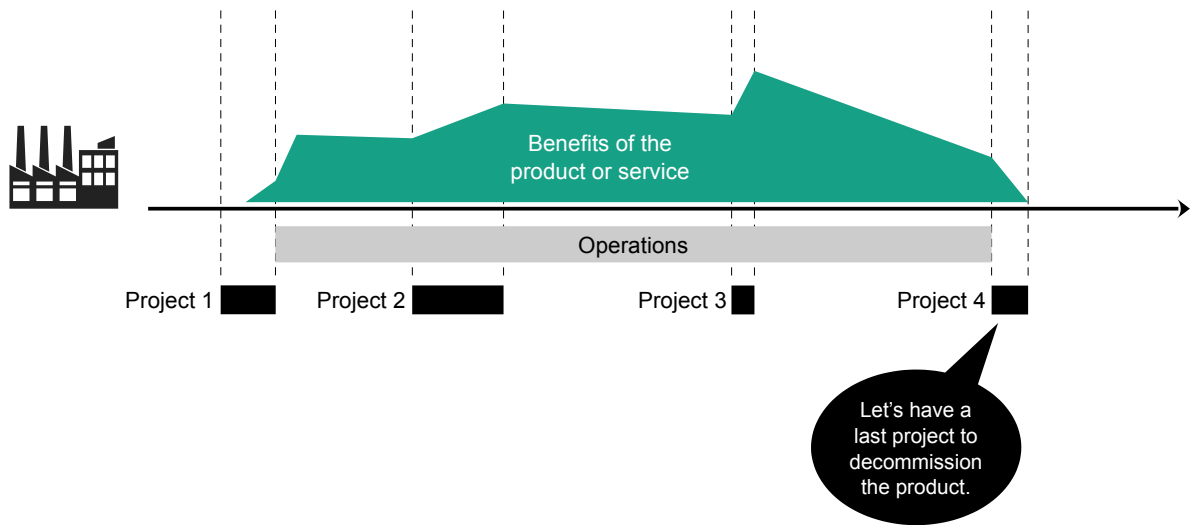
After a while, we ask ourselves again how it will be in the future.



We ran the third project because we didn't like that future, and it was justifiable to improve the product. However, even after the third project, our benefits don't have a great trend.

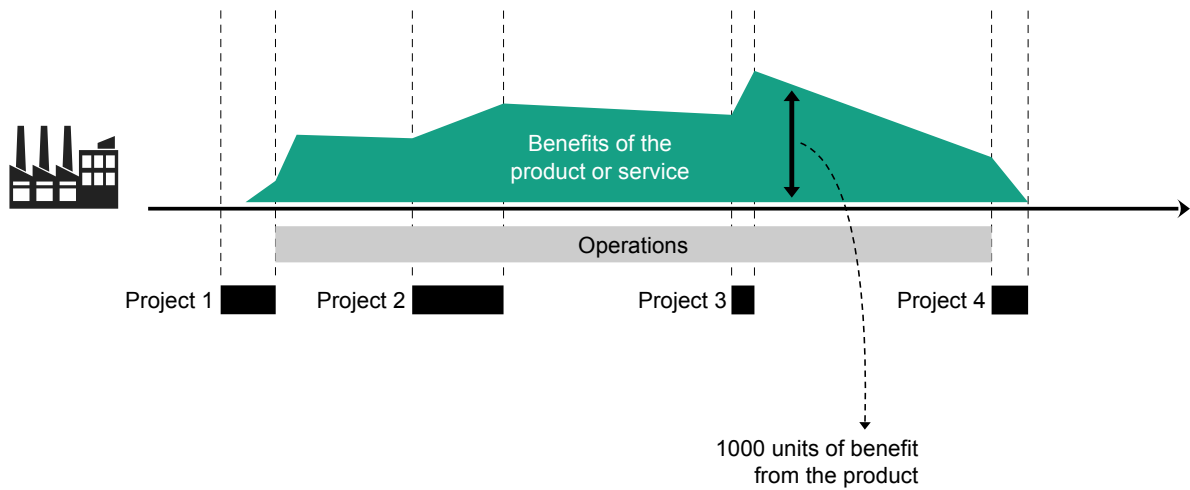


We can see that the product is struggling, and making more investments to improve it may take us nowhere.

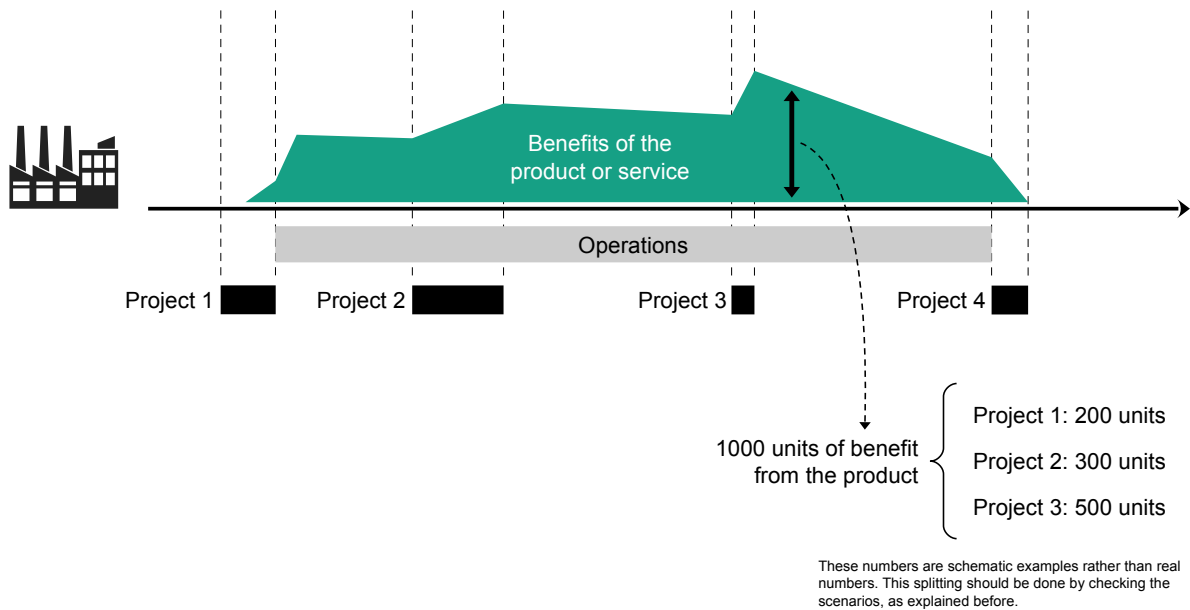


So, we decide to retire the product and focus on our other products.

In many cases, we can't simply retire a product in the blink of an eye, and there's a lot to do. To make sure everything is done properly, we might have a project for decommissioning the product.

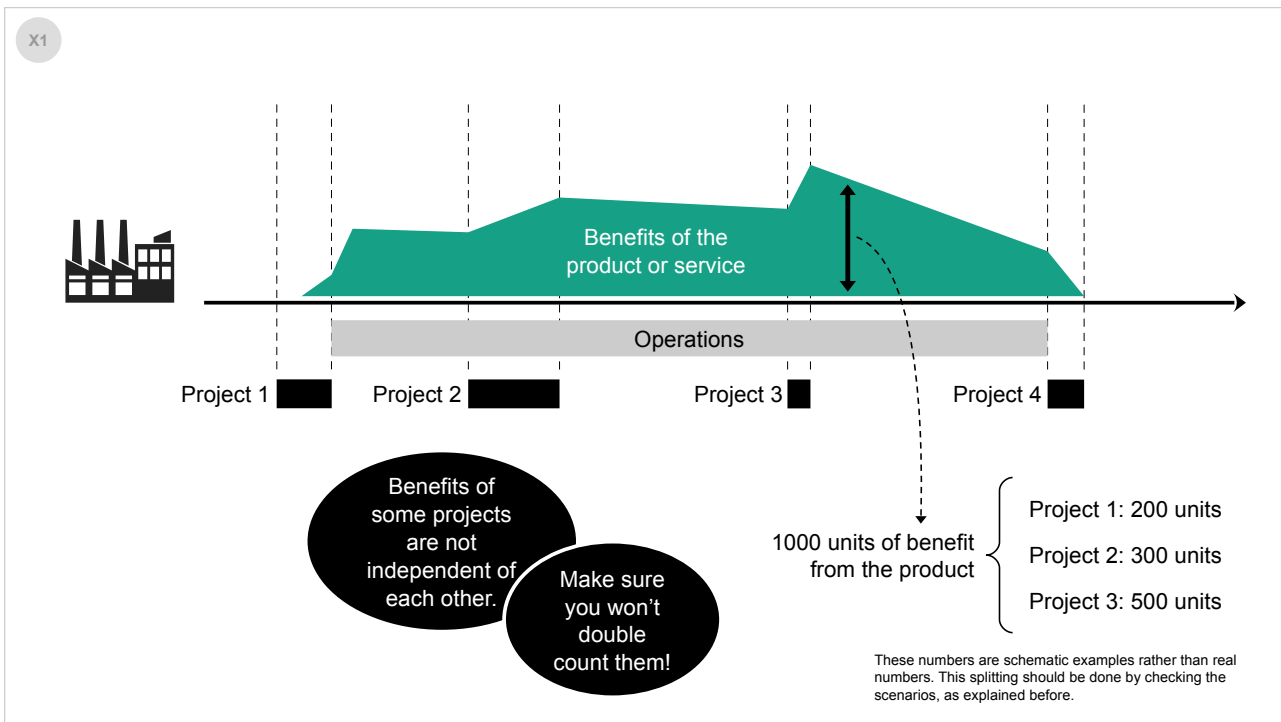


Now, imagine that we want to measure benefits where the arrow is drawn on the diagram. That's 1000 units of benefit (our unified unit of measure).



These 1000 units would belong to all three projects that were run before. Let's say 200, 300, and 500, respectively. It can be any number, though. For example, the first project may not have a role in benefits after a while and have a value of zero.

Just to be certain, remind them that benefits are measured at different times, and we don't deal with a single number but a timephased series of numbers.



In this example, the benefits of these 3 projects are not independent of each other. The total benefit might be an objective amount (e.g., your profit), but the way you divide it among the projects is not objective, and different people may do it differently. One important thing is to make sure that you're not double-counting benefits, and if a certain benefit belongs to multiple sources, you divide them among them instead of giving the whole amount to every source.

You have a small, online publishing house. You've realized that each time you publish a new book, the profit of the previously published books increase by about 10%. How would you consider this fact in measuring benefits in the future?



This is a real case, and it happens because people who come to buy the new book also take a look at the existing ones, and sometimes they decide to buy more than one.

The 10% increase in profit of the old books partially belongs to the new book because it wouldn't happen without the new book, but part of it also belongs to the old books because there wouldn't be any increase without them either. So, basically, we have to divide it among them. However, before thinking about how to divide it, we have to think about whether this impacts anything: if all you do is publish books, this consideration would more or less equally impact all of them, and therefore, you can ignore it! However, if you have other programs and projects as well, then you should consider it because this won't apply to other types of programs and projects.

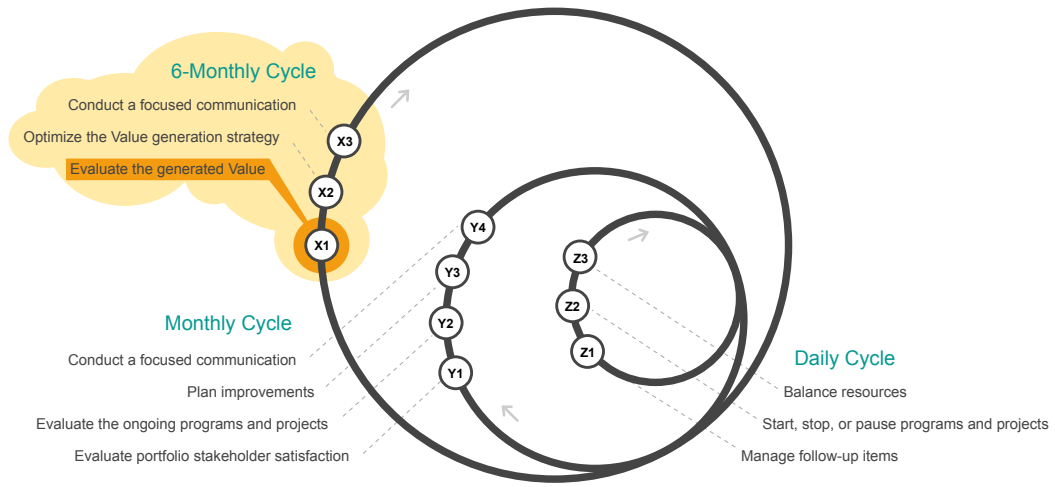
All exercises are simplified, but it can be interesting to think deeper and discuss edge cases or practical aspects. For example, here, the 10% increase may be lower for books that don't relate much to the previous ones because the new customer probably won't buy any of the old ones if they are not related. So, maybe you should group books in different categories, and for any new book, consider that 10% increase only within its category. To make it even more detailed, think of this: Given this last setup, our portfolio would tend to continue its biggest portfolios instead of starting or growing new portfolios. Some potentially new portfolios may become very profitable if we give them a chance, but in such a portfolio, they won't have the chance! What shall we do? The answer comes in X2, when we balance the portfolio based on the short-term and long-term returns.

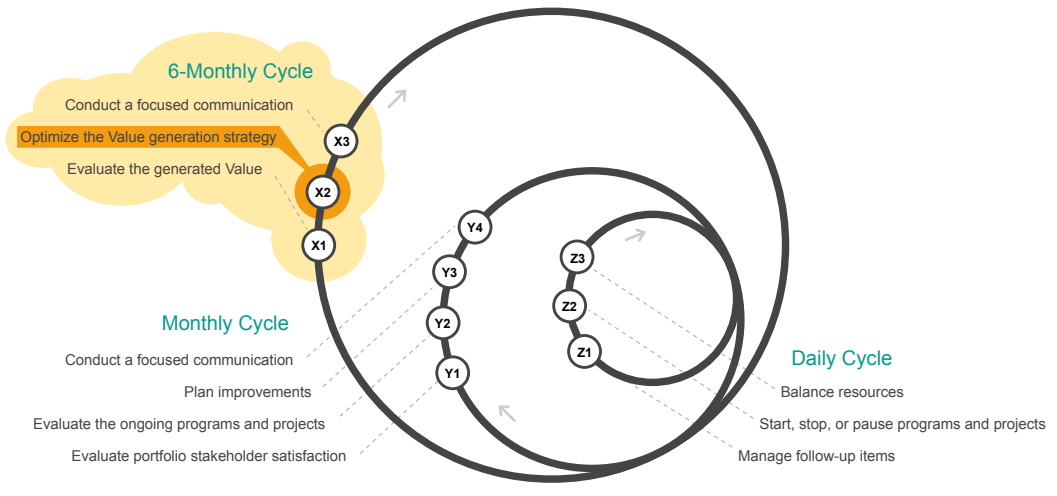
X1

Mechanical calculations are not enough for portfolio management!

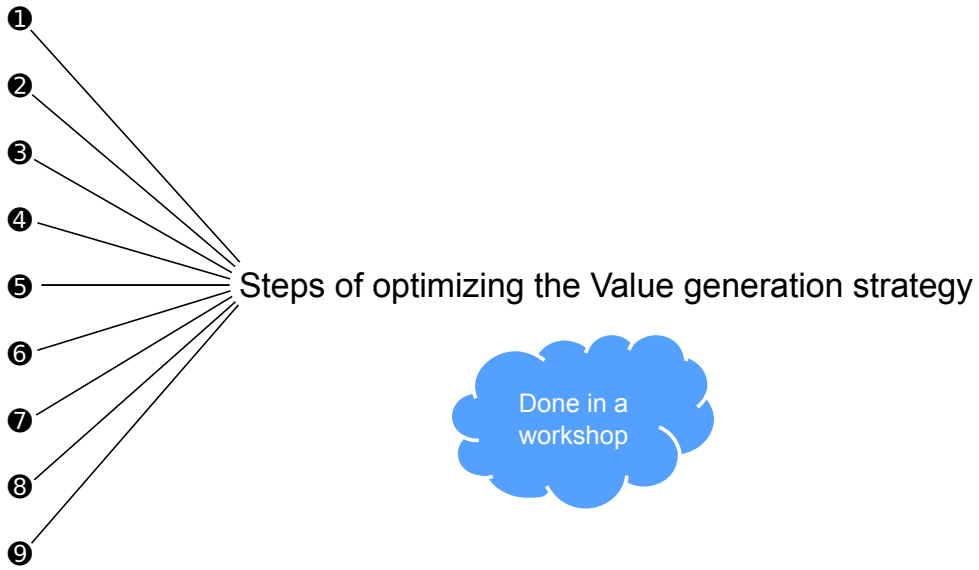
The slide features a background of scattered numbers in various sizes and colors (black, grey, green). In the center, a green cloud contains the text "Mechanical calculations are not enough for portfolio management!". Below the cloud, there is a group of stylized human icons in shades of grey, representing a group of people.

We should repeat this point many times throughout the course because it's a common mistake.





X2



The X2 activity is done in a workshop with the portfolio manager as the facilitator.

① Updating the Portfolio description

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The first one is to update the Portfolio Description, or, in fact, check to see if it's needed to update it; e.g., do we need to make any changes to the way we measure benefits?

1 Updating the Portfolio description

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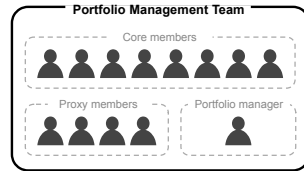
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Let's take a look at the contents of the Portfolio Description.

1 Updating the Portfolio description

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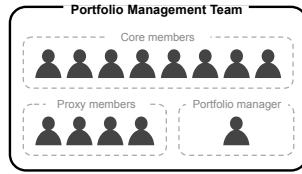
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Portfolio board members and their voting powers

1 Updating the Portfolio description

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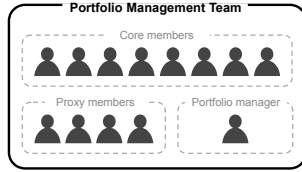
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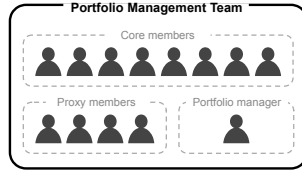


Portfolio board members and their voting powers

Decision-making threshold of the portfolio manager

1 Updating the Portfolio description

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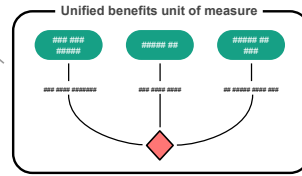
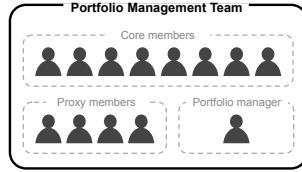
Portfolio board members and their voting powers

Decision-making threshold of the portfolio manager

The voting method and its calculation

1 Updating the Portfolio description

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- 8
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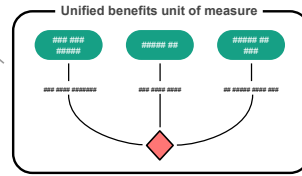
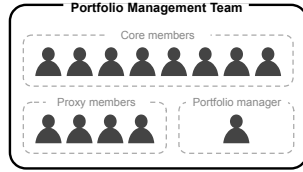
Portfolio board members and their voting powers

Decision-making threshold of the portfolio manager

The voting method and its calculation

1 Updating the Portfolio description

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- 8
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Organizational strategy, mission, vision, etc.

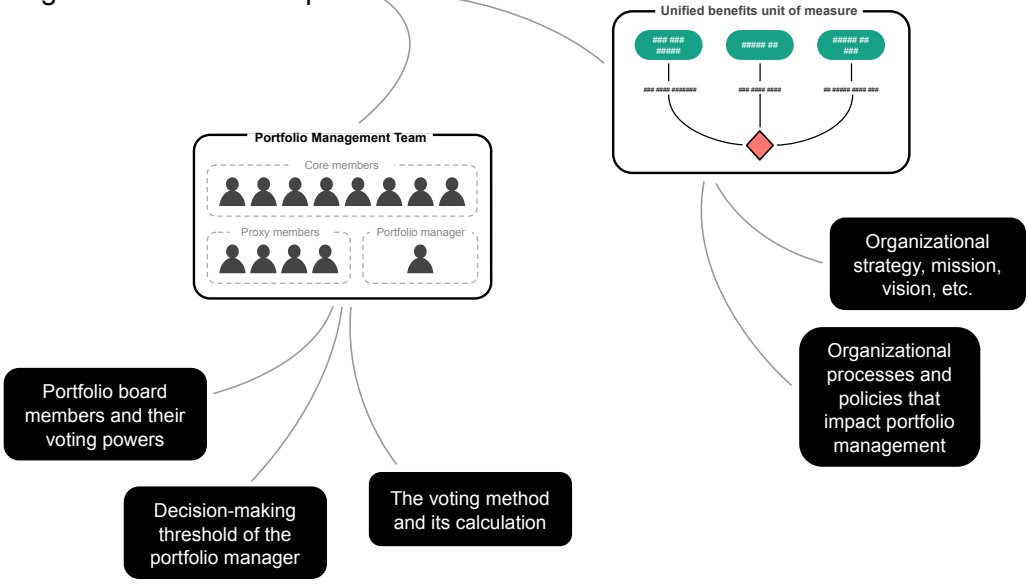
Portfolio board members and their voting powers

Decision-making threshold of the portfolio manager

The voting method and its calculation

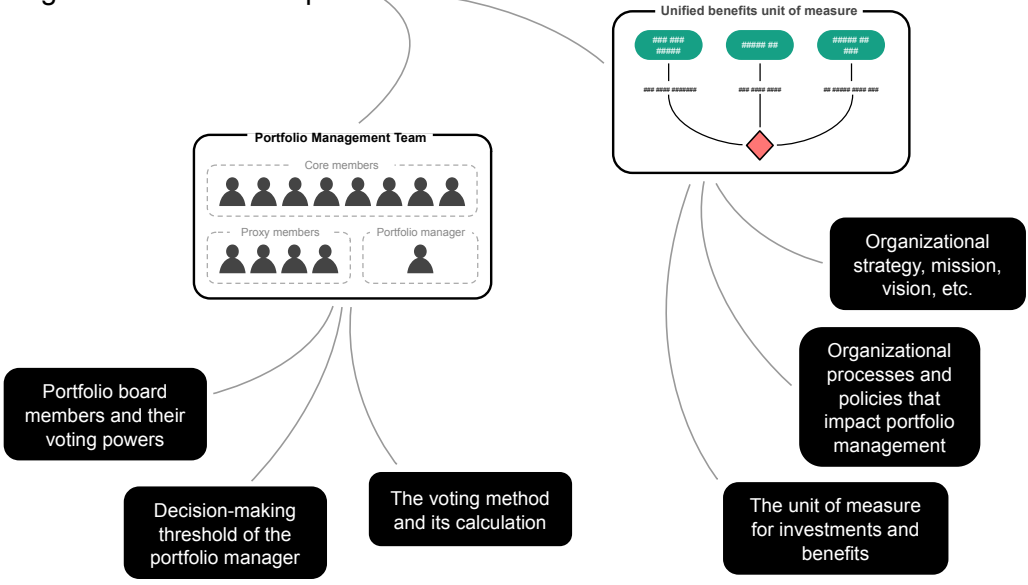
1 Updating the Portfolio description

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1 Updating the Portfolio description

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1 Updating the Portfolio description

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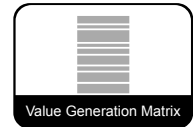
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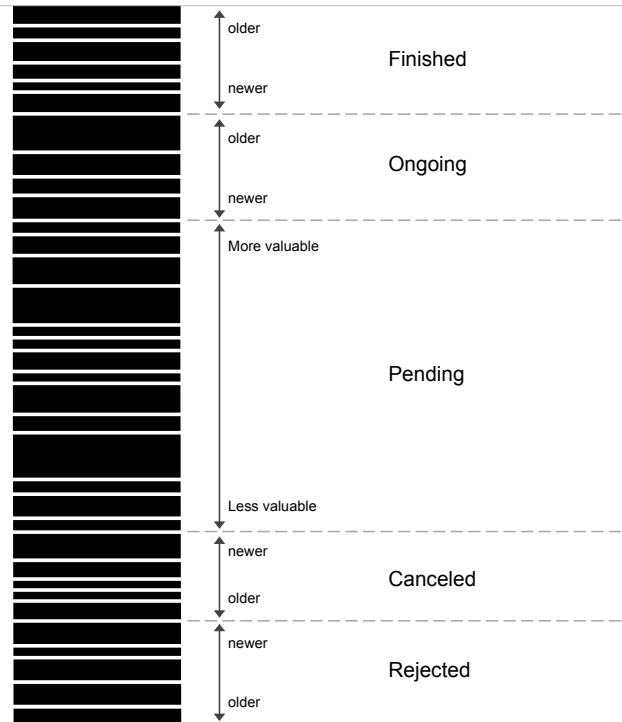
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The 5 documents in P5.express



So far, we've mentioned two of the 5 documents/artifacts in P5.express.

- ① Updating the Portfolio description
- ② Adding new programs and projects
- ③
- ④
- ⑤
- ⑥
- ⑦
- ⑧
- ⑨



Then we need to add new projects and programs. Normally, each member brings a few ideas with them to the workshop, explains them to everyone, and tries to get them approved with a high priority.

1 Updating the Portfolio description

2 Adding new programs and projects

3

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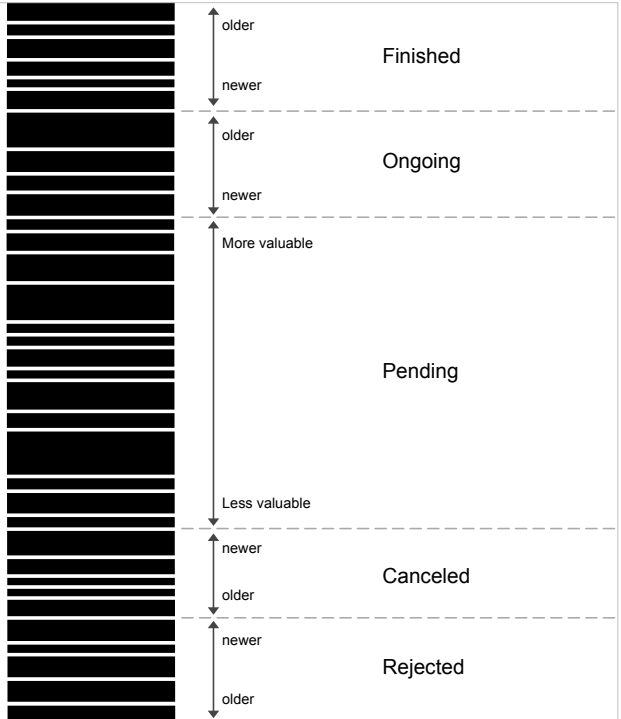
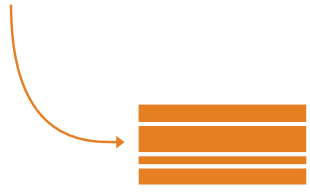
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1 Updating the Portfolio description

2 Adding new programs and projects

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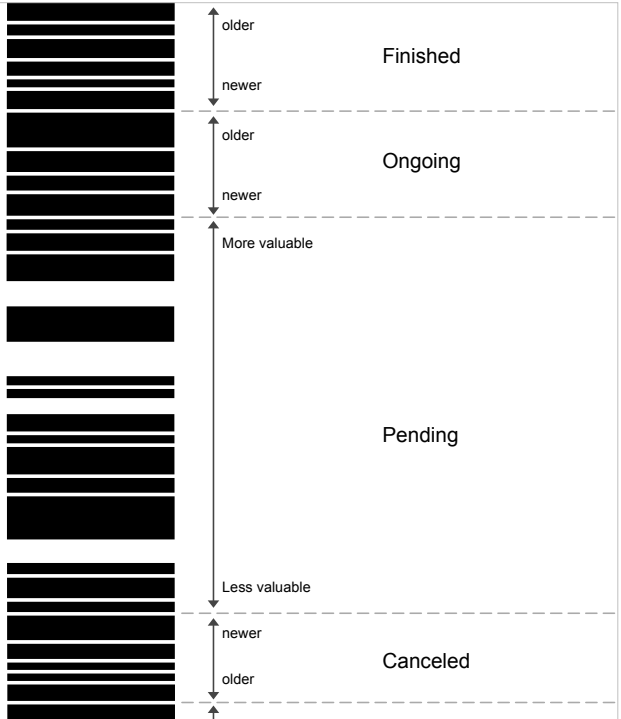
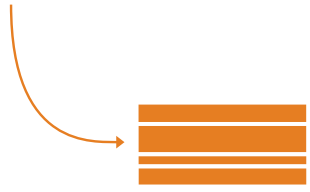
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① Updating the Portfolio description

② Adding new programs and projects

③

④

⑤

⑥

⑦

⑧

⑨



older

newer

Finished

older

newer

Ongoing

More valuable

Less valuable

newer

older

Canceled

1 Updating the Portfolio description

2 Adding new programs and projects

3

4

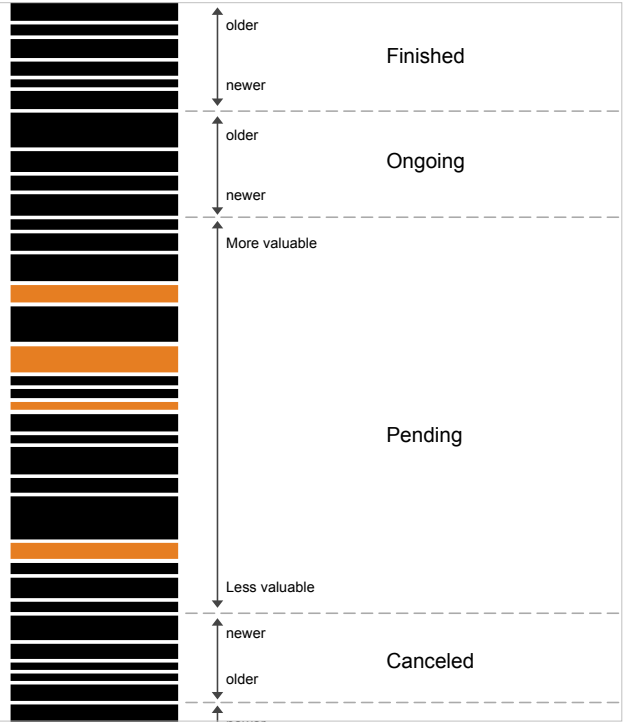
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1 Updating the Portfolio description

2 Adding new programs and projects

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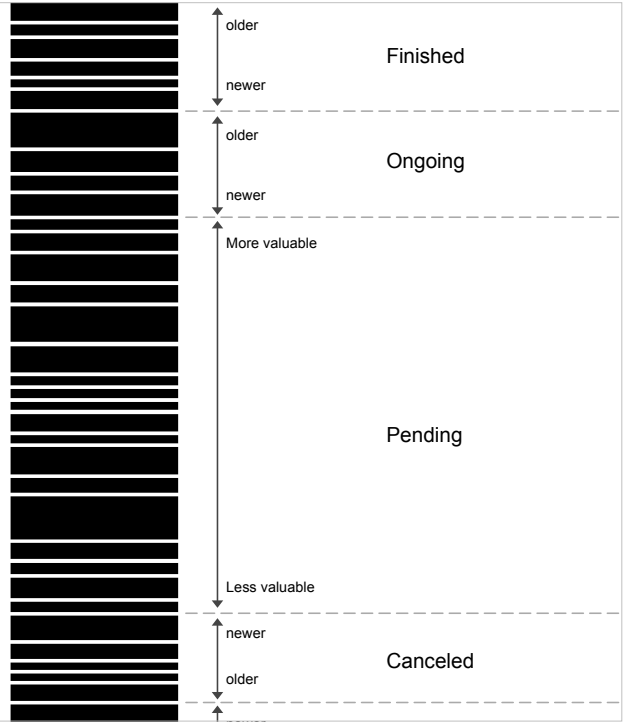
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1 Updating the Portfolio description

2 Adding new programs and projects

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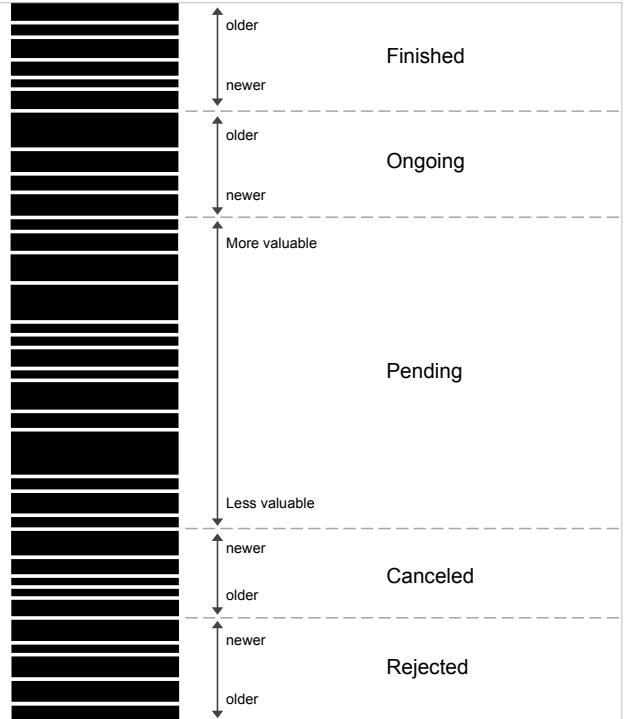
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There are two similar organizations with internal projects.
One has 80 pending projects, while the other has only 10.

Which one is better?



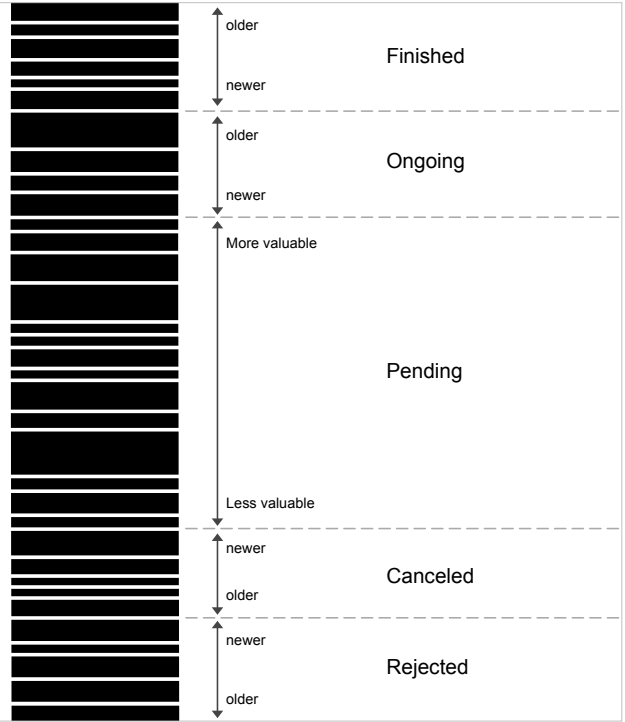
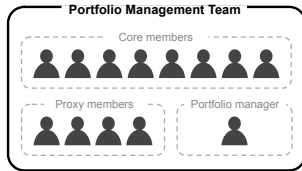
We don't have all the information to judge for sure (as is usually the case in exercises), but it's up to the candidates to build scenarios and say what they would do in each.

The number of pending projects can be an overwhelming reminder of what you must do, in which case, the fewer you have, the better. However, it can also be the options you have for how to grow and increase your benefits, and then, the more programs and projects you have, the more flexibility and control you would have.

In reality, it's often the second case, and higher numbers are better.

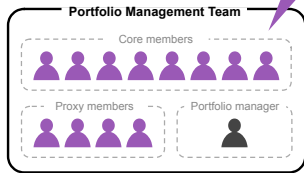
- ① Updating the Portfolio description
- ② Adding new programs and projects
- ③ Appointing sponsors

- ④
- ⑤
- ⑥
- ⑦
- ⑧
- ⑨

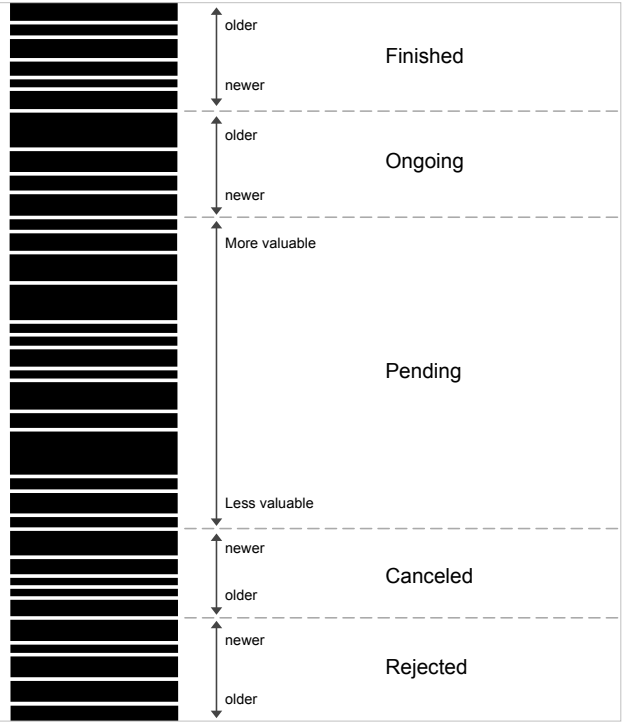


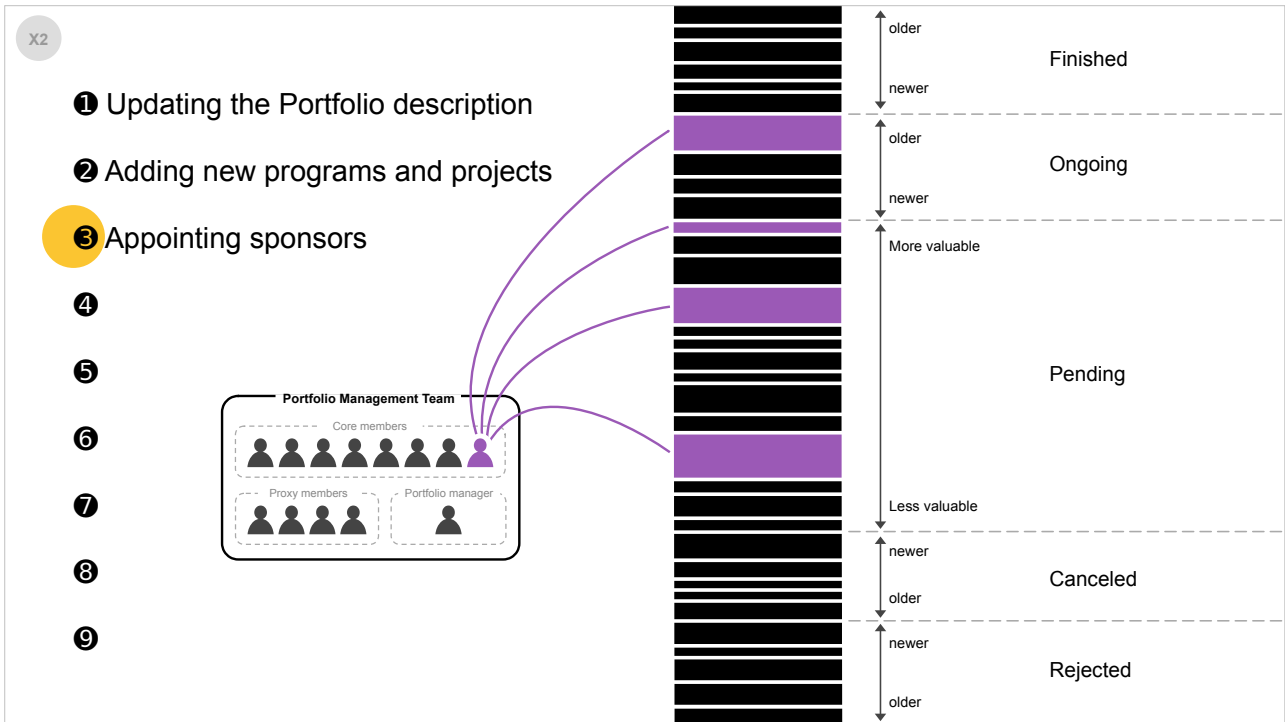
- 1 Updating the Portfolio description
- 2 Adding new programs and projects
- 3 Appointing sponsors

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Only these people are allowed as sponsors

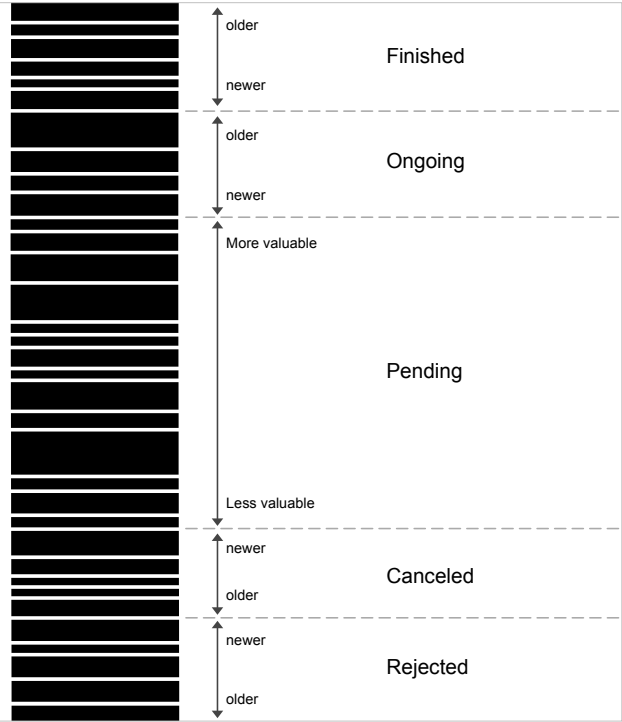


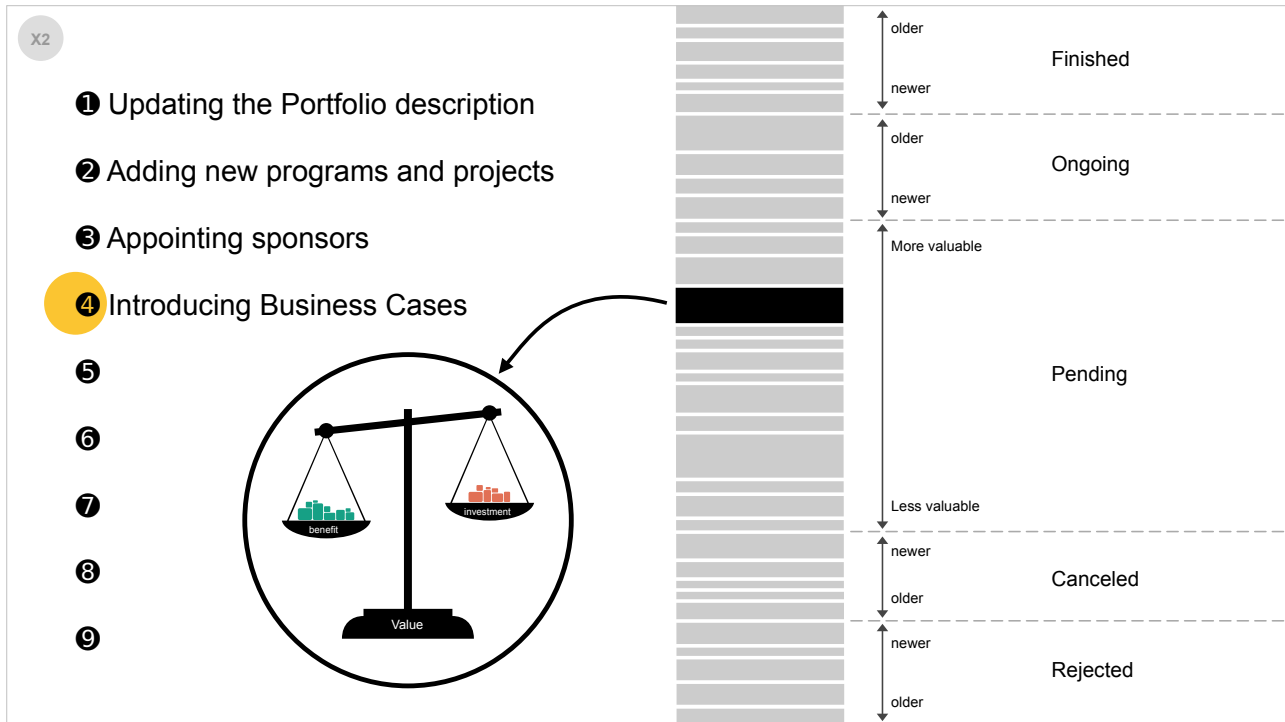


Each program or project must have a sponsor, and the sponsor should be appointed as soon as possible because it has a great impact on what that program or project is. Usually, the same person who brings the idea of the program or project becomes its sponsor, but it's not mandatory.

People familiar with P3.express and micro.P3.express know that they define two types of elements, the deliverables and the follow-up items, and insist that each item in those two types must have a custodian. P5.express also has two types: the projects/programs, which are similar to deliverables in P3.express, and the follow-up items. For the latter, P5.express has custodians similar to other modules. For programs and projects, we have a concept similar to custodian, but for historical reasons, it has a different name: sponsor. However, note that a sponsor has extra authority as well, which we don't have for custodians.

- ① Updating the Portfolio description
- ② Adding new programs and projects
- ③ Appointing sponsors
- ④ Introducing Business Cases
- ⑤
- ⑥
- ⑦
- ⑧
- ⑨





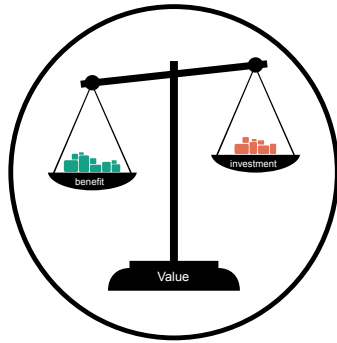
Normally, each team member who brings an idea also brings its Business Case. In fact, the Business Case of each program or project is the most important set of information each member of the team wants to know about.

A Business Case is always an educated guess about return on investment. Sometimes, what we can forecast is not reliable enough for making a decision. In those cases, the team members may decide that it's a good idea to initiate the project or program without starting its execution. Initiation creates a high-level plan and provides information we can use to refine the Business Case. So, we do that, prioritize the project and program, and when it's time for that project or program, its execution will start.

A Business Case is all about the justification of the program or project, which has a lot to do with its Value. This justification is what we call "absolute justification" in P5.express; i.e., a type of justification that's more or less on its own rather than being relative to other things.

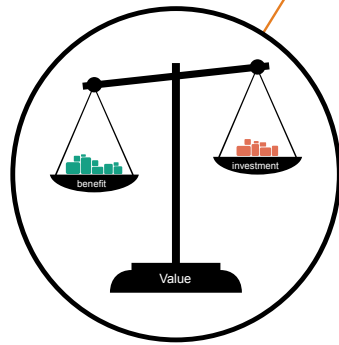
- ① Updating the Portfolio description
- ② Adding new programs and projects
- ③ Appointing sponsors
- ④ Introducing Business Cases

- ⑤
- ⑥
- ⑦
- ⑧
- ⑨



- ① Updating the Portfolio description
- ② Adding new programs and projects
- ③ Appointing sponsors
- ④ Introducing Business Cases

- ⑤
- ⑥
- ⑦
- ⑧
- ⑨



Why this program/project?

Now we'll go through the building elements of a Business Case.

- ① Updating the Portfolio description
- ② Adding new programs and projects
- ③ Appointing sponsors
- ④ Introducing Business Cases

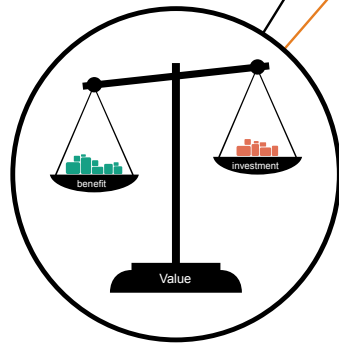
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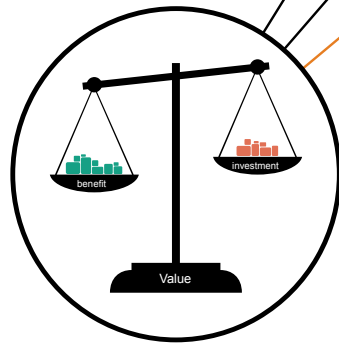
Why this program/project?

Alternative options

The program or project is a “solution” to a problem or for an idea. Normally, we’re supposed to identify different solutions, analyze them, and finally pick the one that seems to be the best. In the Business Case of that selected option, we document the other options we’ve considered for future reference and analysis.

- ① Updating the Portfolio description
- ② Adding new programs and projects
- ③ Appointing sponsors
- ④ Introducing Business Cases

- ⑤
- ⑥
- ⑦
- ⑧
- ⑨



Why this program/project?

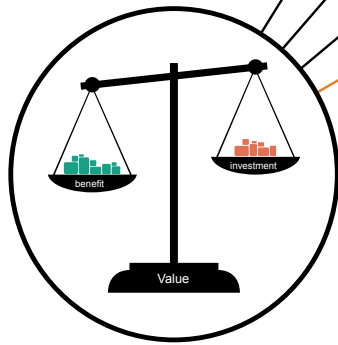
Alternative options

High-level requirements

In some industries, “requirement” and “deliverable” have almost the same meaning. Technically speaking, requirements are more high-level and abstract, and only after analysis can they be converted into concrete deliverables that a project can create. The Business Case doesn’t go through deliverables but only requirements; e.g., “We need a convention center for about 2000 people, suitable for various technical, artistic, and cultural events, with a modern atmosphere, etc.”

- ① Updating the Portfolio description
- ② Adding new programs and projects
- ③ Appointing sponsors
- ④ Introducing Business Cases

- ⑤
- ⑥
- ⑦
- ⑧
- ⑨



Why this program/project?

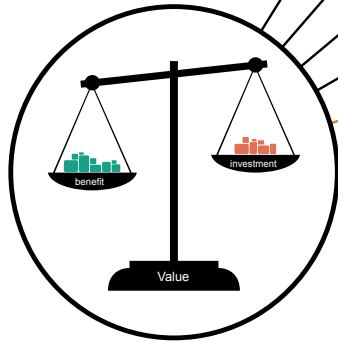
Alternative options

High-level requirements

Expected benefits

- ① Updating the Portfolio description
- ② Adding new programs and projects
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- ⑤
- ⑥
- ⑦
- ⑧
- ⑨



Why this program/project?

Alternative options

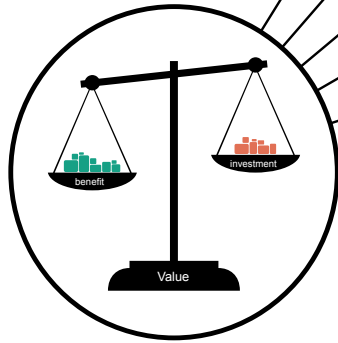
High-level requirements

Expected benefits

Method of measuring benefits

- ① Updating the Portfolio description
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- ⑤
- ⑥
- ⑦
- ⑧
- ⑨



Why this program/project?

Alternative options

High-level requirements

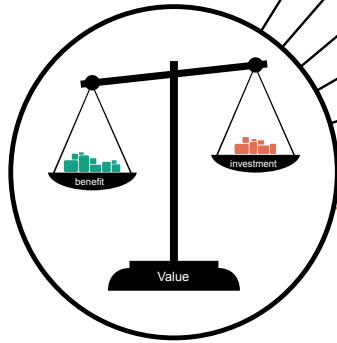
Expected benefits

Method of measuring benefits

Estimated investment (time, cost, etc.)

- ① Updating the Portfolio description
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- ⑤
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- ⑦
- ⑧
- ⑨



Why this program/project?

Alternative options

High-level requirements

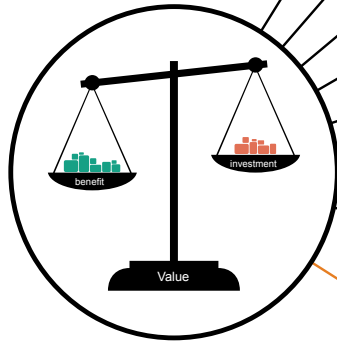
Expected benefits

Method of measuring benefits

Estimated investment (time, cost, etc.)

Execution strategy (done internally, outsources, etc.)

- 1 Updating the Portfolio description
- 2 Adding new programs and projects
- 3 Appointing sponsors
- 4 Introducing Business Cases
- 5
- 6
- 7
- 8
- 9



Why this program/project?

Alternative options

High-level requirements

Expected benefits

Method of measuring benefits

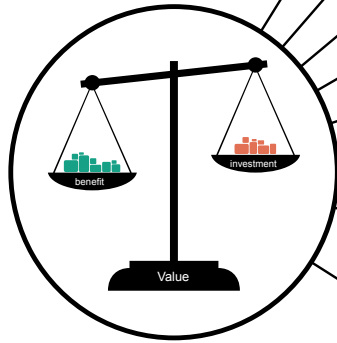
Estimated investment (time, cost, etc.)

Execution strategy (done internally, outsources, etc.)

Major risks

- ① Updating the Portfolio description
- ② Adding new programs and projects
- ③ Appointing sponsors
- ④ Introducing Business Cases

- ⑤
- ⑥
- ⑦
- ⑧
- ⑨



Why this program/project?

Alternative options

High-level requirements

Expected benefits

Method of measuring benefits

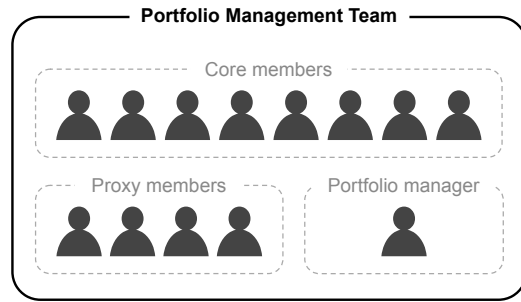
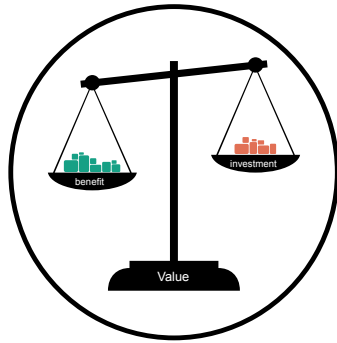
Estimated investment (time, cost, etc.)

Execution strategy (done internally, outsources, etc.)

Major risks

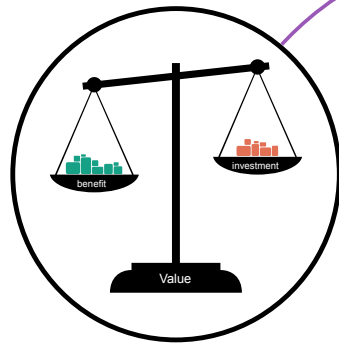
- ① Updating the Portfolio description
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- ⑤
- ⑥
- ⑦
- ⑧
- ⑨

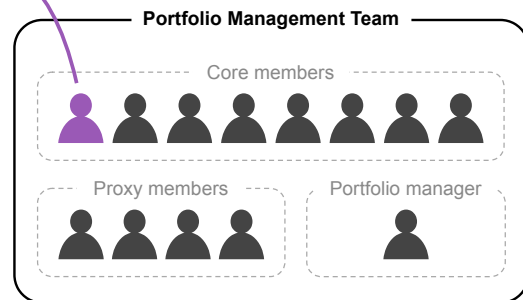


- ① Updating the Portfolio description
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- ③ Appointing sponsors
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- ⑥
- ⑦
- ⑧
- ⑨



The sponsor of each program or project is responsible for creating its business case.

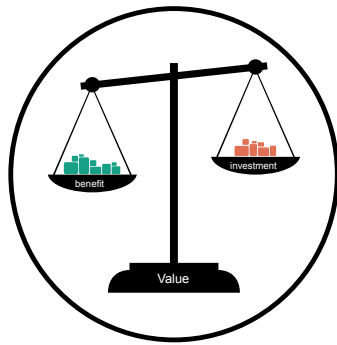


In some project management resources, the project manager is responsible for creating the Business Case. This is not a good idea because project managers don't have the information and background required for doing so, and that's why, for example, P3.express and micro.P3.express see the Business Case as an external document created outside the project boundaries. The sponsor of each program or project is responsible for preparing its Business Case.

To be precise, we can say that the sponsor is "accountable" for doing that, and they can delegate the responsibility to someone else. However, someone else should be an expert in doing these things and not someone like the project manager. For example, there may be extra helping roles in the portfolio management, working under supervision from the portfolio manager, who help sponsors create their Business Cases. Regardless of who creates it, the Sponsor remains accountable for it.

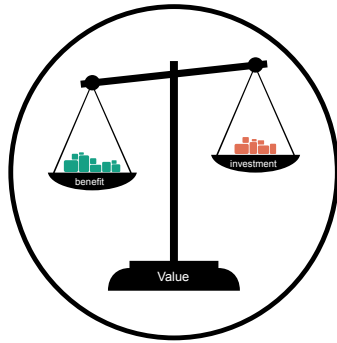
- ① Updating the Portfolio description
- ② Adding new programs and projects
- ③ Appointing sponsors
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- ⑤
- ⑥
- ⑦
- ⑧
- ⑨



- ① Updating the Portfolio description
- ② Adding new programs and projects
- ③ Appointing sponsors
- ④ Introducing Business Cases

- ⑤
- ⑥
- ⑦
- ⑧
- ⑨

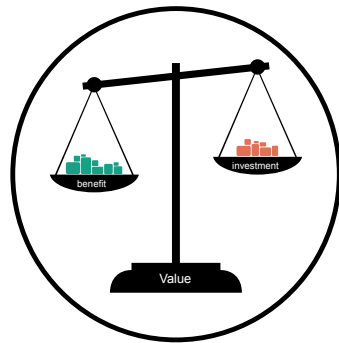


Many business cases are created here.



- ① Updating the Portfolio description
- ② Adding new programs and projects
- ③ Appointing sponsors
- ④ Introducing Business Cases

- ⑤
- ⑥
- ⑦
- ⑧
- ⑨



Many business cases are created here.

Business cases of complicated programs and projects are created here.

Program or project initiation

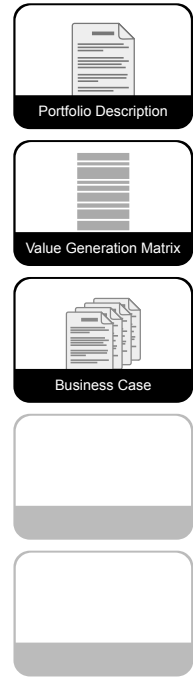
Program of project execution

Program or project closure

Sometimes, a Business Case can be created by one or a few people, spending a few days analyzing the idea. However, that's sometimes not reliable enough, and the sponsor may decide to initiate the program or project to create a reliable business case. This is the initial part of a program or project lifecycle that's called "project initiation" in P3.express and has similar or different names in other methods. After the initiation, the execution won't start automatically, but it will be started based on how the program or project is prioritized in the Matrix.

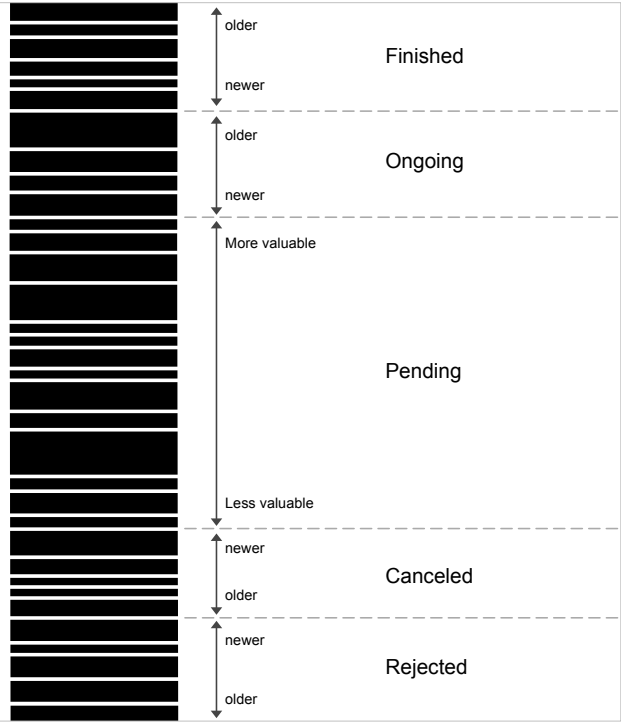
- ① Updating the Portfolio description
- ② Adding new programs and projects
- ③ Appointing sponsors
- ④ Introducing Business Cases
- ⑤
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- ⑦
- ⑧
- ⑨

The 5 documents in P5.express

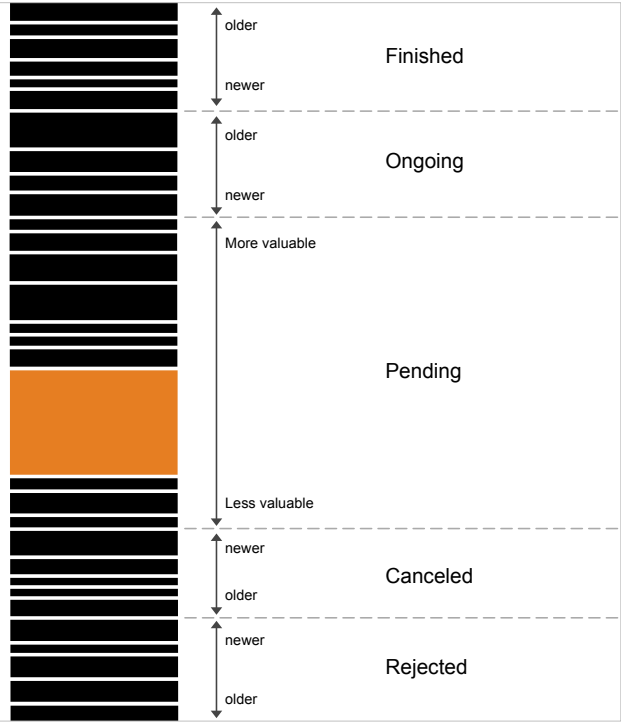


So, this was our third document/artifact in P5.express.

- ① Updating the Portfolio description
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- ⑤ Balance sizes
- ⑥
- ⑦
- ⑧
- ⑨

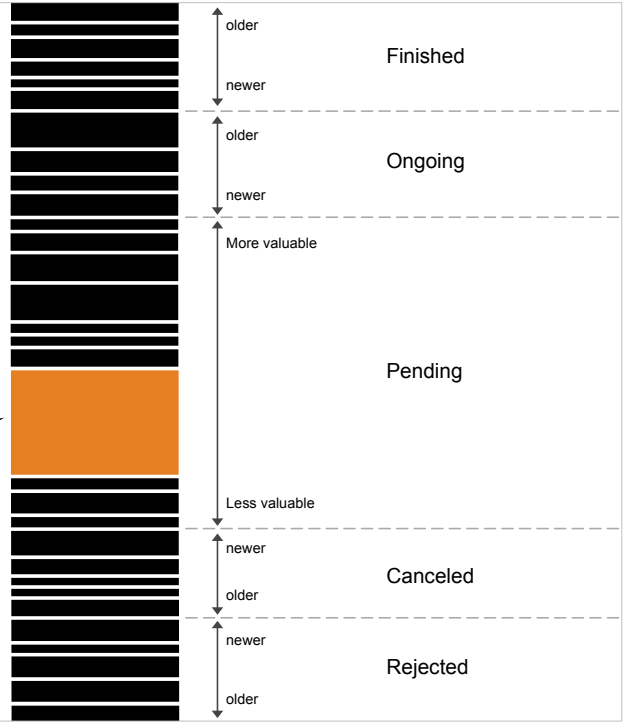


- ① Updating the Portfolio description
- ② Adding new programs and projects
- ③ Appointing sponsors
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- ⑤ Balance sizes
- ⑥
- ⑦
- ⑧
- ⑨

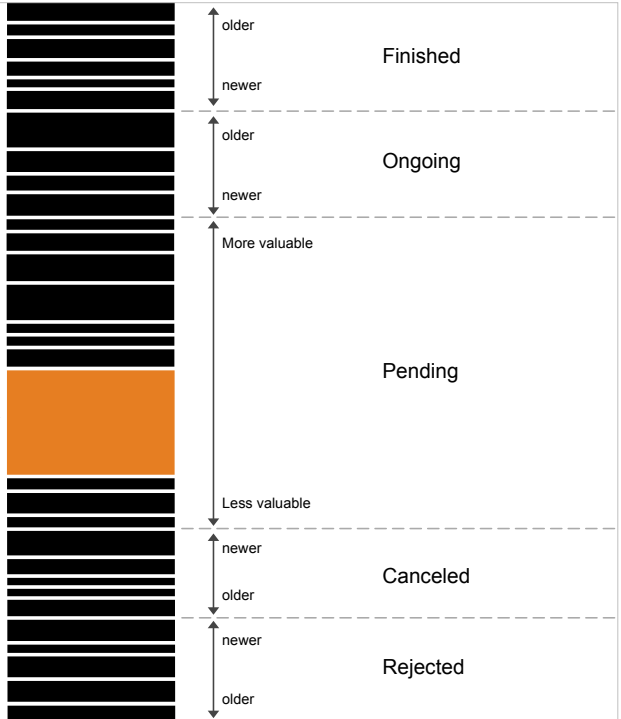
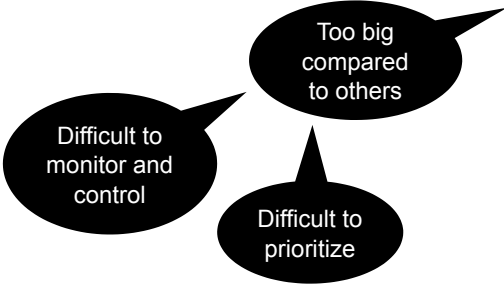


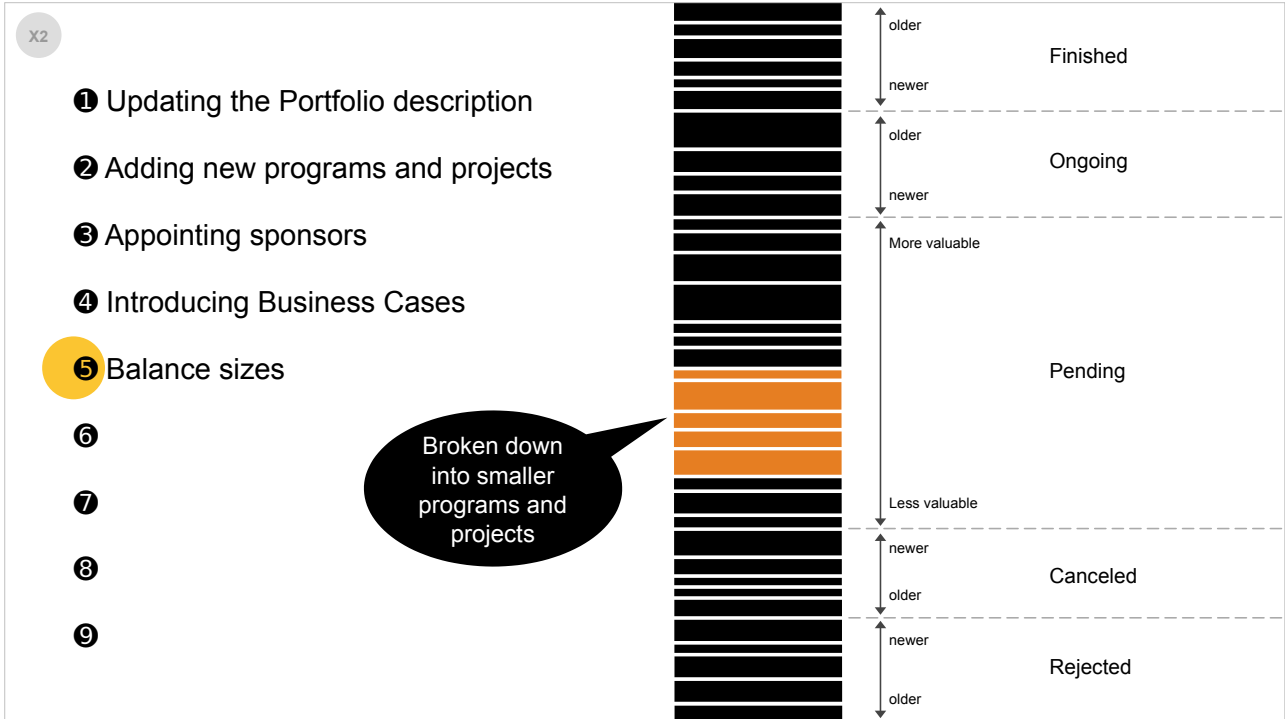
- ① Updating the Portfolio description
- ② Adding new programs and projects
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- ④ Introducing Business Cases
- ⑤ Balance sizes
- ⑥
- ⑦
- ⑧
- ⑨

Too big compared to others



- ① Updating the Portfolio description
- ② Adding new programs and projects
- ③ Appointing sponsors
- ④ Introducing Business Cases
- ⑤ Balance sizes
- ⑥
- ⑦
- ⑧
- ⑨



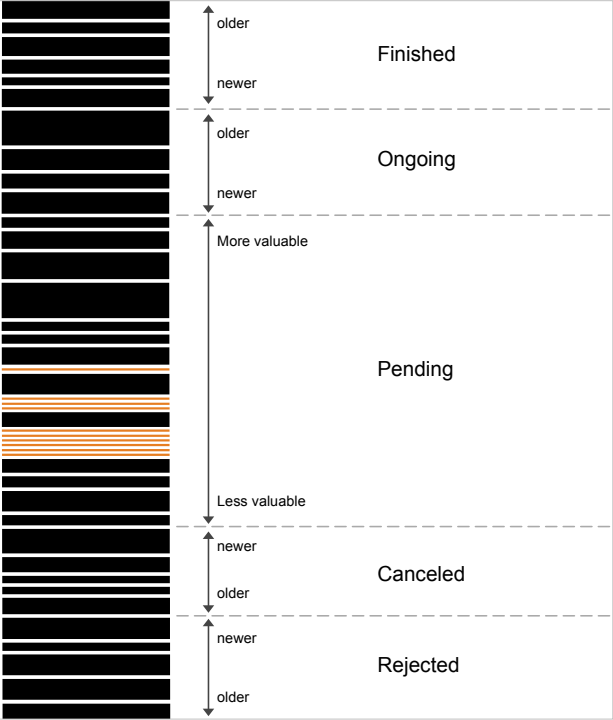


We present programs and projects with different heights in this diagram, and the height shows the size of the program or project. It would be great if you could do the same in your system, because bigger items grab more attention, which is what bigger projects and programs deserve.

If there's a super large project, it becomes difficult to prioritize it. If you can break it down into meaningfully separate projects, then you can give them different priorities, and it would be more flexible for everyone.

- ① Updating the Portfolio description
- ② Adding new programs and projects
- ③ Appointing sponsors
- ④ Introducing Business Cases
- ⑤ Balance sizes
- ⑥
- ⑦
- ⑧
- ⑨

Too small!

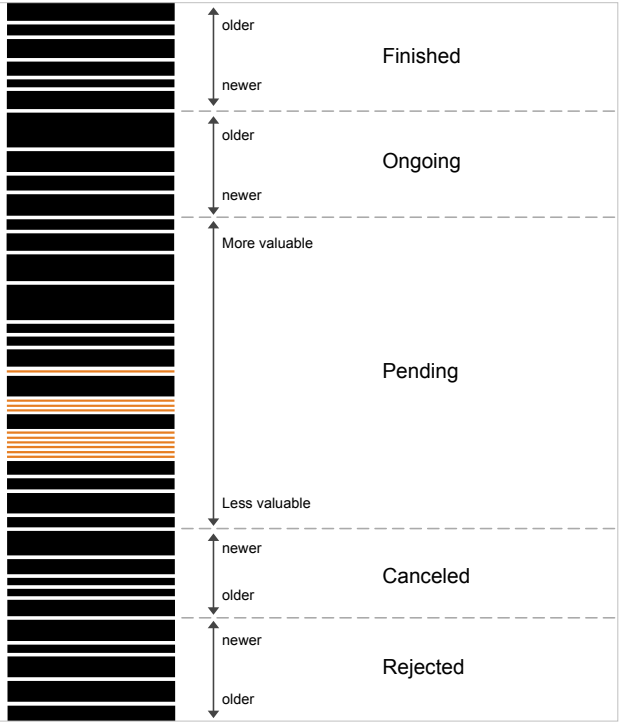


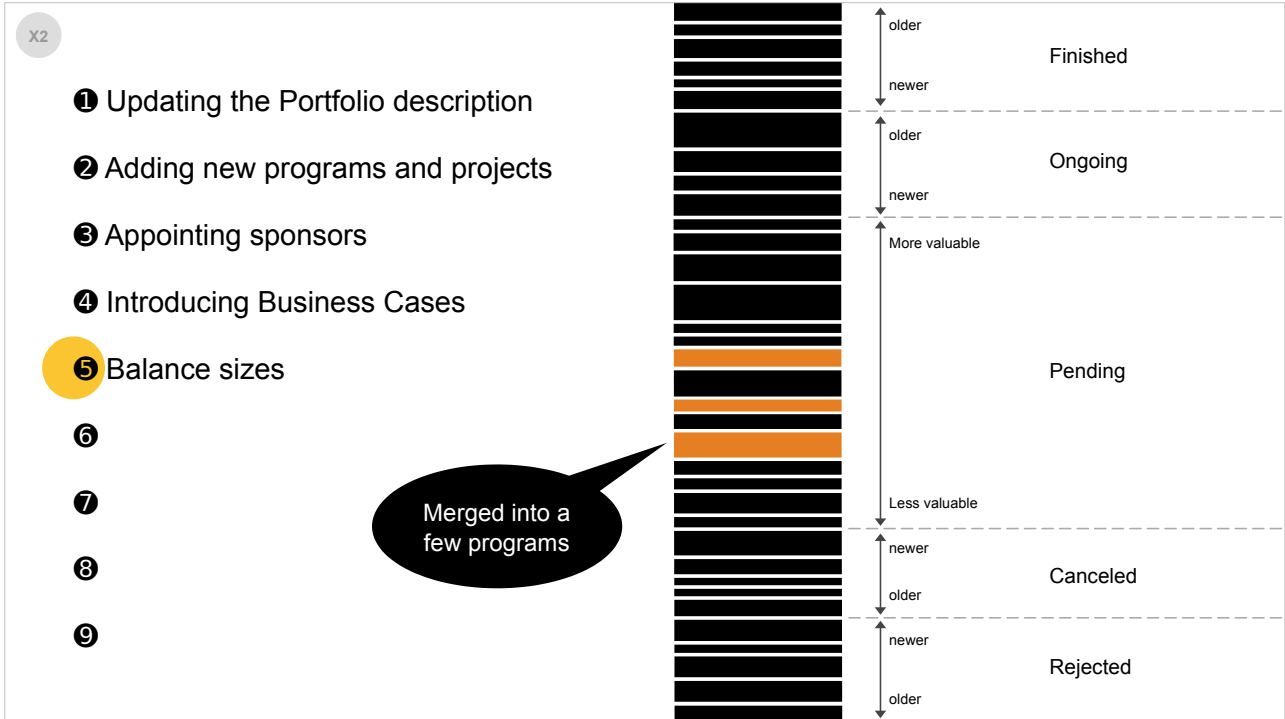
- ① Updating the Portfolio description
- ② Adding new programs and projects
- ③ Appointing sponsors
- ④ Introducing Business Cases
- ⑤ Balance sizes
- ⑥
- ⑦
- ⑧
- ⑨

Increase portfolio complexity

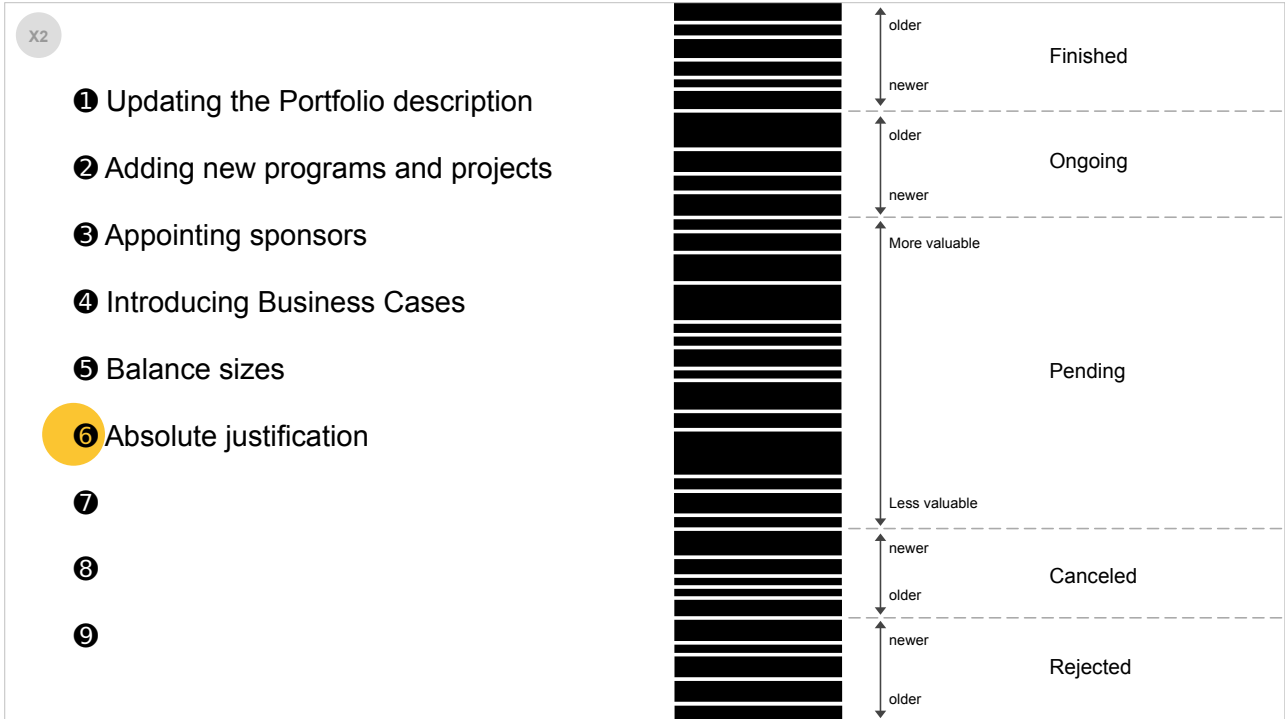
Too small!

Distracting





If you have too many tiny programs and projects, they will spam the matrix and distract people from the important items. So, in those cases, you may want to find the related ones and combine them into a program, because then only the larger program will be directed here, and the tiny projects inside it will be directed in the program management system.



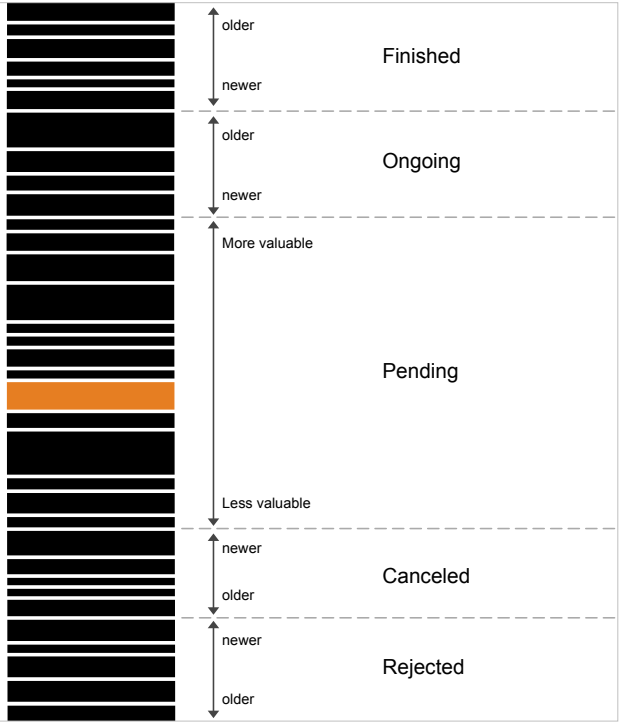
The next step is to check each new program or project to see whether they are justifiable. If they are not, they will be moved to the “rejected” section.

Besides the new items, we can also check the older pending ones and reject them if they have lost their justification.

This check is not relative; i.e., the justification of each project or program is checked in isolation, without considering others. We just want to make sure each item is justifiable now. In the next step, we’ll make sure the ones on top of the list, which will be done first, are our best options.

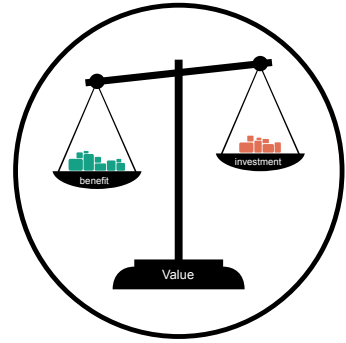
- ① Updating the Portfolio description
- ② Adding new programs and projects
- ③ Appointing sponsors
- ④ Introducing Business Cases
- ⑤ Balance sizes
- ⑥ Absolute justification
- ⑦
- ⑧
- ⑨

Yes or no?



- ① Updating the Portfolio description
- ② Adding new programs and projects
- ③ Appointing sponsors
- ④ Introducing Business Cases
- ⑤ Balance sizes
- ⑥ Absolute justification
- ⑦
- ⑧
- ⑨

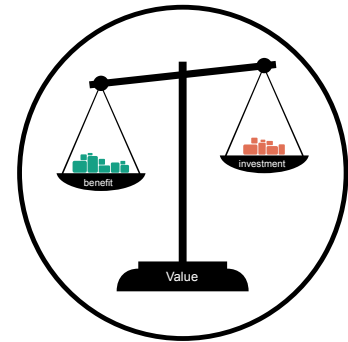
Yes or no?



benefits > investment

- ① Updating the Portfolio description
- ② Adding new programs and projects
- ③ Appointing sponsors
- ④ Introducing Business Cases
- ⑤ Balance sizes
- ⑥ Absolute justification
- ⑦
- ⑧
- ⑨

Yes or
no?



benefits > investment
(+ standard margin)

A simple explanation is that we would reject the item if its estimated benefits are lower than its investment. However, it won't be OK if you earn less than what you would earn if you put the money in a bank. So, benefits need to be higher than the investment with a certain margin. That margin can be anything, depending on your organization.

The portfolio board has rejected a project with a Value of 1.05 and accepted one with a Value of 0.95!

How can that be logical?



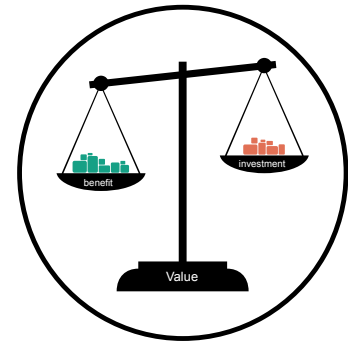
The 1.05 Value can be rejected because the lowest acceptable Value doesn't have to be 1.00; e.g., if you can get an interest rate of 6%, a one-year project with a Value of 1.05 would be lower than that and, therefore, rejected.

However, the interest rate and measures like that cannot always be the threshold. For example, your company may have many experts and machines for a special type of project. If they lose them, they won't be able to get them back that easily, and, for example, they know that they will have a very profitable project in a year. So, the cost of those people and machines cannot be channeled somewhere else. If you don't have any suitable project for those resources, all the money would be wasted. That's why a low-return project with a Value of 0.95 can be better than nothing, and you may accept it.

With that argument, even a project with a Value of 0.1 would be justified as well! But would you do that? Probably not, because 1) doing a project with such a low price may set a bad example and make it difficult for you to have better prices in the future, and 2) others may think that you have serious financial problems in the company to do it like that, which harms your reputation and potential for future projects. That's why you should "do free work, but not cheap work!"

- ① Updating the Portfolio description
- ② Adding new programs and projects
- ③ Appointing sponsors
- ④ Introducing Business Cases
- ⑤ Balance sizes
- ⑥ Absolute justification
- ⑦
- ⑧
- ⑨

Yes or
no?



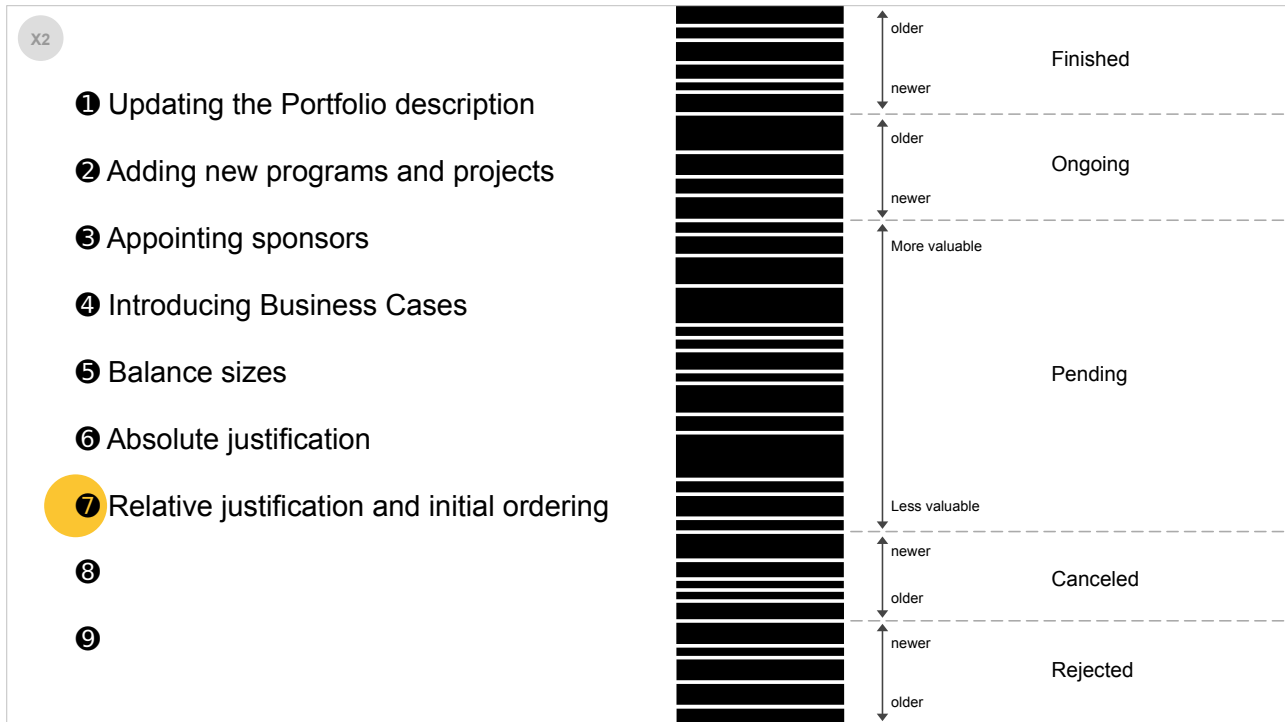
benefits > investment
(+ standard margin)

Unhealthy
exceptions

So, sometimes we don't reject items that have a benefit lower than the investment and standard margin because of the reasons discussed in the previous exercise. That's something a good portfolio management would consider. However, it's an unhealthy situation, and if it happens, you should check to see how you can avoid it in the future.



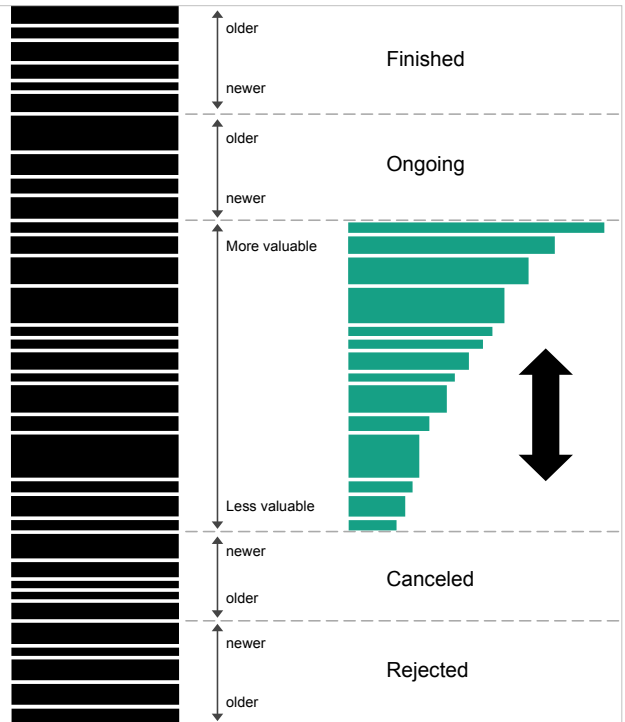
Remember that we don't delete rejected ideas, but we move them to the "rejected" section. That way, we'll have the history of our explorations, which can be very helpful in the future.



In this step, we'll calculate the value of each project (benefits ÷ investment) in the pending section and order them from the most valuable to the least. This is a temporary order, and that will be revised in the next steps.

Programs and projects on top of the pending section are those that will be run first. When we have free capacity, we'll check from the top of the pending section and select the first program or project that we can run (it matches our free capacity in terms of expertise and capacity).

- ① Updating the Portfolio description
- ② Adding new programs and projects
- ③ Appointing sponsors
- ④ Introducing Business Cases
- ⑤ Balance sizes
- ⑥ Absolute justification
- ⑦ Relative justification and initial ordering
- ⑧
- ⑨



t1	i	b	s
Pa	3	7	finished
Pb	6	7	finished
Pc	4	6	ongoing
Pd	8	9	ongoing
Pe	3	4	ongoing
Pf	2	5	pending
Pg	8	9	pending
Ph	4	6	pending
Pi	2	5	pending
Pj	6	7	pending
Pk	4	5	pending
Pl	7	6	canceled
Pm	5	4	rejected
Pn	4	4	rejected

Sort the pending programs and projects of this matrix.

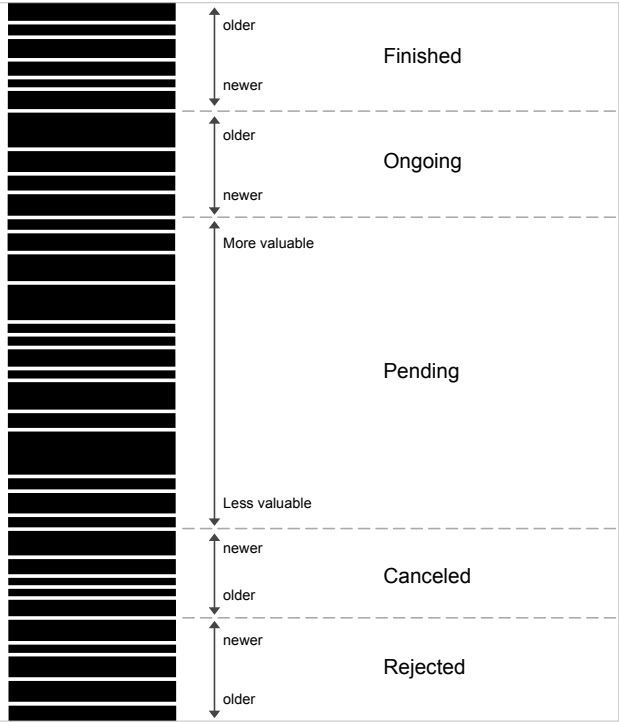
t1: title
i: investment
b: benefits
s: status



It's a simple exercise and the whole point is to calculate Value by dividing benefits by investments. The finished, ongoing, canceled, and rejected sections will be sorted based on date, so we'll assume they are okay. For the pending section, we'll sort them from higher Value to lower:

Pf: 2.5
Pi: 2.5
Ph: 1.5
Pk: 1.3
Pj: 1.2
Pg: 1.1

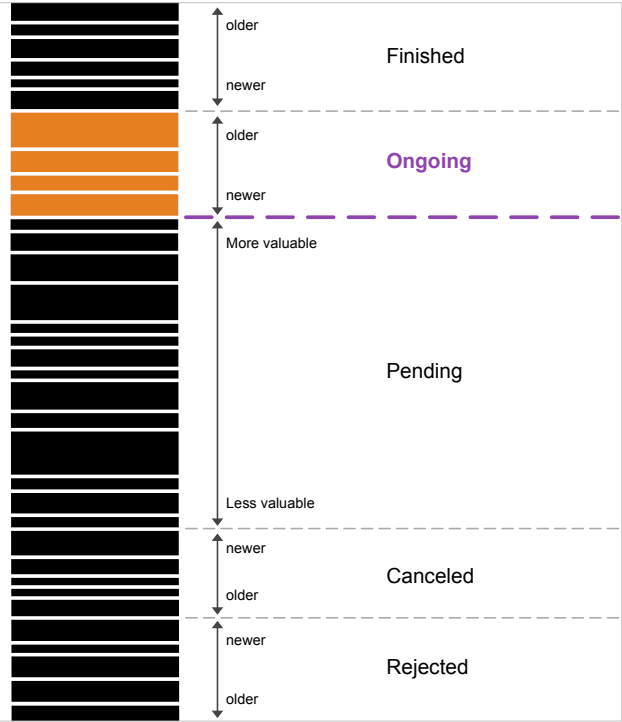
- ① Updating the Portfolio description
- ② Adding new programs and projects
- ③ Appointing sponsors
- ④ Introducing Business Cases
- ⑤ Balance sizes
- ⑥ Absolute justification
- ⑦ Relative justification and initial ordering
- ⑧ Revising the total capacity
- ⑨



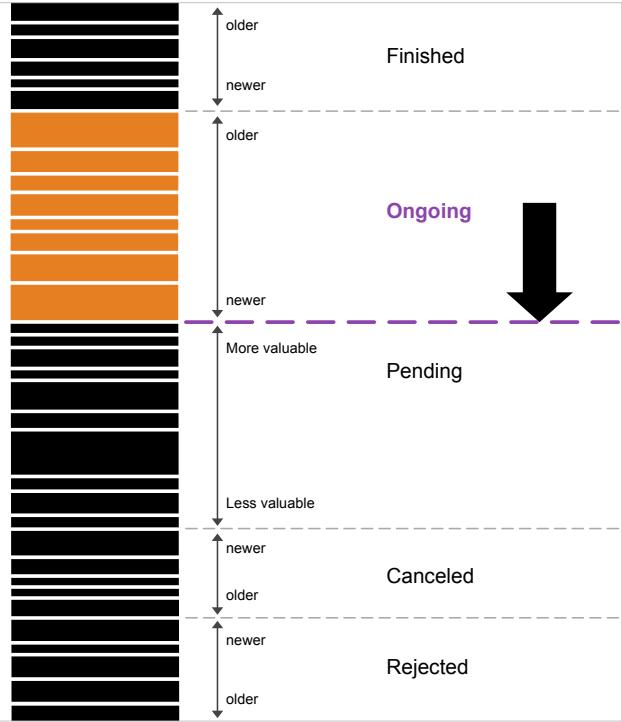
The last step is balancing, which depends on our capacity, so, before that, we have to revise our capacity. How many projects can we do at the same time? Is it justifiable for us to hire more people and increase our capacity? Even maybe it's better if we release some people and go on with fewer people and smaller capacity. All of these should be discussed and decided.

Note that all the high-level decision makers of the organization are members of the portfolio board, and they have enough authority to decide about these things.

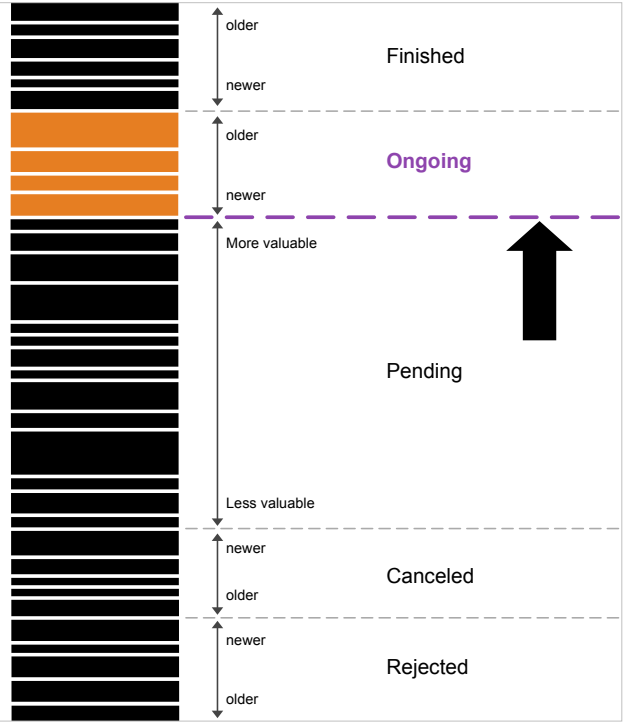
- ① Updating the Portfolio description
- ② Adding new programs and projects
- ③ Appointing sponsors
- ④ Introducing Business Cases
- ⑤ Balance sizes
- ⑥ Absolute justification
- ⑦ Relative justification and initial ordering
- ⑧ Revising the total capacity
- ⑨



- ① Updating the Portfolio description
- ② Adding new programs and projects
- ③ Appointing sponsors
- ④ Introducing Business Cases
- ⑤ Balance sizes
- ⑥ Absolute justification
- ⑦ Relative justification and initial ordering
- ⑧ Revising the total capacity
- ⑨



- ① Updating the Portfolio description
- ② Adding new programs and projects
- ③ Appointing sponsors
- ④ Introducing Business Cases
- ⑤ Balance sizes
- ⑥ Absolute justification
- ⑦ Relative justification and initial ordering
- ⑧ Revising the total capacity
- ⑨



X2


- ① Updating the Portfolio description
- ② Adding new programs and projects
- ③ Appointing sponsors
- ④ Introducing Business Cases
- ⑤ Balance sizes
- ⑥ Absolute justification
- ⑦ Relative justification and initial ordering
- ⑧ Revising the total capacity
- ⑨ Balancing and final prioritization



Categories of value

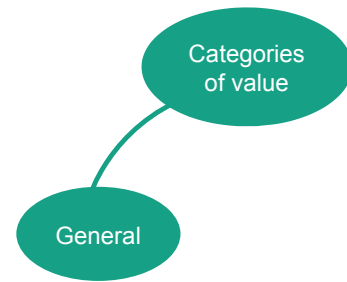
We balance our portfolio so that all “categories of value” are served properly.

- ① Updating the Portfolio description
- ② Adding new programs and projects
- ③ Appointing sponsors
- ④ Introducing Business Cases
- ⑤ Balance sizes
- ⑥ Absolute justification
- ⑦ Relative justification and initial ordering
- ⑧ Revising the total capacity
- ⑨ Balancing and final prioritization

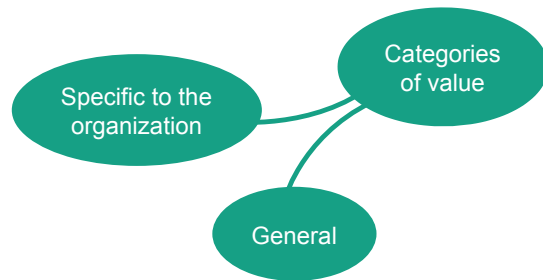


Categories
of value

- ① Updating the Portfolio description
- ② Adding new programs and projects
- ③ Appointing sponsors
- ④ Introducing Business Cases
- ⑤ Balance sizes
- ⑥ Absolute justification
- ⑦ Relative justification and initial ordering
- ⑧ Revising the total capacity
- ⑨ Balancing and final prioritization

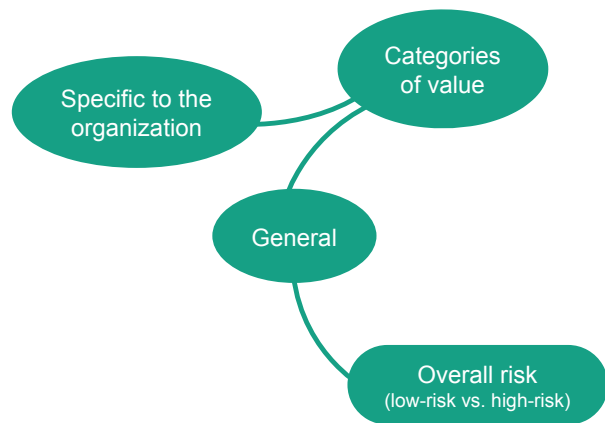


- ① Updating the Portfolio description
- ② Adding new programs and projects
- ③ Appointing sponsors
- ④ Introducing Business Cases
- ⑤ Balance sizes
- ⑥ Absolute justification
- ⑦ Relative justification and initial ordering
- ⑧ Revising the total capacity
- ⑨ Balancing and final prioritization



We have two types of categories: the general categories come in P5.express and must exist in all organizations, and specific categories depend on the organization. Some organizations may not even need any specific categories, and the general ones would be enough for them.

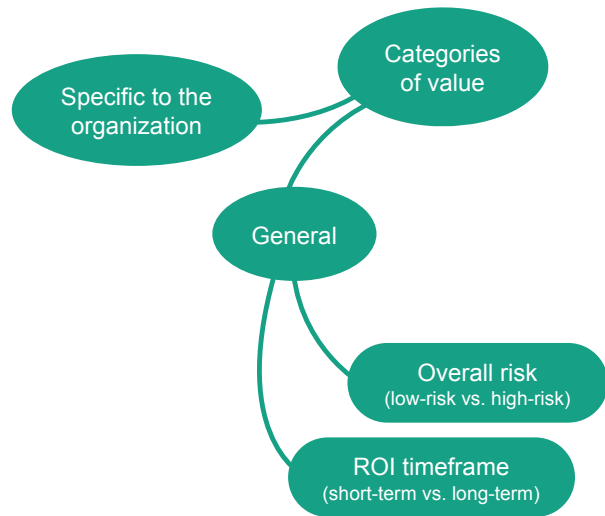
- ① Updating the Portfolio description
- ② Adding new programs and projects
- ③ Appointing sponsors
- ④ Introducing Business Cases
- ⑤ Balance sizes
- ⑥ Absolute justification
- ⑦ Relative justification and initial ordering
- ⑧ Revising the total capacity
- ⑨ Balancing and final prioritization



All categories of value are things we want to balance our portfolio against. For example, we'd say that we want to have between 10% and 30% of our investments in high-risk programs and projects.

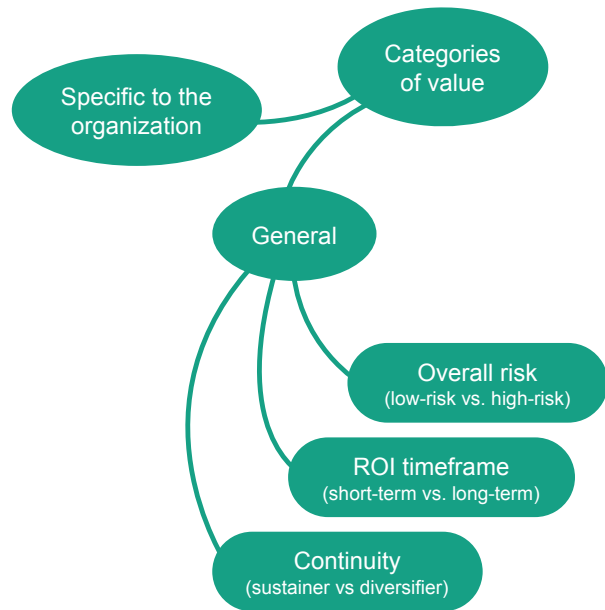
Shall we avoid all high-risk items? Not at all! High-risk items usually have higher rewards. We just have to make sure that we have a balanced portfolio according to risk.

- ① Updating the Portfolio description
- ② Adding new programs and projects
- ③ Appointing sponsors
- ④ Introducing Business Cases
- ⑤ Balance sizes
- ⑥ Absolute justification
- ⑦ Relative justification and initial ordering
- ⑧ Revising the total capacity
- ⑨ Balancing and final prioritization



We need short-term programs and projects to earn money for our day-to-day expenses, and if all investments become long-term, we'll run into problems. If everything is short-term, we'll have problems as well because things won't be predictable: your long-term investments will provide you with a steady channel of income. That's why you usually need both of them, and it's important to balance your portfolio against them.

- ① Updating the Portfolio description
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The last general category is about continuity. You need to spend some of your investment on sustaining your existing products and services because you've already created potential for them to generate benefits. On the other hand, you also want to diversify as well so that you become more resilient and able to benefit more. In portfolio management, we don't want to put all our eggs in one basket!

Compose **categories of value** with targets for a company that wants to be the best source for hobbyist gardeners.

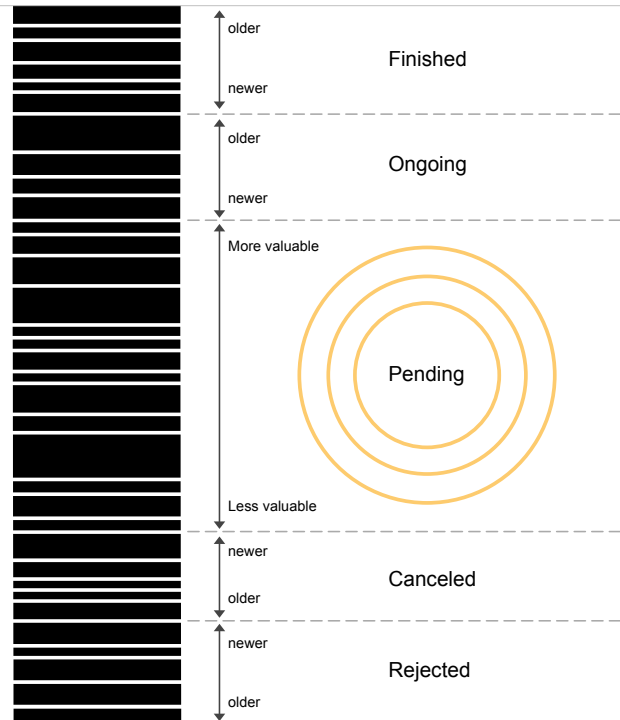


They can do a lot of different things; e.g., publish books, podcasts, and videos on social media. On the other hand, they can also sell seeds, equipment, etc.

The following can be an example set of categories of Value with their target values:

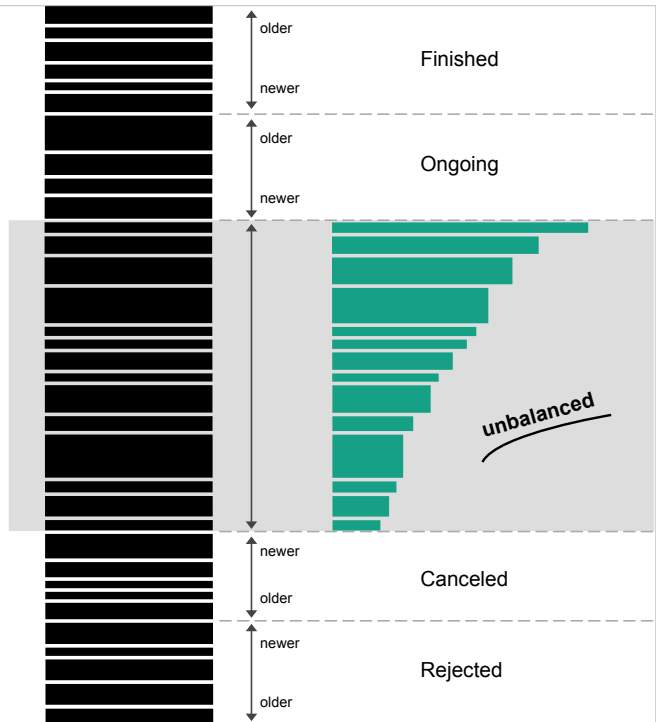
- **General**
 - **Overall risk**
 - **Low-risk** 80%
 - **High-risk** 20%
 - **ROI**
 - **Short-term** 40%
 - **Long-term** 60%
 - **Continuity**
 - **Sustainer** 75%
 - **Diversifier** ... 25%
- **Specific**
 - **Books** 10%
 - **Podcast** 20%
 - **Videos** 50%
 - **Products** 20%

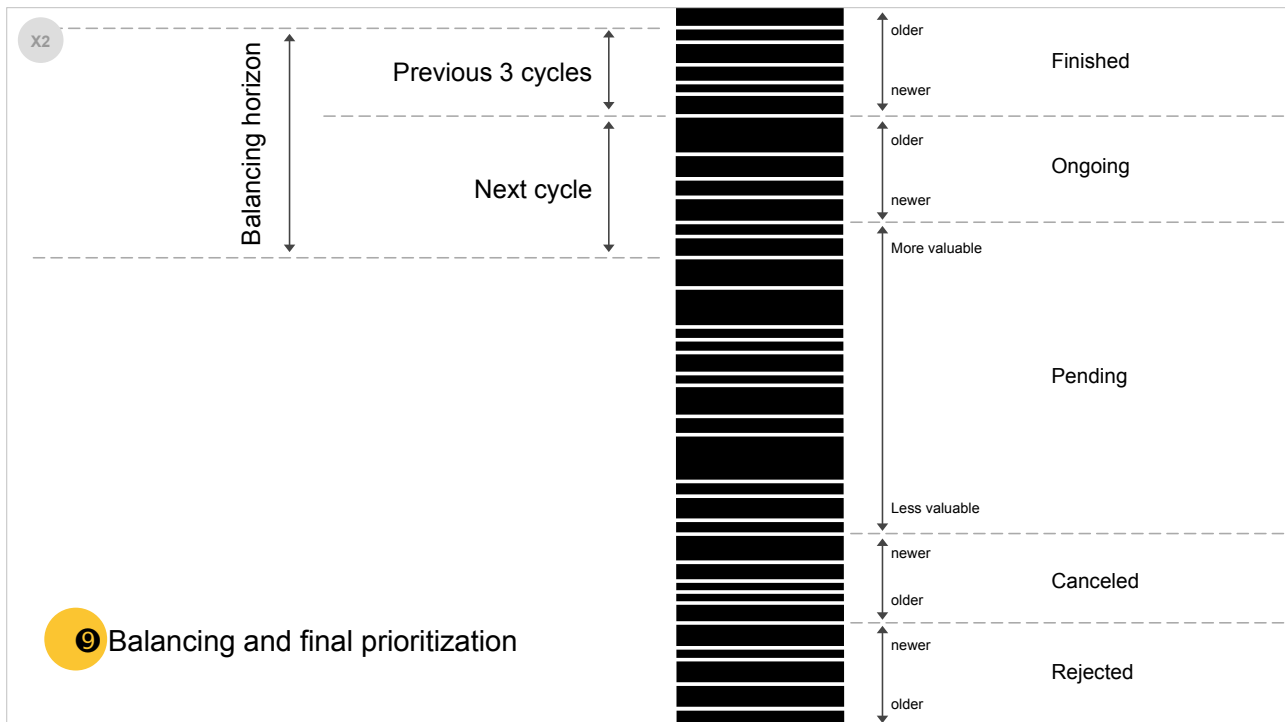
- ① Updating the Portfolio description
- ② Adding new programs and projects
- ③ Appointing sponsors
- ④ Introducing Business Cases
- ⑤ Balance sizes
- ⑥ Absolute justification
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Our best portfolio is not one that contains all the highest-value items, but one that's also balanced, meaning that it serves all the value categories properly. For example, if the decision is to invest 30% of resources in long-term items and 70% in short-term ones, and you see that all items on top of the pending section that will be executed in the next cycle are long-term, it won't be balanced, and you have to replace some of them with short-term ones.

- 1 Updating the Portfolio description
- 2 Adding new programs and projects
- 3 Appointing sponsors
- 4 Introducing Business Cases
- 5 Balance sizes
- 6 Absolute justification
- 7 Relative justification and initial ordering
- 8 Revising the total capacity
- 9 Balancing and final prioritization



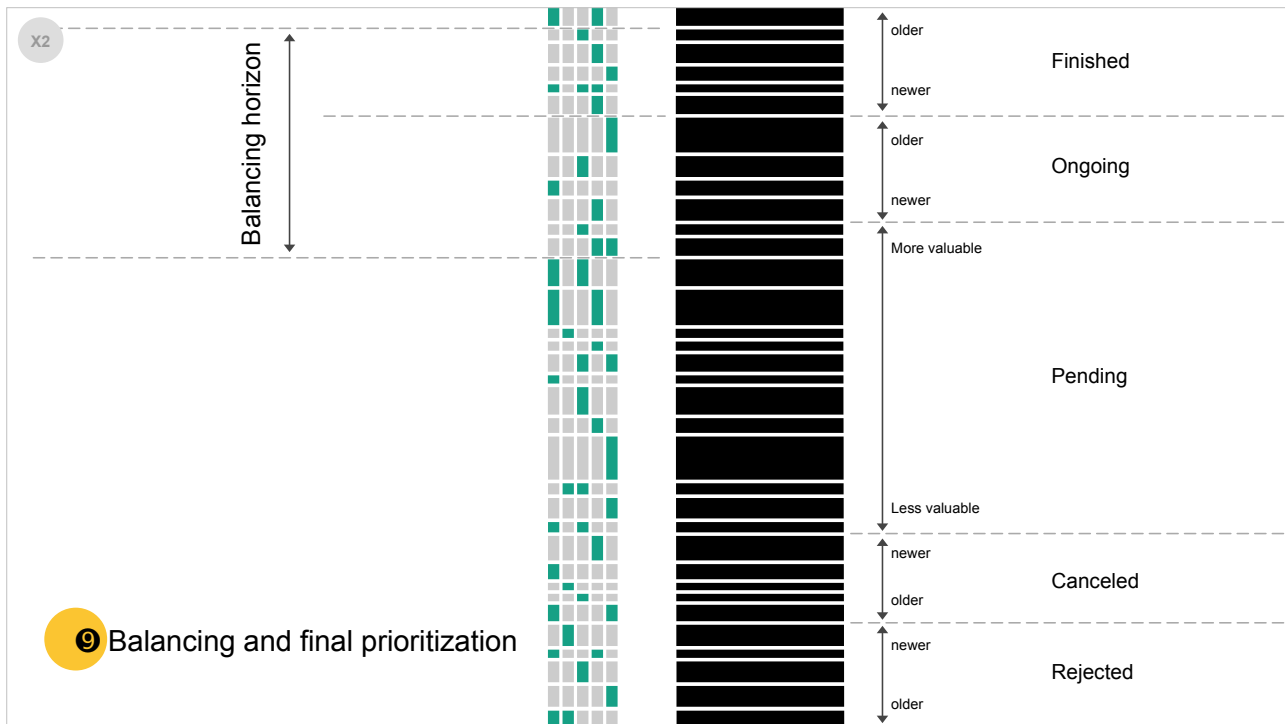


It doesn't matter how we balance projects and programs; they always change in execution, and therefore, our past may not be balanced. So, maybe our portfolio is balanced based on short-term/long-term items, but as it turns out, most of the so-called short-term projects end up being long-term. So, when you look at your history, you see that you don't have enough short-term items. Now, in a case like that, you need to compensate in the next cycle by having even more short-term projects than originally intended.

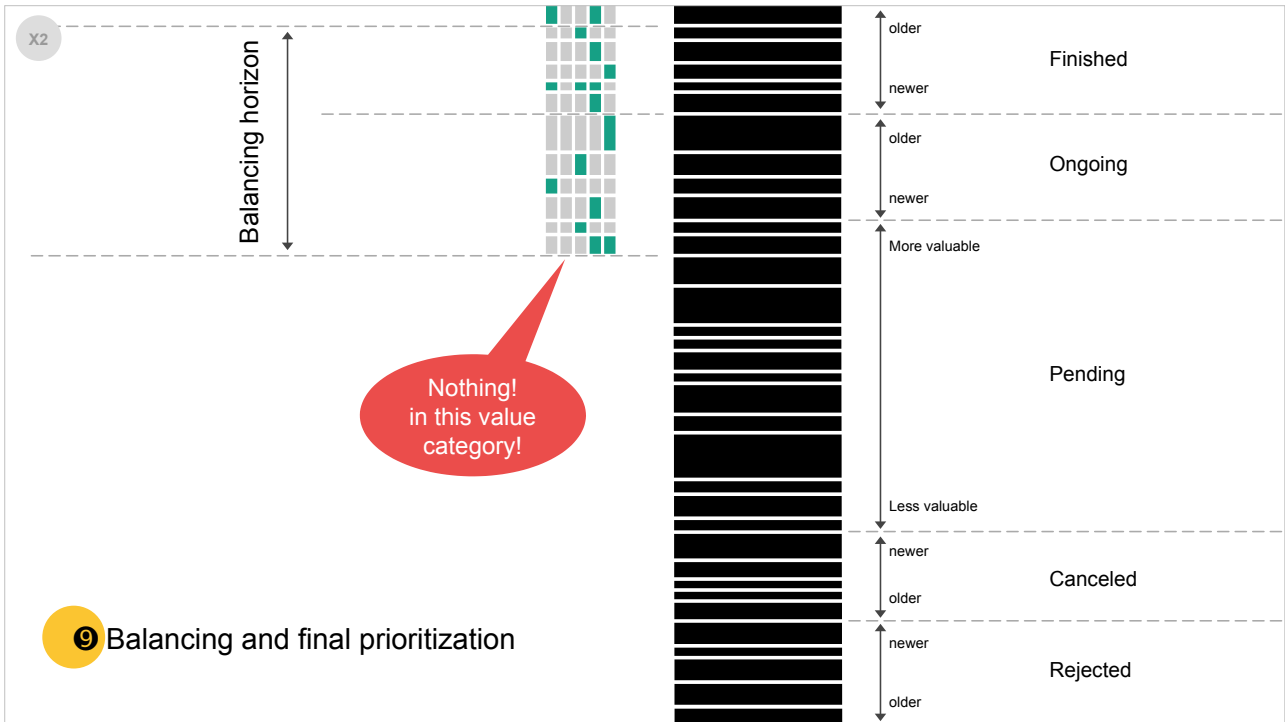
That's why we have the concept of balancing horizon!

By default, our balancing horizon is the next cycle (the currently ongoing items plus some of the pending items on the top), which is determined by our capacity plus what we had done in the past 3 cycles, based on their actual dates. 3 cycles is a good option for most organizations, but if you think you need more or less, you can decide and add the decision to the Portfolio Description.

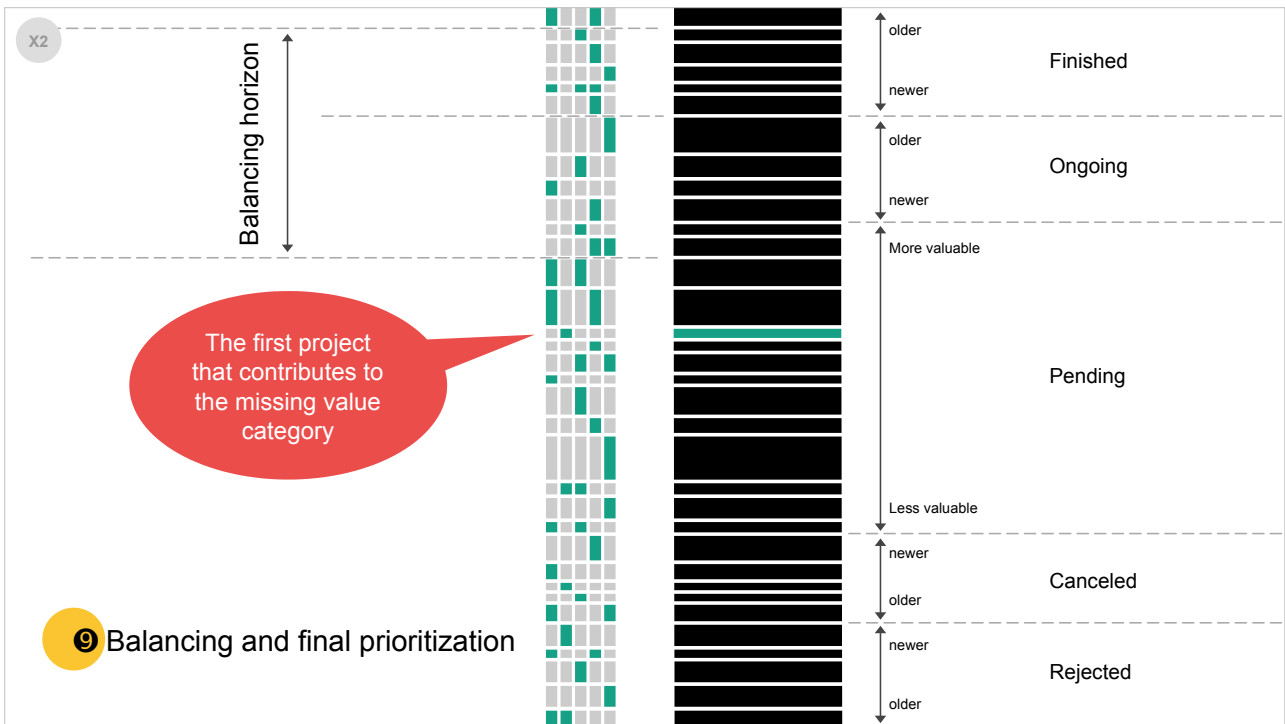
Note: The scale in this diagram is not right; normally, the height of the 3 previous cycles should be more or less 3 times the next cycle.



So, after determining the balancing horizon, we need to check how each project or program contributes to each value category. Those are the 3 general categories plus any specific categories you've defined for the organization. These are demonstrated by the colored matrix; those in green are categories served by the project or program.



We have a target for each category; e.g., 20% of our investments should serve category X. We'll sum up the contribution of each item for each category to see how much each category is served. In this image, the second category is not served at all, meaning that our portfolio is not balanced yet.



So, we check the lower items to see which one serves the missing category, and swap it with one of the items on the top, so that...

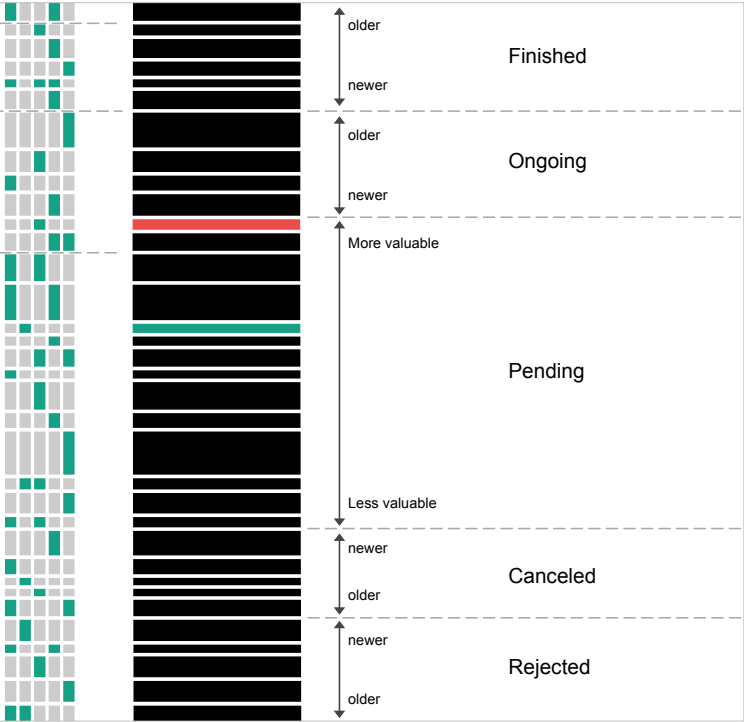
X2

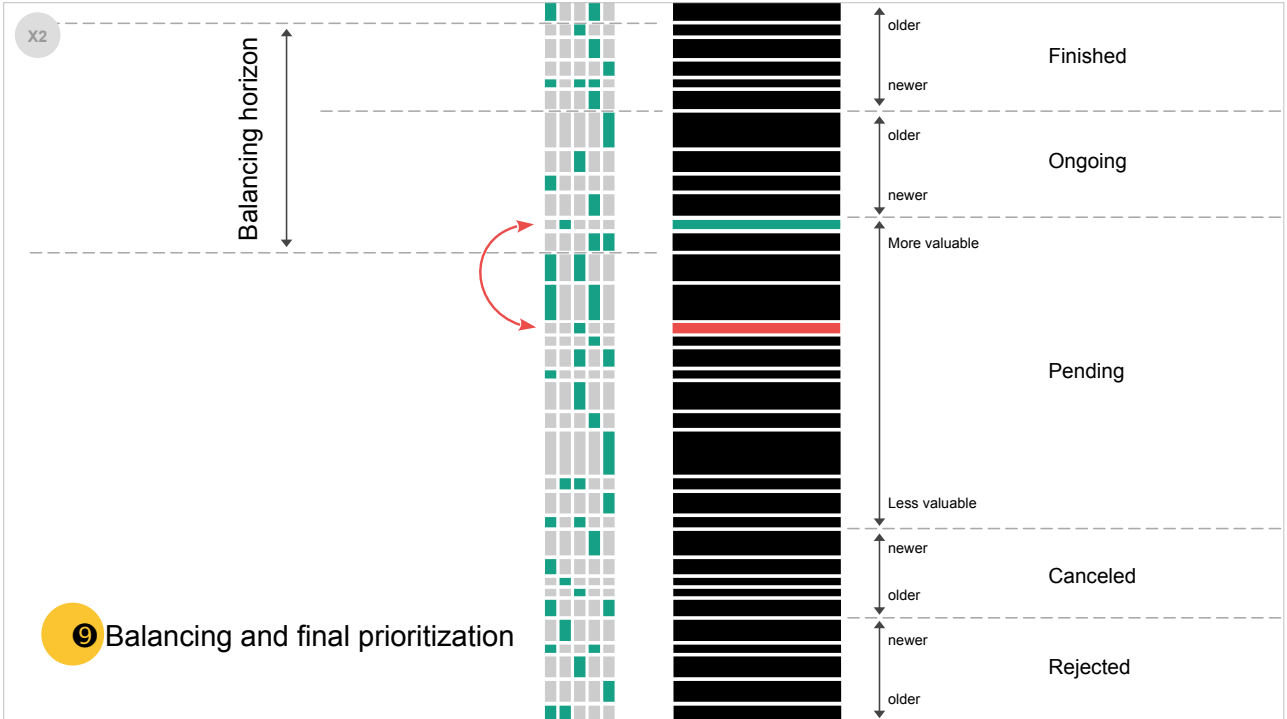
Balancing

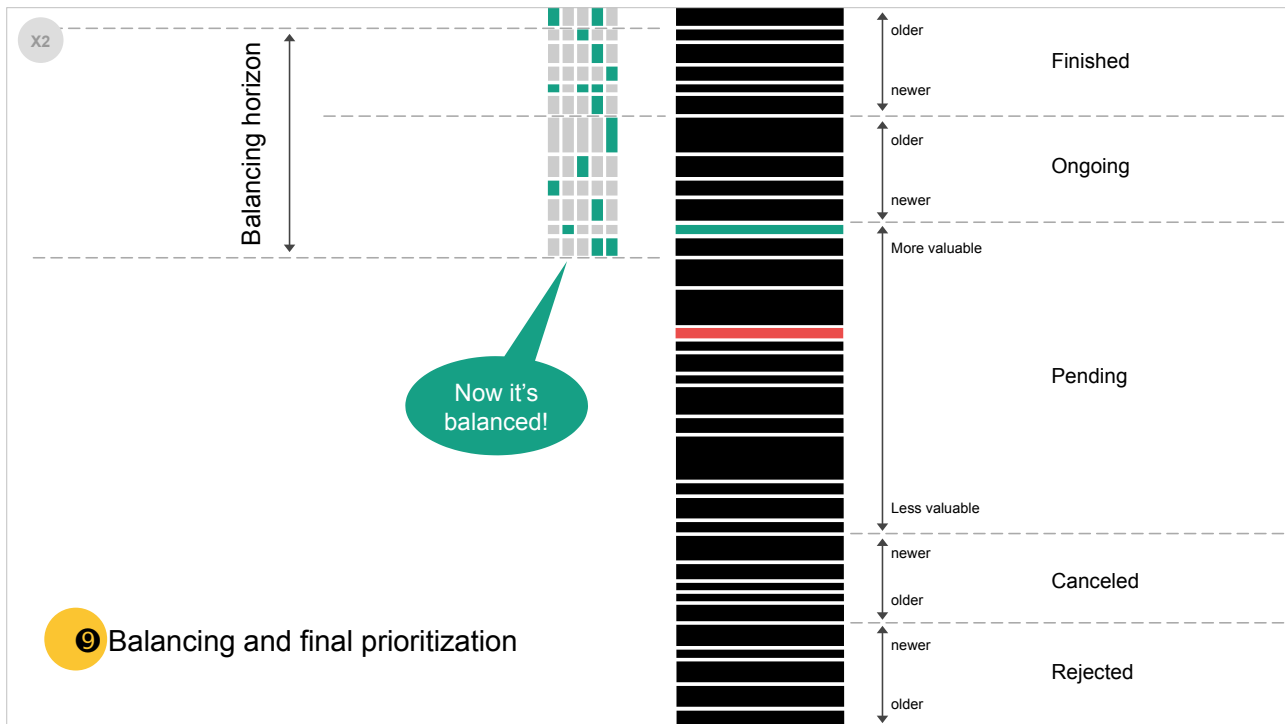
Can be replaced with this one.

The first project that contributes to the missing value category

9 Balancing and final prioritization



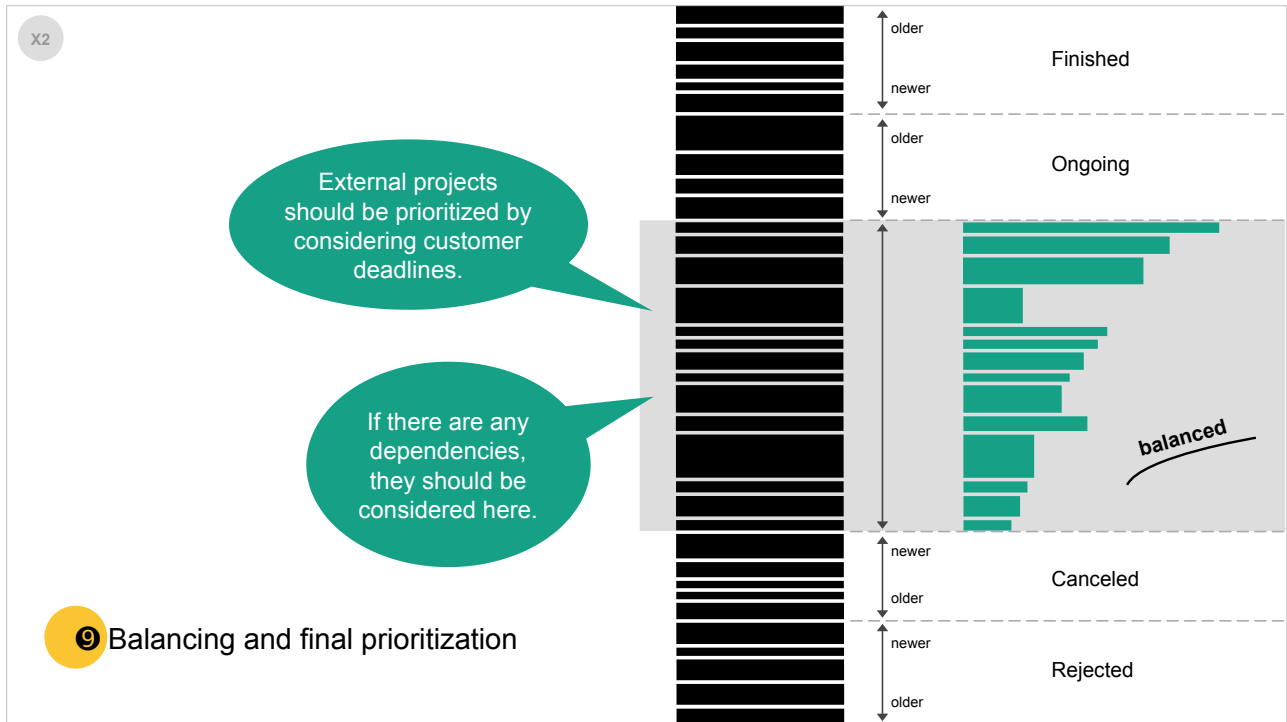




...so that the portfolio in the planning horizon is balanced.

Note that when you swap items like this, it may fix the category that was not okay before, but it may change other categories, and something else may become unbalanced, so you'd have to try again. You can use complex software to optimize it, but a simple manual exploration is usually more than enough. Also, remember that the values don't have to exactly match targets, but being close enough is OK.

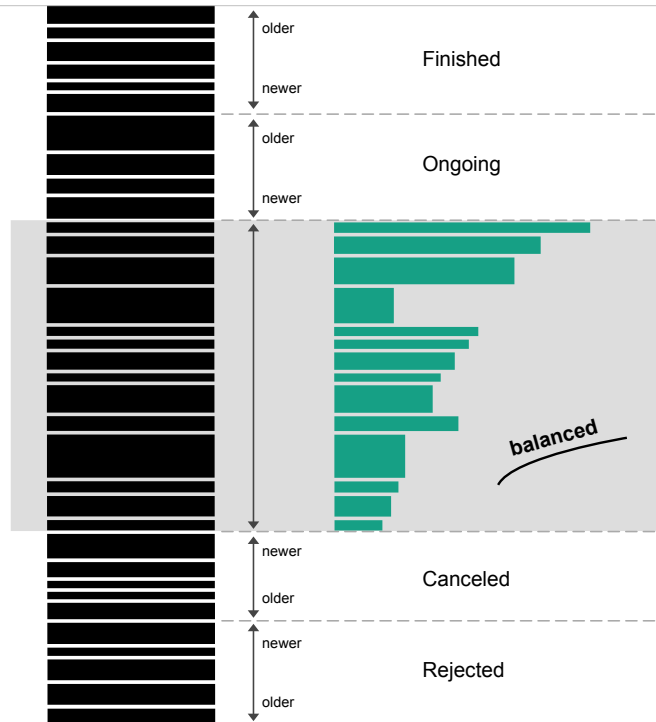
Also, sometimes we intentionally accept an unbalanced portfolio to take advantage of a short-term opportunity. That's fine, especially because with our balancing horizon, it will be balanced the next cycle.



We have two types of justification in X2: absolute justification and relative justification. Both of them are necessary for all organizations, but each organization would find one of the two more important. Usually, those who have their own projects need to be more careful about relative justification, and those who work for external clients focus more on absolute justification.

X2

- ① Updating the Portfolio description
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Remember that a balanced portfolio doesn't have as much Value as an unbalanced one, and that's the price we pay for having the balance.

t1	i	b	val	s	A	B	C
Pa	3	7	2.3	f	0	1	0
Pb	6	7	1.2	f	0	0	1
Pc	4	6	1.5	o	1	0	0
Pd	8	9	1.1	o	0	1	0
Pe	3	4	1.3	o	0	1	0
Pf	2	5	2.5	p	0	1	0
Pi	2	5	2.5	p	1	0	0
Ph	4	6	1.5	p	1	0	0
Pk	4	5	1.3	p	0	0	1
Pj	6	7	1.2	p	0	1	0
Pg	8	9	1.1	p	0	1	0
Pl	7	6	0.9	c	1	0	0
Pm	5	4	0.8	r	0	0	1
Pn	4	4	1.0	r	0	1	0

Balance this portfolio in a window starting from Pb and including about 8 units of new investment.

t1: title
i: investment
b: benefits
s: status
A: category A; 30% target
B: category B; 40% target
C: category C; 30% target
f: finished
o: ongoing
p: pending
c: canceled
r: rejected



This might be the most complicated-looking exercise of this course. However, in reality, it's not that big.

First, we have to calculate the benefits of each category in the balancing window. That's shown on the next slide.

	tl	i	b	val	s	A	B	C	a	b	c	Σ
Σ									17	18	07	41
%									40	43	17	
T									30	40	30	
Pa	3	7	2.3	f	0	1	0					
Pb	6	7	1.2	f	0	0	1	0	0	7	0	7
Pc	4	6	1.5	o	1	0	0	6	0	0	0	6
Pd	8	9	1.1	o	0	1	0	0	9	0	0	9
Pe	3	4	1.3	o	0	1	0	0	4	0	0	4
Pf	2	5	2.5	p	0	1	0	0	5	0	0	5
Pi	2	5	2.5	p	1	0	0	5	0	0	0	5
Ph	4	6	1.5	p	1	0	0	6	0	0	0	6
Pk	4	5	1.3	p	0	0	1					
Pj	6	7	1.2	p	0	1	0					
Pg	8	9	1.1	p	0	1	0					
Pl	7	6	0.9	c	1	0	0					
Pm	5	4	0.8	r	0	0	1					
Pn	4	4	1.0	r	0	1	0					

Balancing window

So, columns a, b, and c show the estimated benefits of programs and projects that contribute to that category. There's also a Σ column at the end that shows the benefits of all programs and projects in the balancing window. Then, there's also a Σ row that sums up those columns. So, in our current balancing window, the three categories have estimated benefits of 17, 18, and 7, respectively. Below that, there's another row where we've divided those numbers into their total, which is 41, and got the percentages: 40% of our estimated benefits will be in category A, 43% in category B, and 17% in category C. The next row is our targets for those categories: 30%, 40%, and 30%.

The values show that we don't have enough investment in category C. How can we solve it? Well, we can look for the first item outside the balancing window that contributes to that category, which is Pk. Now we can replace that with one of the items in the window; preferably the lowest item, which is Ph. Fortunately, these two are the same size, meaning that we can fit Pk in our upcoming cycle.

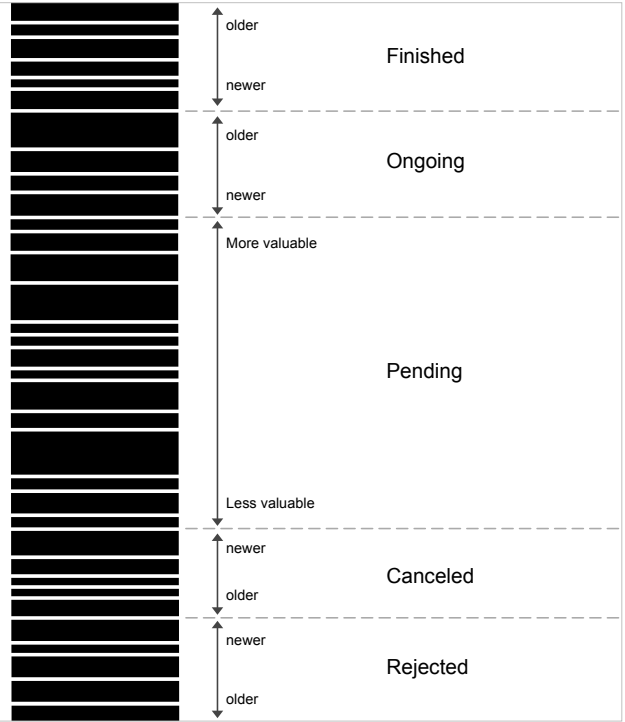
The next page shows the setup after switching Pk and Ph.

	tl	i	b	val	s	A	B	C	a	b	c	Σ
Σ									11	18	12	41
%									27	44	29	
T									30	40	30	
Pa	3	7	2.3	f	0	1	0					
Pb	6	7	1.2	f	0	0	1	0	0	7		7
Pc	4	6	1.5	o	1	0	0	6	0	0		6
Pd	8	9	1.1	o	0	1	0	0	9	0		9
Pe	3	4	1.3	o	0	1	0	0	4	0		4
Pf	2	5	2.5	p	0	1	0	0	5	0		5
Pi	2	5	2.5	p	1	0	0	5	0	0		5
Pk	4	5	1.3	p	0	0	1	0	0	5		5
Ph	4	6	1.5	p	1	0	0					
Pj	6	7	1.2	p	0	1	0					
Pg	8	9	1.1	p	0	1	0					
Pl	7	6	0.9	c	1	0	0					
Pm	5	4	0.8	r	0	0	1					
Pn	4	4	1.0	r	0	1	0					

} Balancing window

And as such, our values are close enough to the target amounts, and we can consider the portfolio balanced.

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- ① Updating the Portfolio description
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These can never be precise enough to be done mechanically based on calculations.

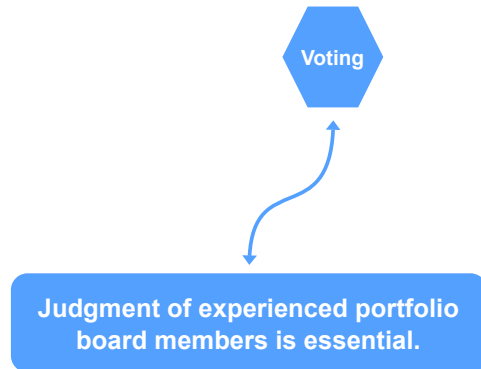
Judgment of experienced portfolio board members is essential.

Again, emphasizing the fact that these are not mechanical calculations but approximations that would help the thought process of the portfolio management team members.

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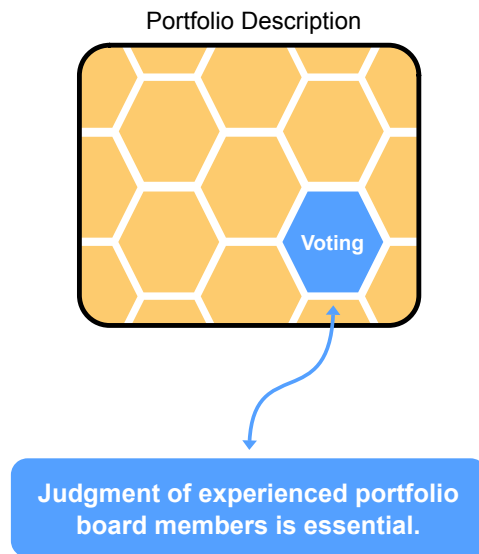
Judgment of experienced portfolio board members is essential.

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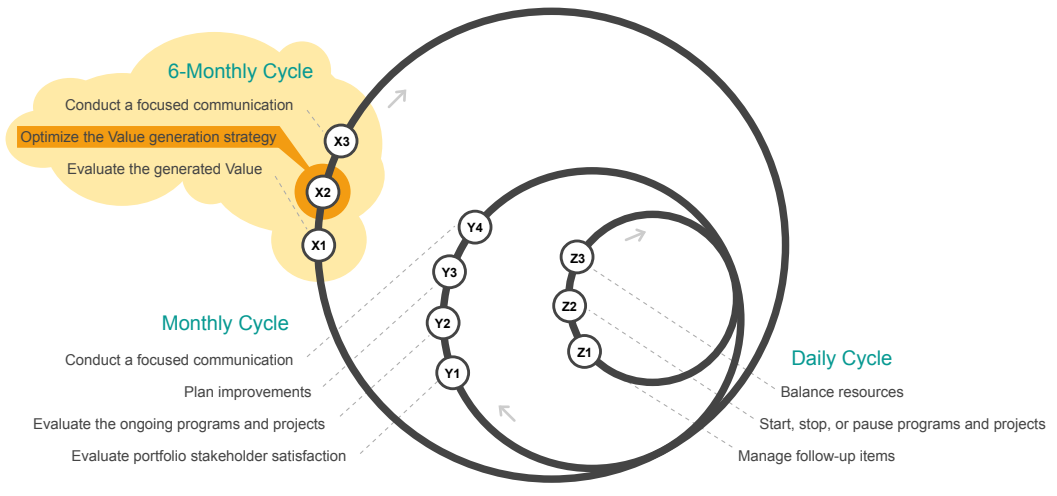


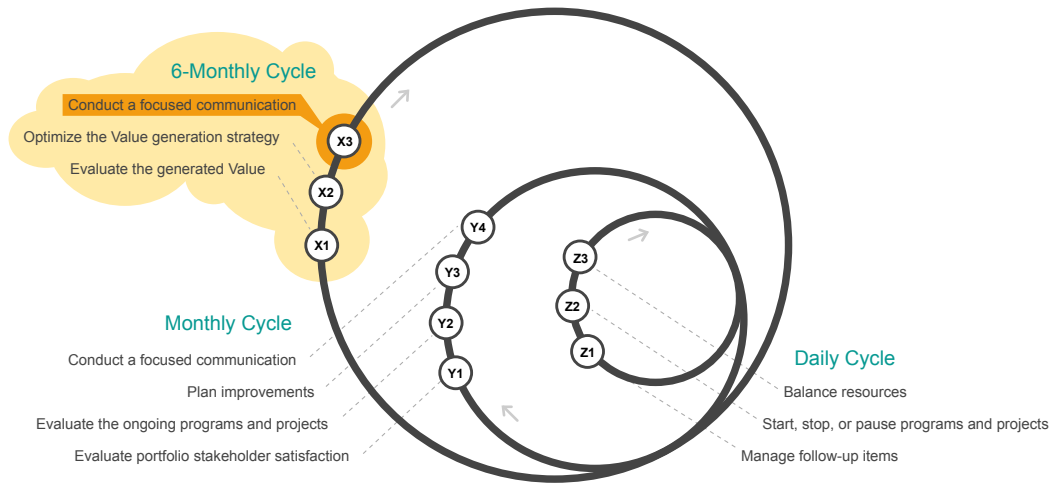
And speaking of their expert opinion, they would express it by voting.

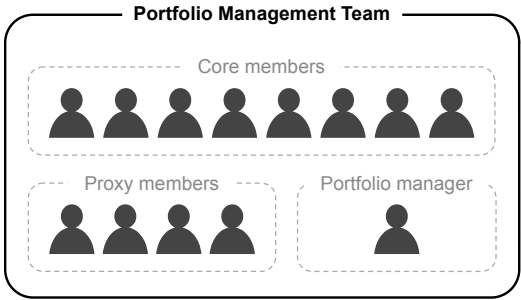
- ① Updating the Portfolio description
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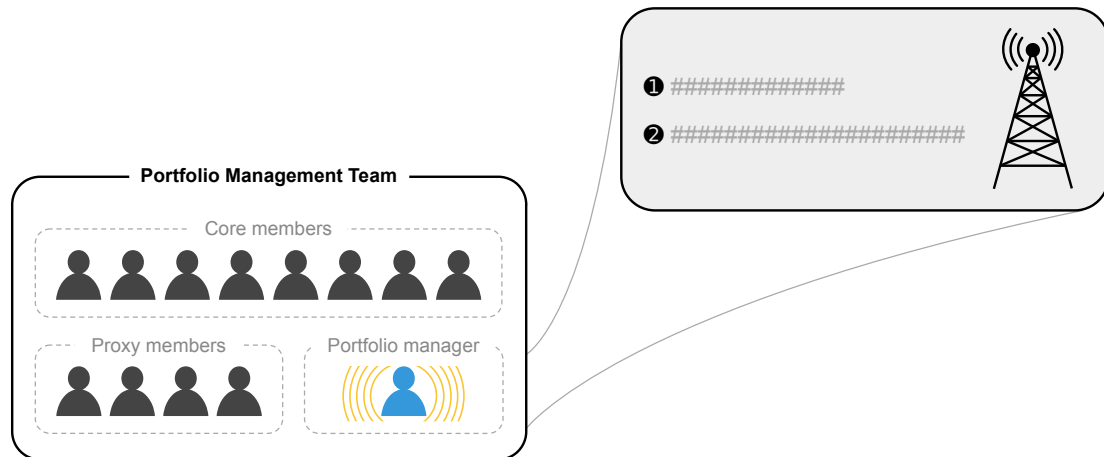


And your method of voting would have a great impact on how successful your portfolio management system is. That method should be documented in the Portfolio Description and improved when you come up with better ideas.

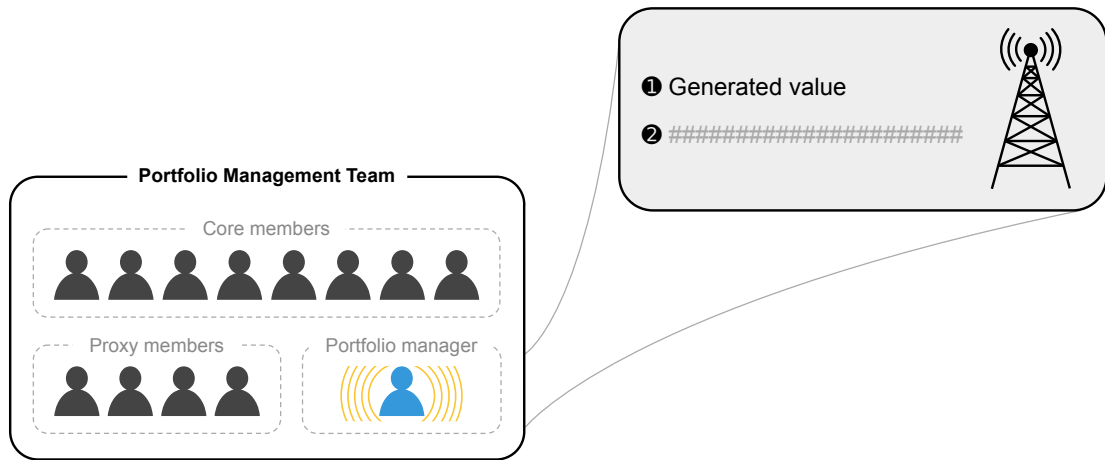




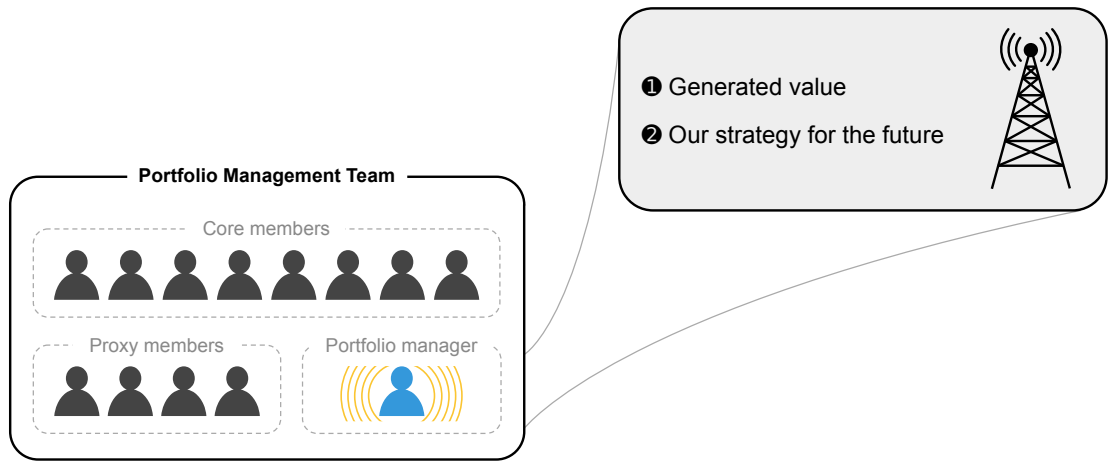




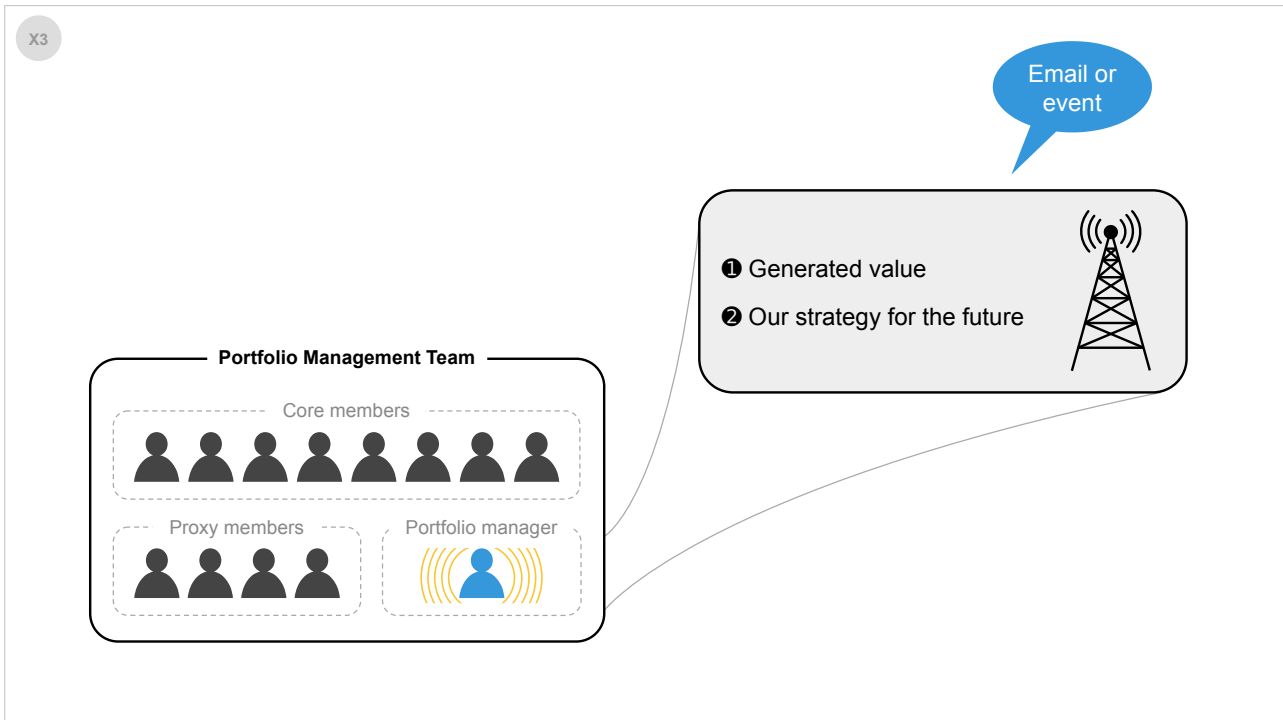
Focused communications are done by the portfolio manager and sent to everyone (or a subset of people) in the organization. This one is sent to everyone.



1: We tell them about our achievements in this cycle and the benefits realized. If the benefits are confidential, at least the achievements should be communicated.



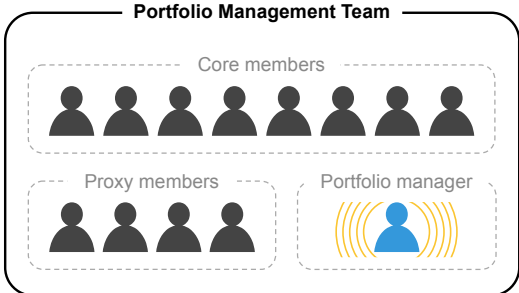
2: Our strategy for the future is our portfolio of projects and programs we want to run in the next cycle.




The whole focused communication can be an email, but if you want, you can have a small gathering for team building and also sharing the information.

Everyone becomes aware of programs and projects

Email or event




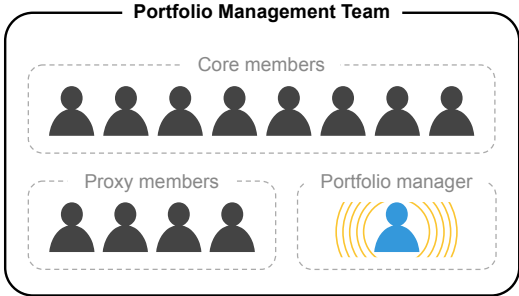
- ① Generated value
 - ② Our strategy for the future
- 

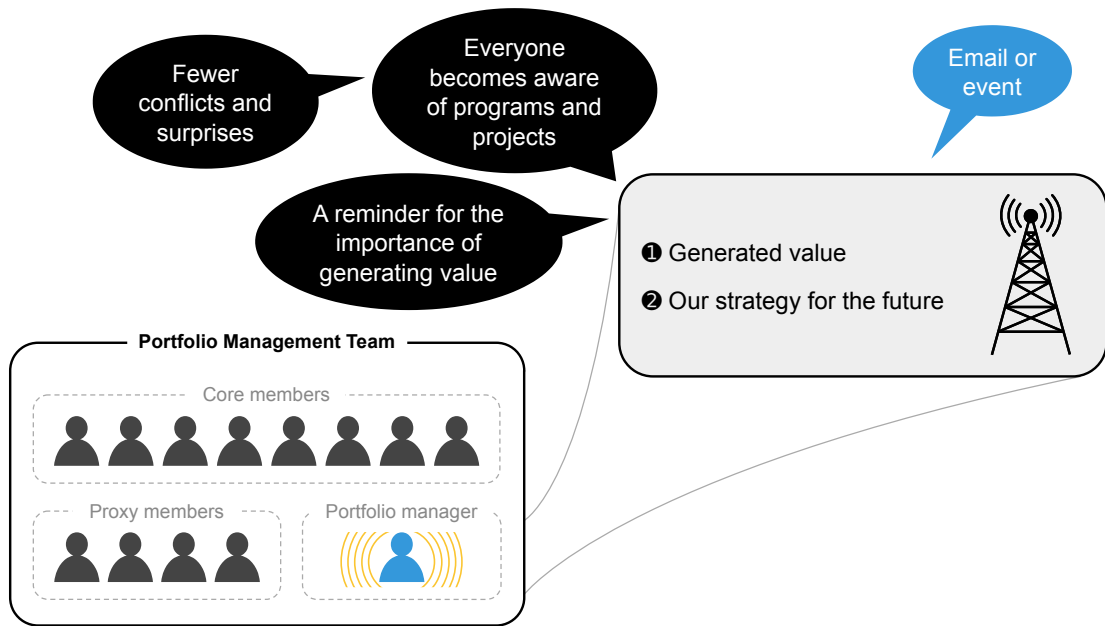
Fewer conflicts and surprises

Everyone becomes aware of programs and projects

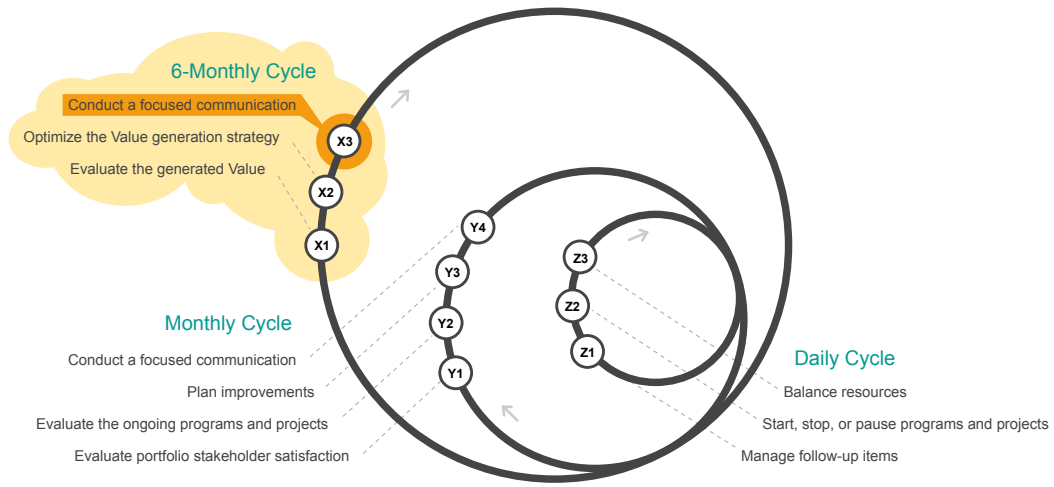
Email or event

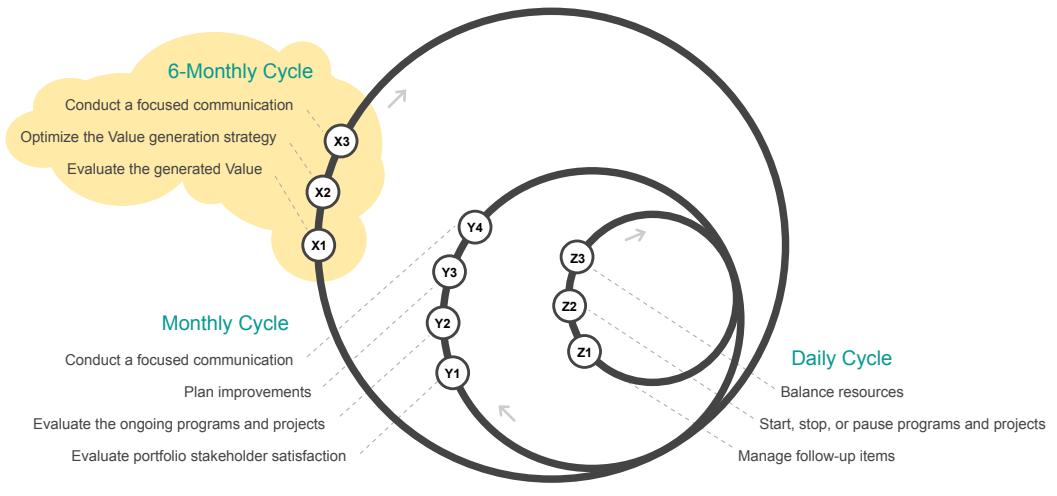
- 1 Generated value
 - 2 Our strategy for the future
- 





We should always have a purpose for what we do. For this focused communication, we have these two purposes.





① Why portfolio management?

② Process overview

③ Roles overview

④ 6-Monthly Cycle

⑤ Monthly Cycle

⑥ Daily Cycle

⑦ Range of use

① Why portfolio management?

② Process overview

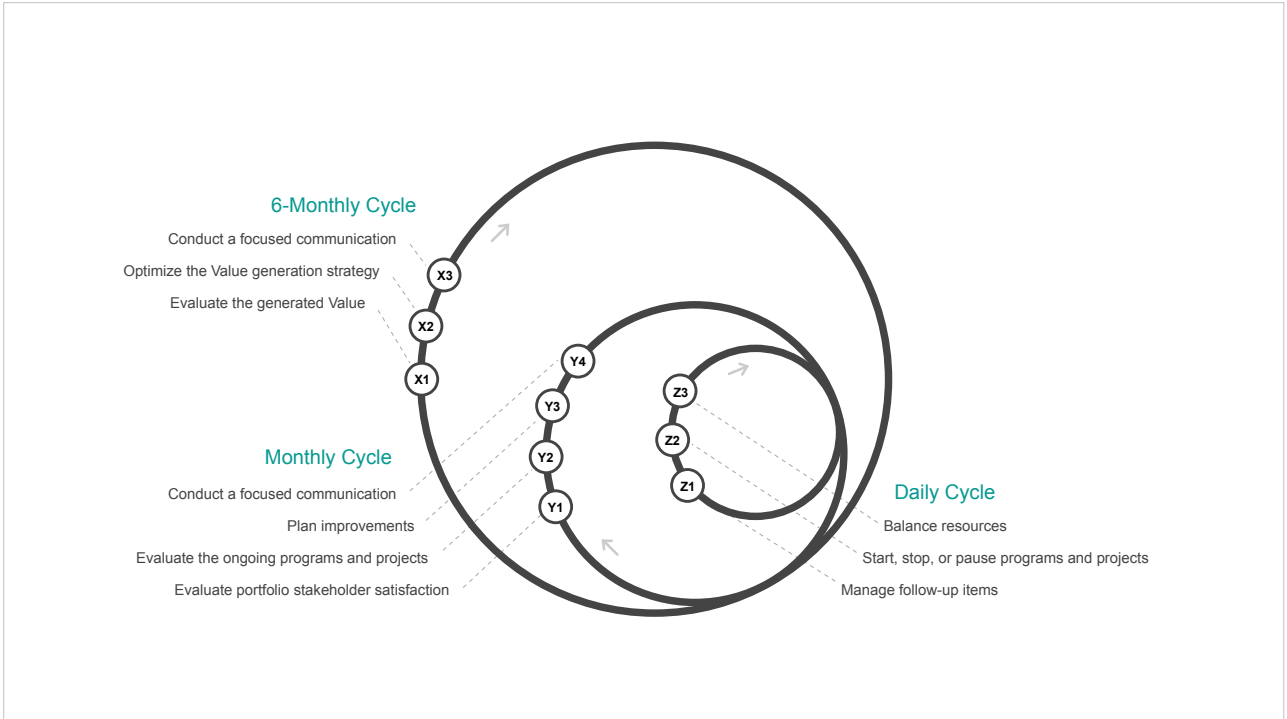
③ Roles overview

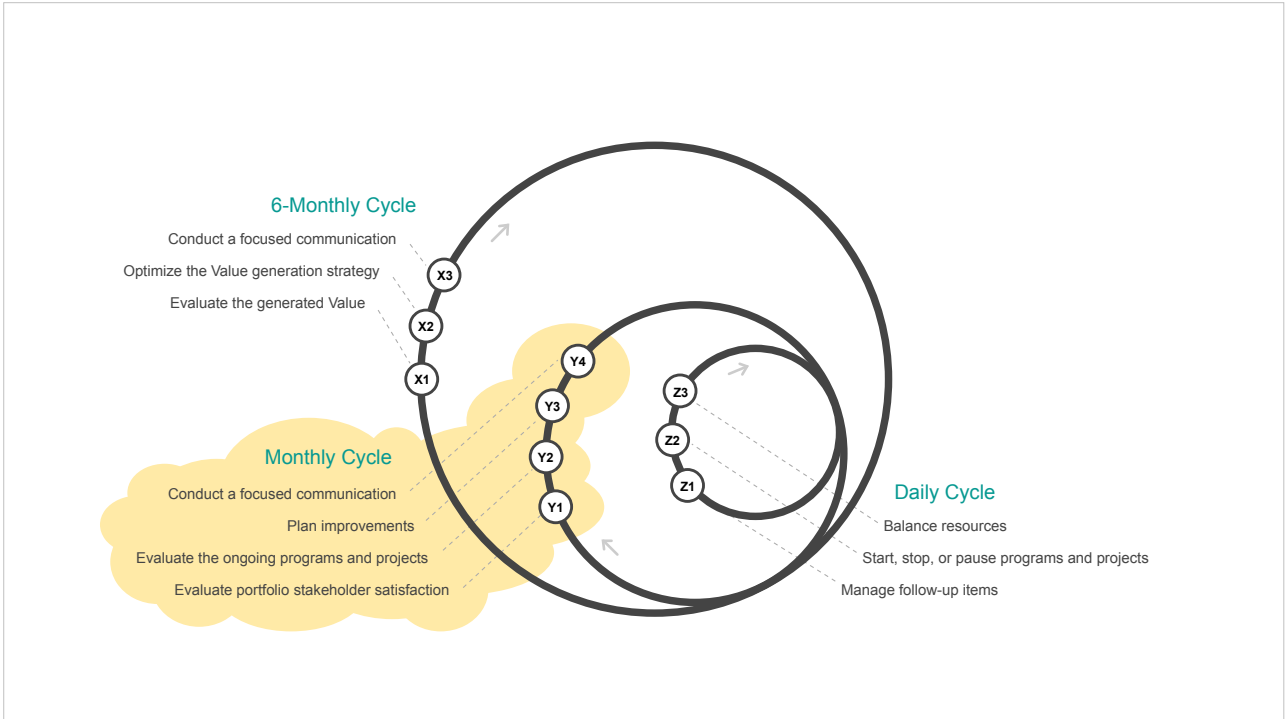
④ 6-Monthly Cycle

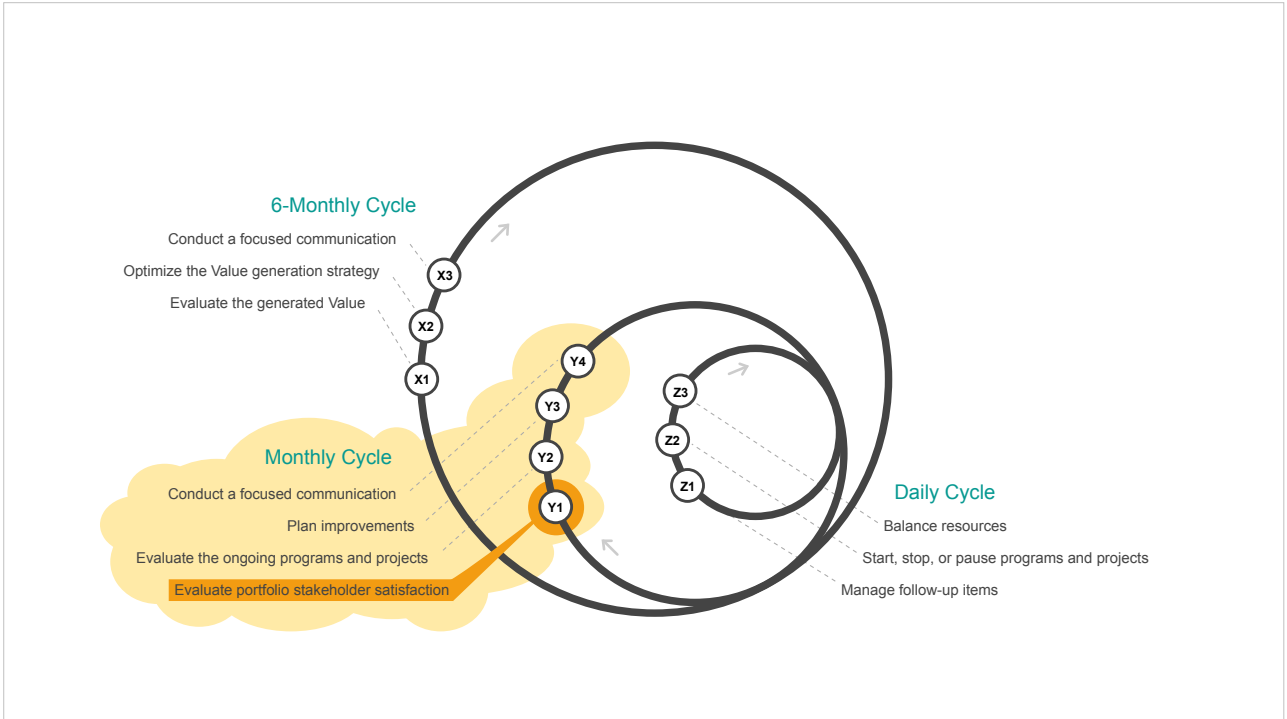
⑤ Monthly Cycle

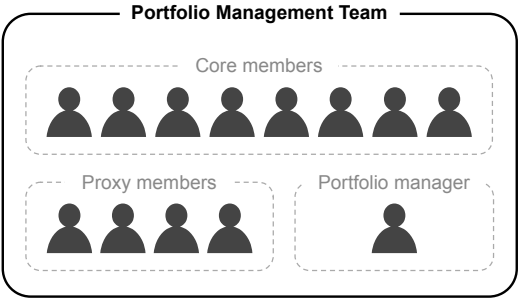
⑥ Daily Cycle

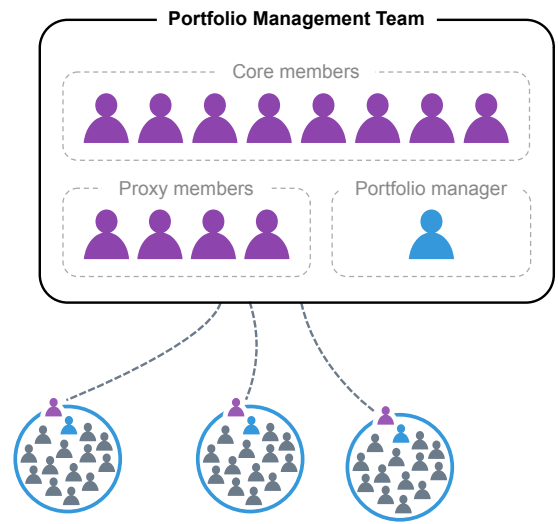
⑦ Range of use

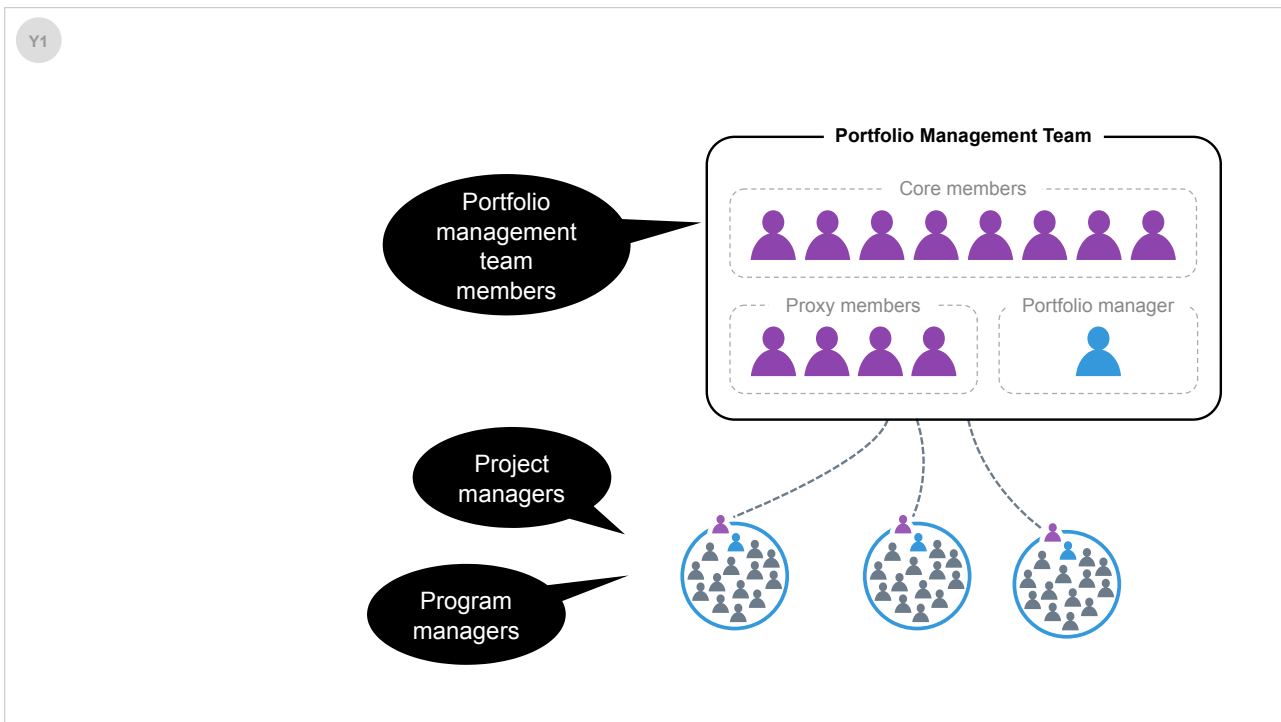








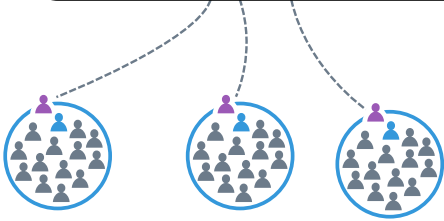
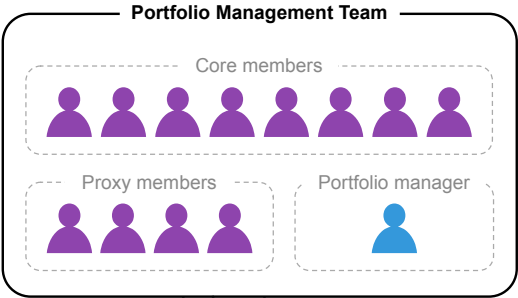
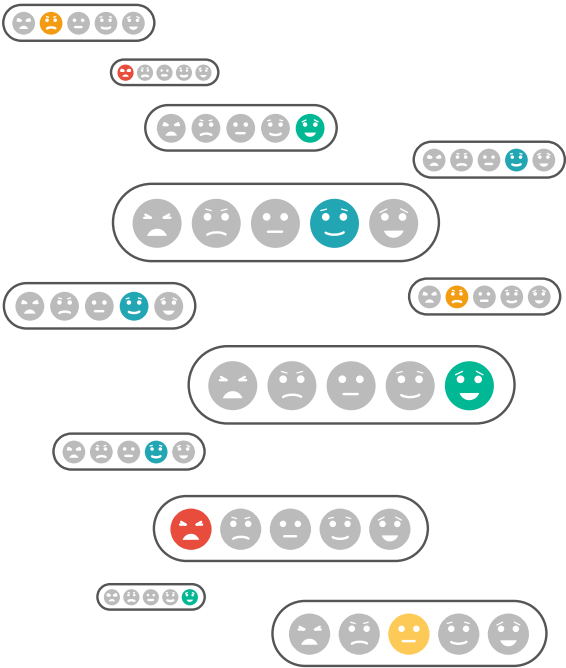


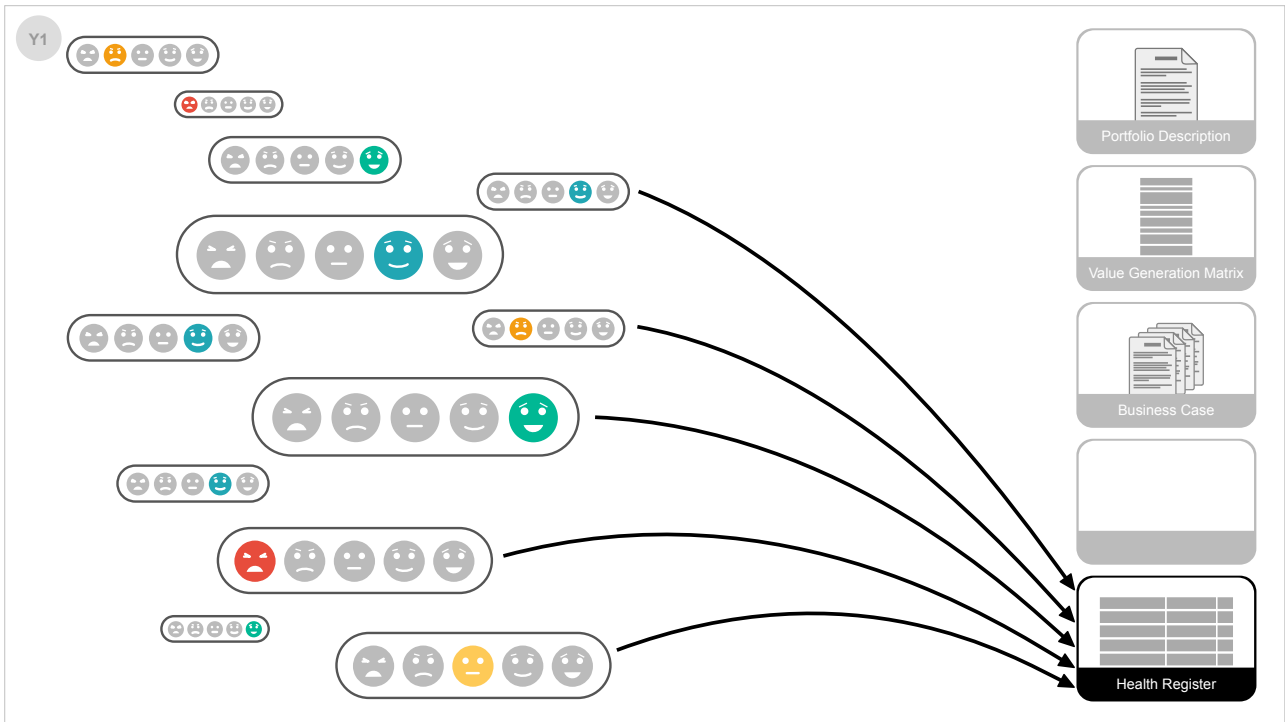


These are the people we evaluate: the portfolio team members (internal stakeholders) and managers of programs and standalone projects (external stakeholders).

Sometimes we need to design different types of evaluation forms for these people, and sometimes we need to have different frequencies for them as well. This activity is a trigger for the evaluation, like the metronome for a musician. You can, for example, send evaluation forms to external stakeholders every month and to internal stakeholders, who are high-level managers and may be too busy, once every 3 times this activity is run.

Y1



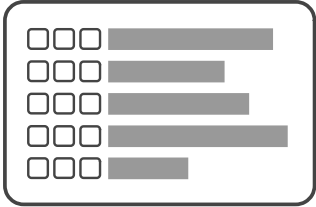


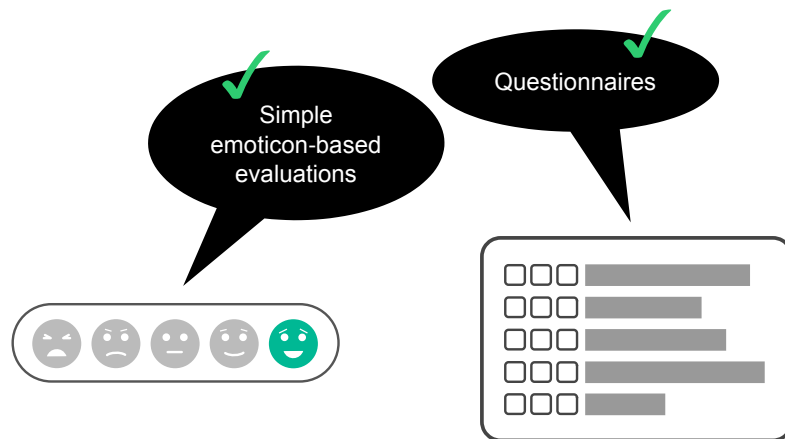
This is our 4th document/artifact in P5.express: the Health Register.

The results of stakeholder satisfaction evaluations are the only thing we store in the Health Register in P5.express.

Simple
emoticon-based
evaluations

Questionnaires

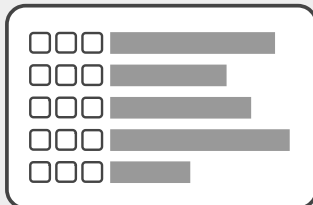




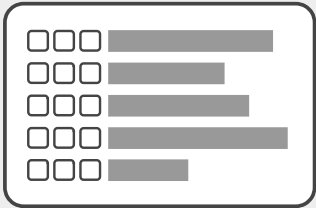
Satisfaction evaluations can have any format: a questionnaire, a simple emoticon-based evaluation, or anything else.

It's essential to tailor it to the audience and not use a complicated one that people won't respond to.

If needed, there can be more than one type of evaluation, e.g., one for the internal stakeholders and one for the external ones.



Keep it simple!



Keep it simple!

Make it anonymous, if needed.



Design two sets of questions for evaluating the **satisfaction** of the following people:

Portfolio board members
Program and project managers



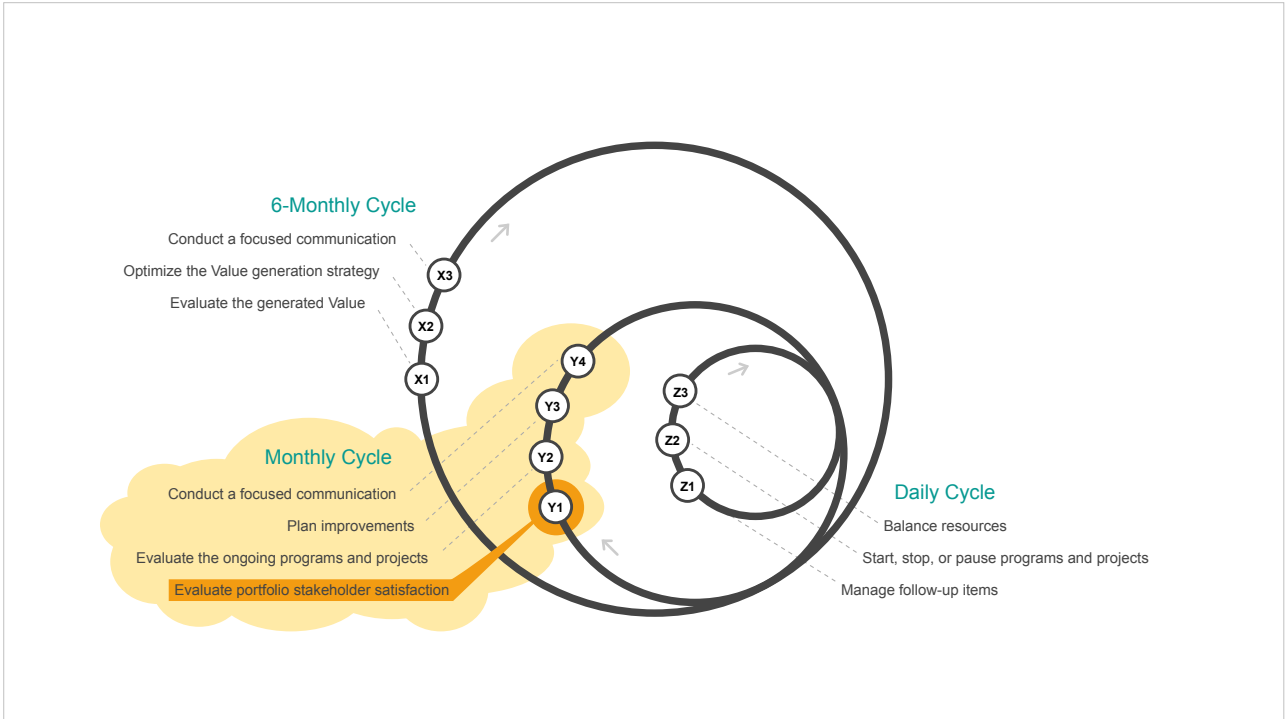
You probably have to help them simplify their questionnaires.

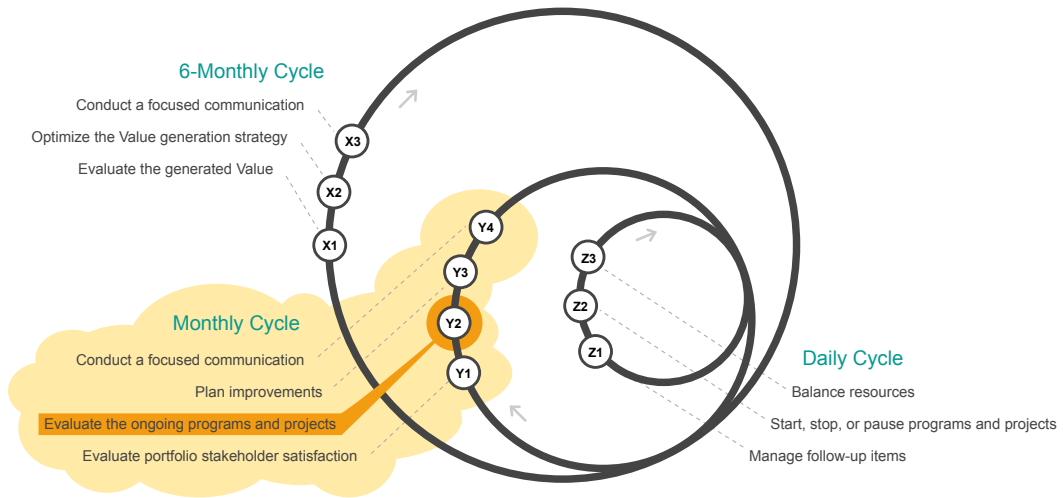
The following are the examples from the manual. For the board members:

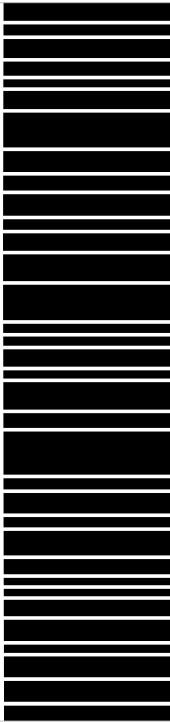
1. In your opinion, do all portfolio board members have the chance to be heard and understood correctly?
2. Are you happy with how the workshops are facilitated?
3. Are you satisfied with how your department's needs and expectations are considered in the portfolio management system?
4. Etc.

For program and project managers:

1. Are you happy about your relationship with your sponsor?
2. Is the organization's strategy and its current portfolio clear and meaningful to you?
3. In your opinion, does your program or project have a positive impact on the organization?
4. Etc.







older
newer

Finished

older
newer

Ongoing

More valuable
Less valuable

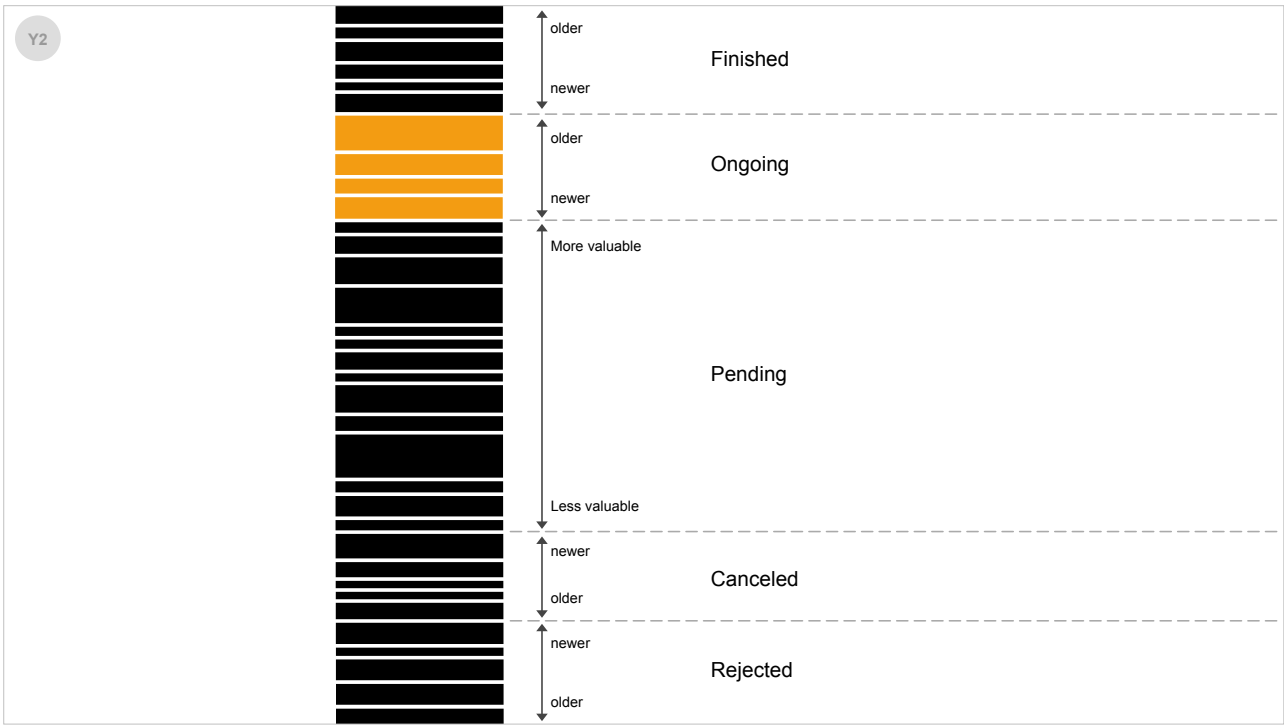
Pending

newer
older

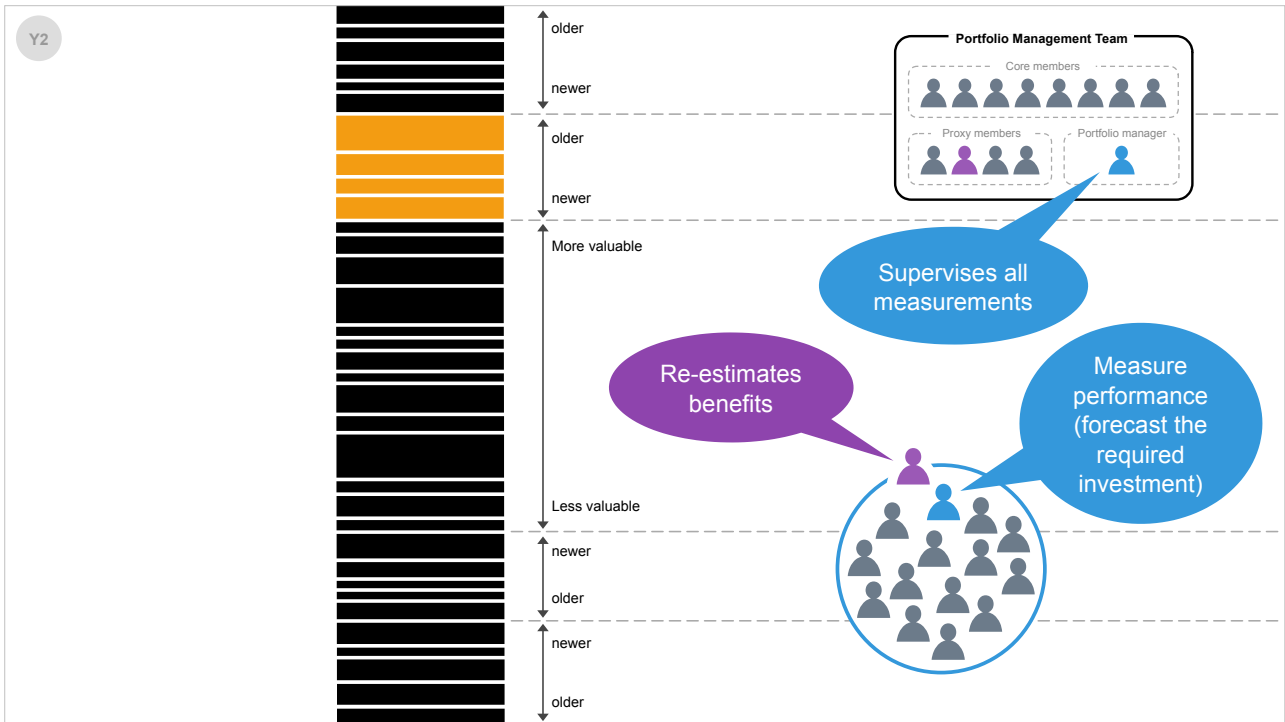
Canceled

newer
older

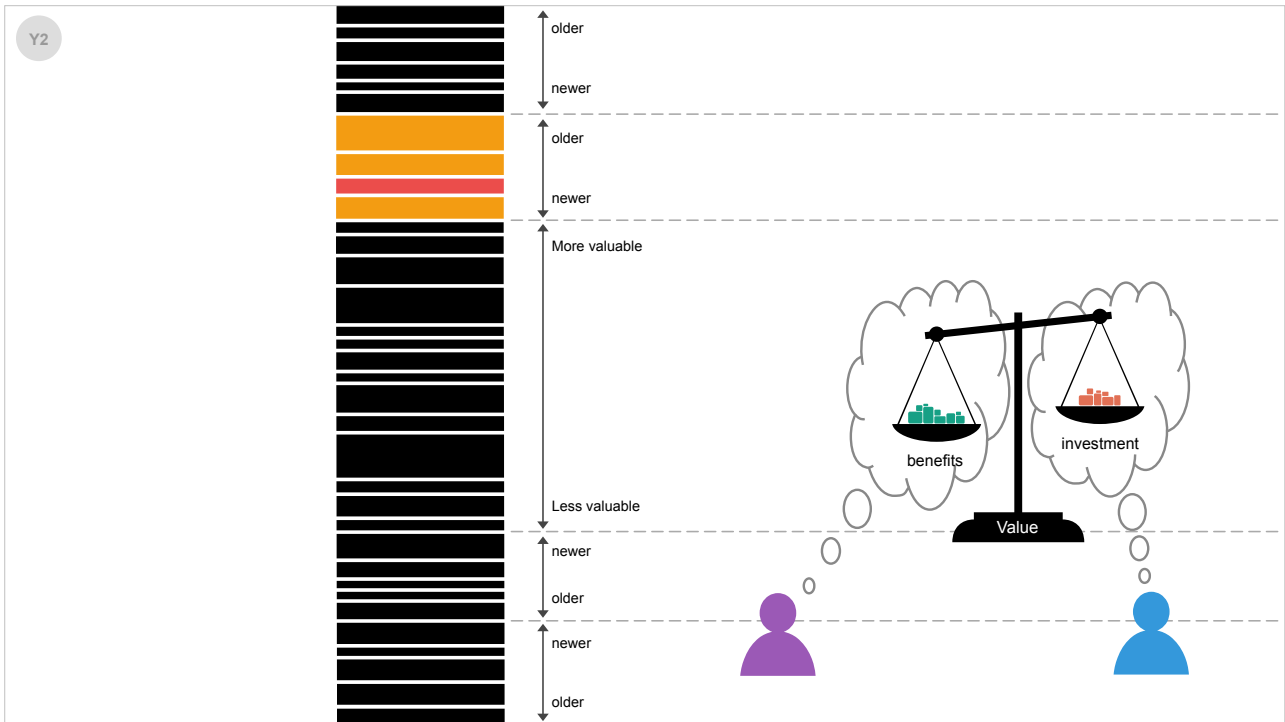
Rejected



This demonstrates which projects and programs should be evaluated.



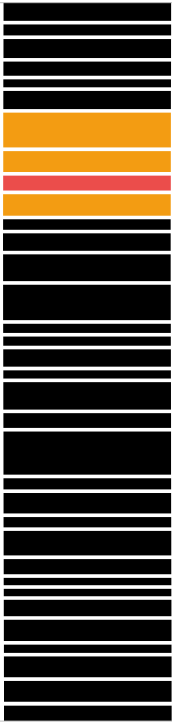
We want to evaluate the Value of each ongoing program and standalone project. That requires evaluating their benefits and investments. For the benefits, it's the responsibility of the sponsor to re-estimate them. For the investment, it's up to their program or project managers to forecast the investment required for finishing them. Both of these should be done under supervision from the portfolio manager to make sure the measurements are correct and compatible with each other.



Why do we evaluate them?

It's because we may, for example, realize that one of them costs us 3 times more than expected. Value is the benefits-to-investment ratio, and higher investment cost means lower value. That may make the project or program unjustifiable, or at least not as valuable as some of the other options we have.

So...



Finished

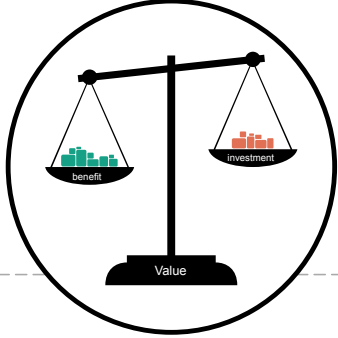
Ongoing

Pending

Canceled

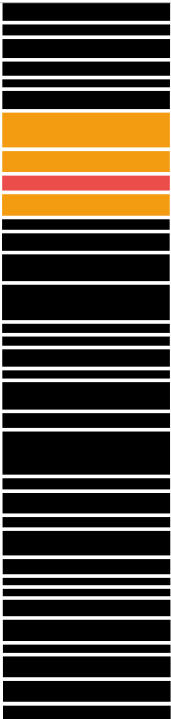
Rejected

older
newer
older
newer
More valuable
Less valuable
newer
older
newer
older



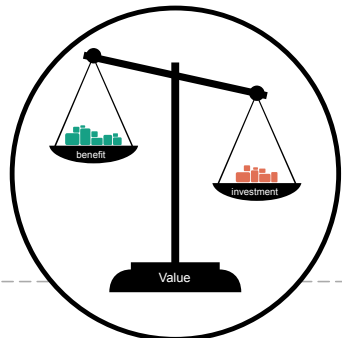
Y2

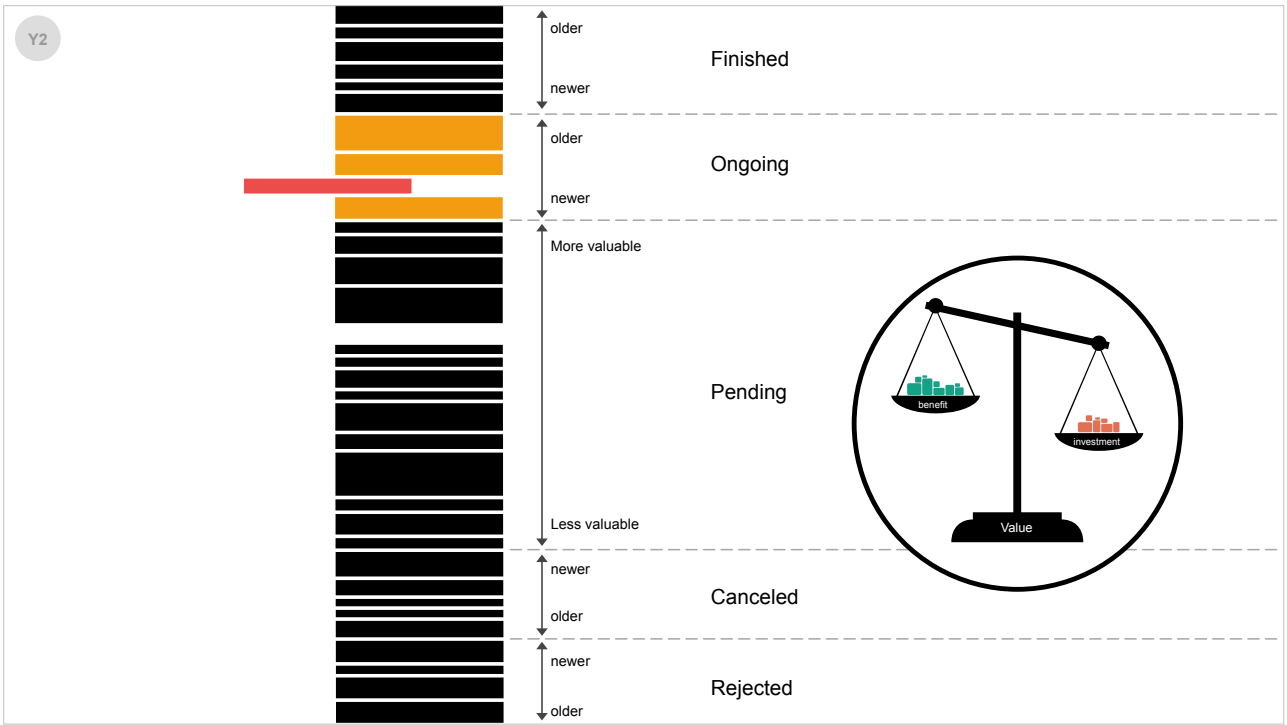
A lot more expensive than expected!



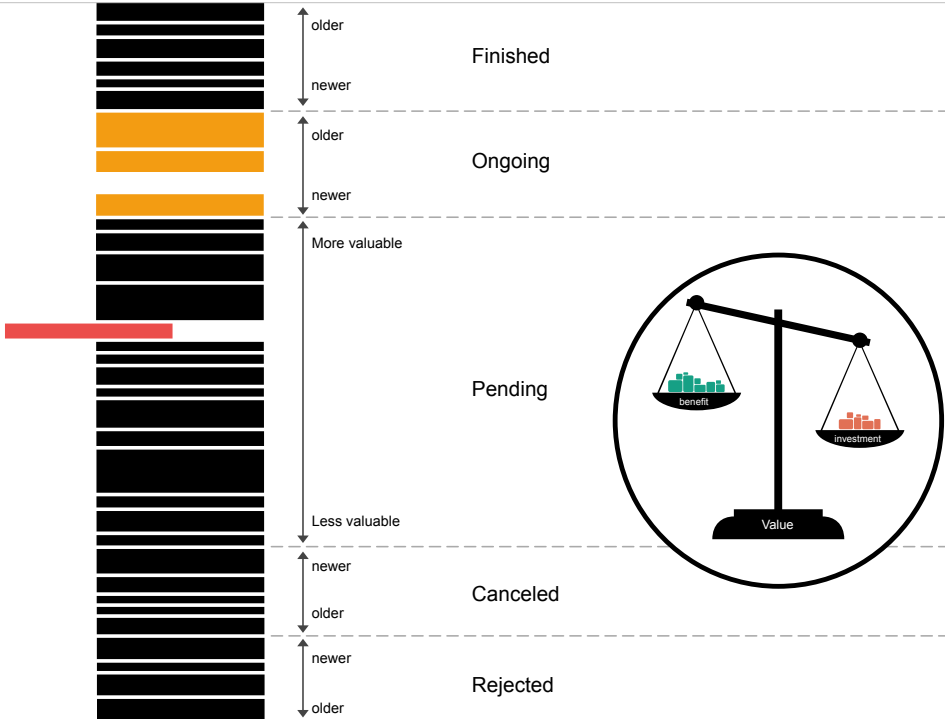
older
newer
older
newer
More valuable
Less valuable
newer
older
newer
older

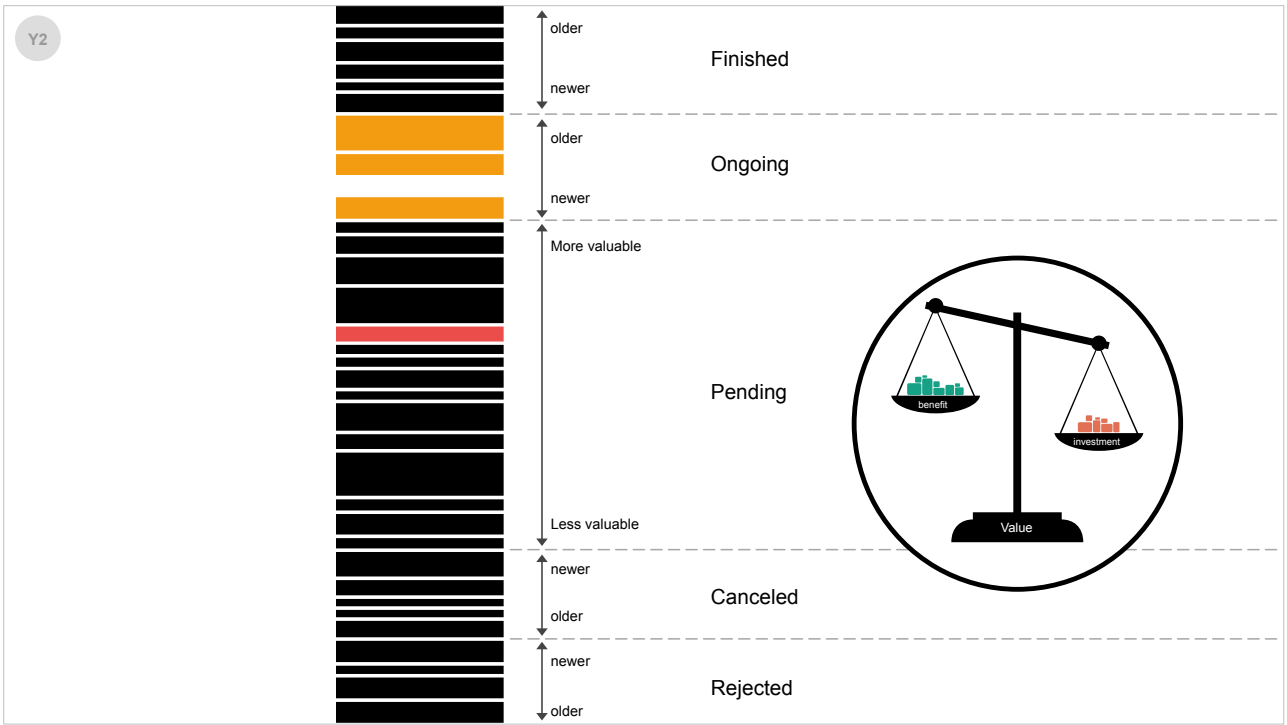
Finished
Ongoing
Pending
Canceled
Rejected



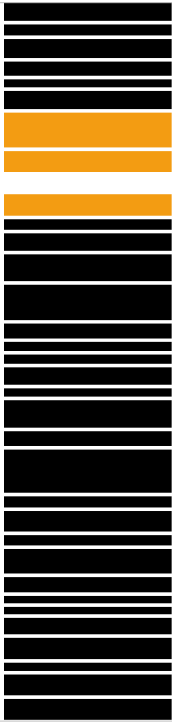


... So, we may decide to, for example, move the item lower, pause it for now, and invest our resources in other things.





Instead of pausing, we may cancel some projects as well.



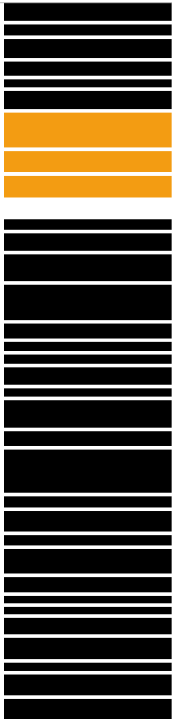
Finished

Ongoing

Pending

Canceled

Rejected



older
newer
older
newer
More valuable
Less valuable
newer
older
newer
older

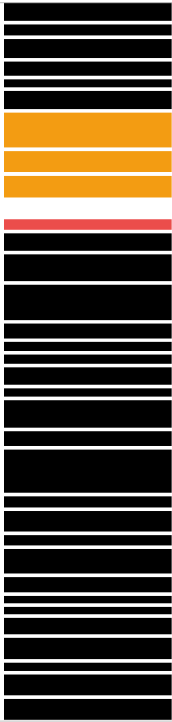
Finished

Ongoing

Pending

Canceled

Rejected



Finished

Ongoing

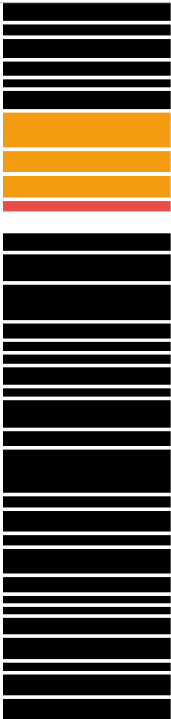
Pending

Canceled

Rejected

Y2

Starting the next project instead



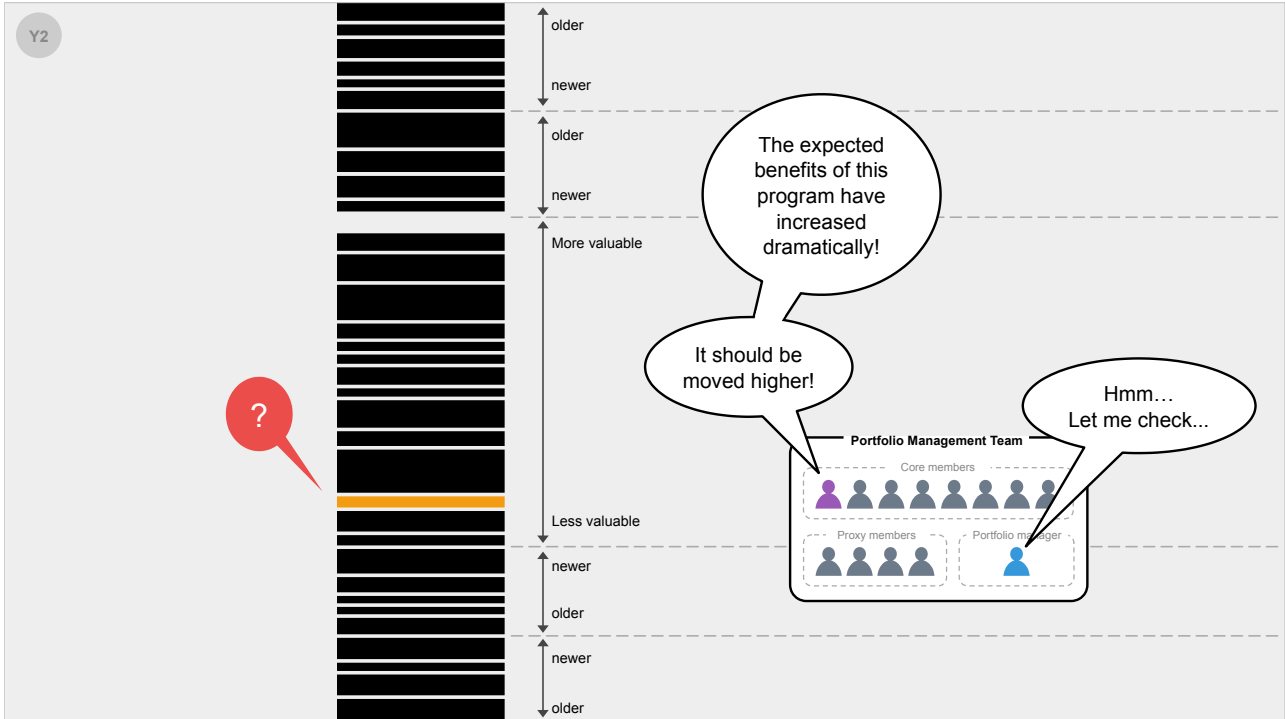
Finished

Ongoing

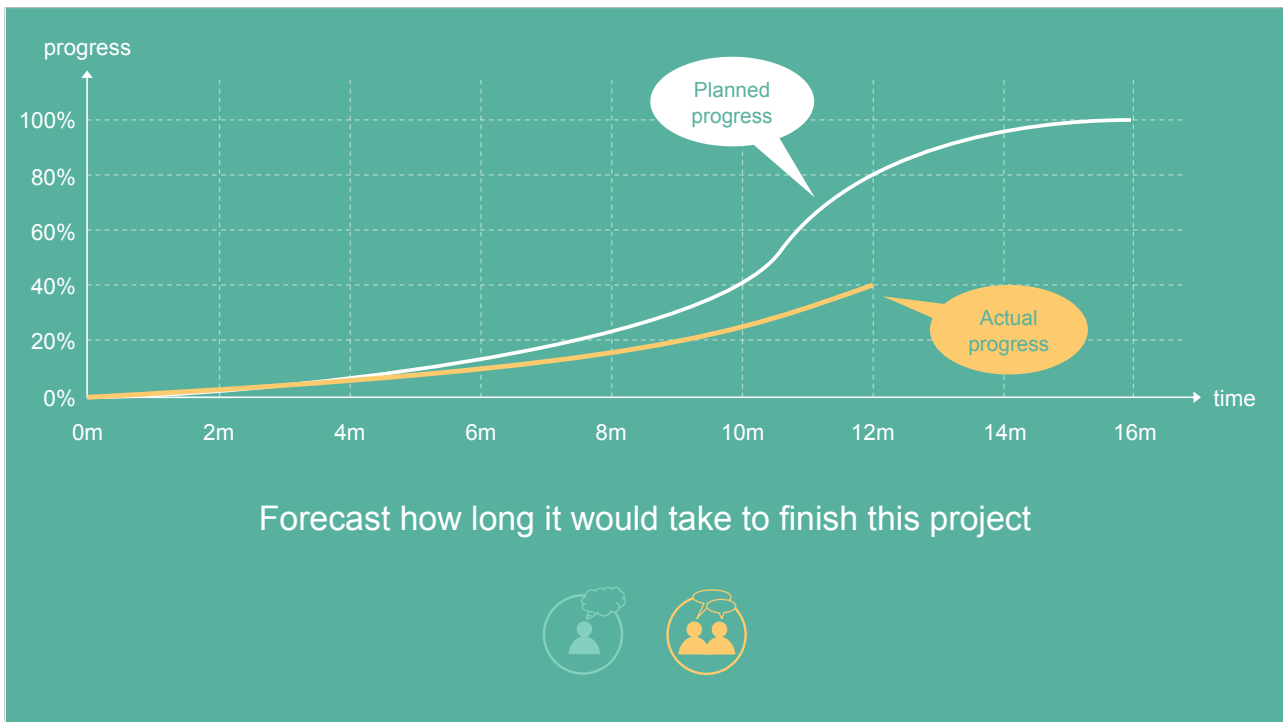
Pending

Canceled

Rejected

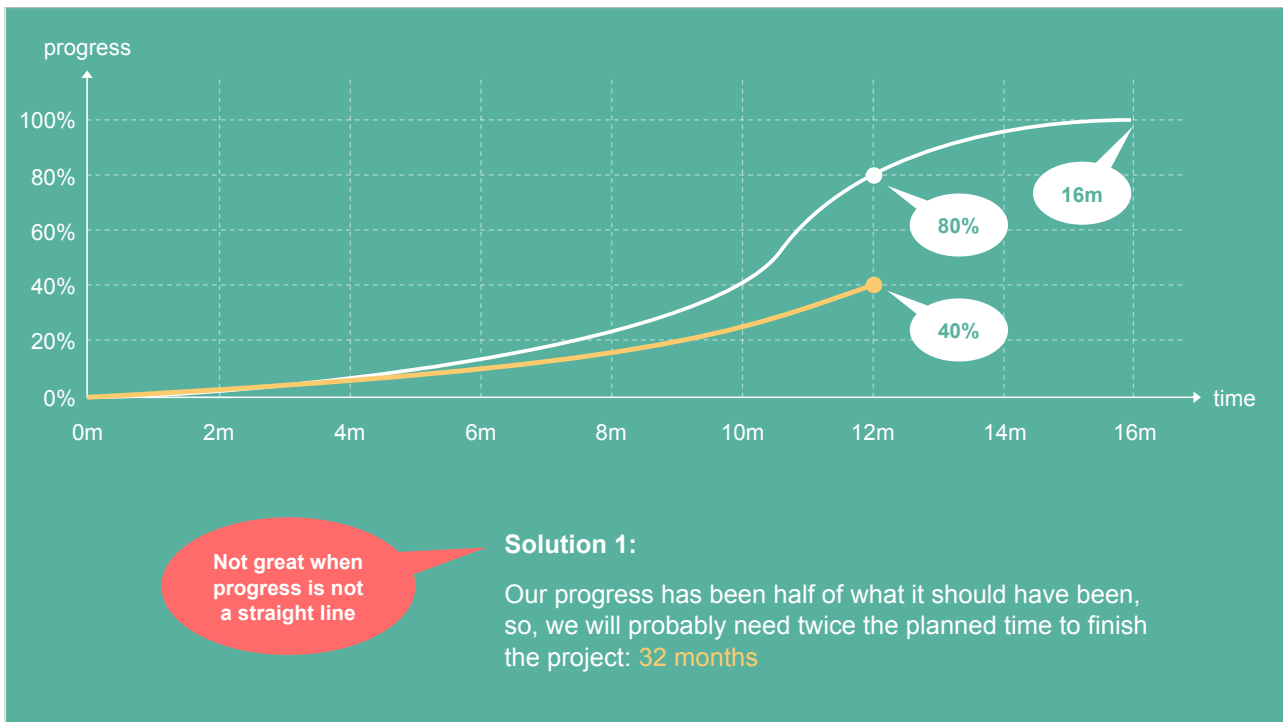


For such changes, if they fit within the decision-making threshold of the portfolio manager, the sponsor, and the portfolio manager should decide together. If they can't agree or if it's outside the threshold, they should have an exceptional 6-Monthly Cycle.

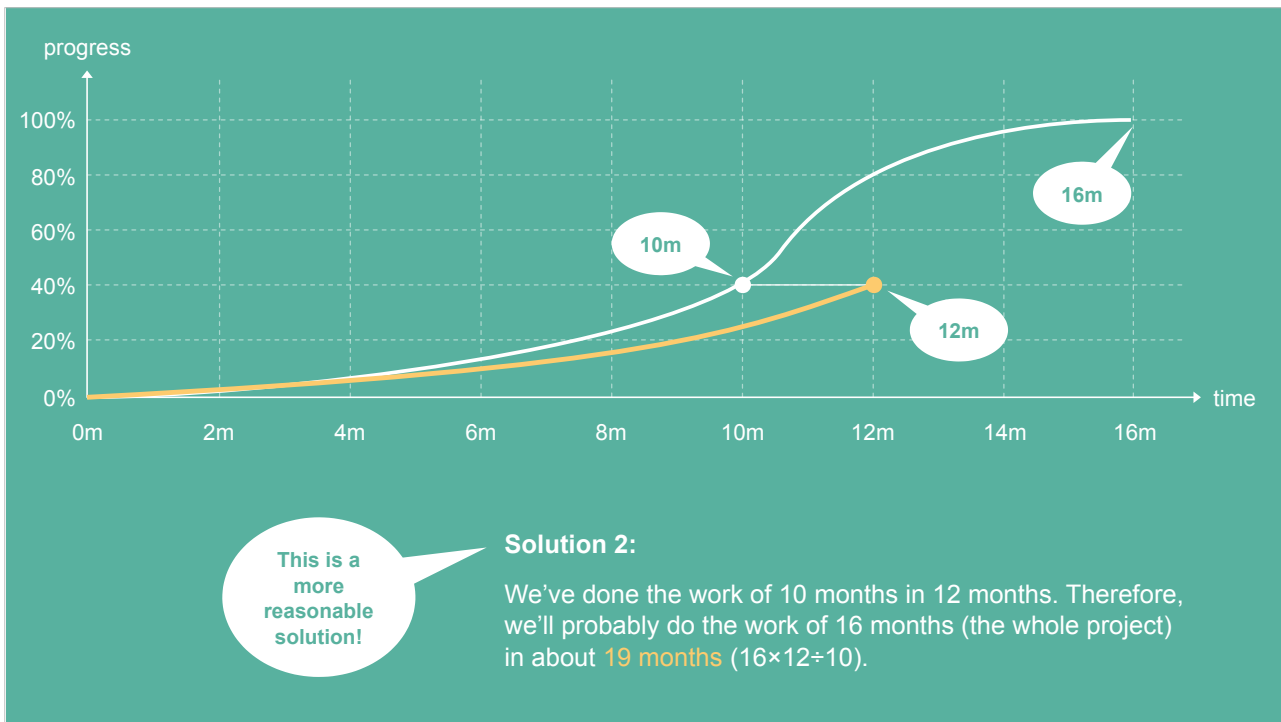


This exercise is optional, and your candidates must see it as an example of the creativity and attention to detail required for forecasting. This example is about forecasting the completion date of the project, which is important for determining the investment required for the project. However, cost might be more important than time in our calculations, but we'll focus on time because it's more straightforward as an example.

It's easier to "show" the answer, so let's make an exception and show the answer in the next slide instead of explaining it here.



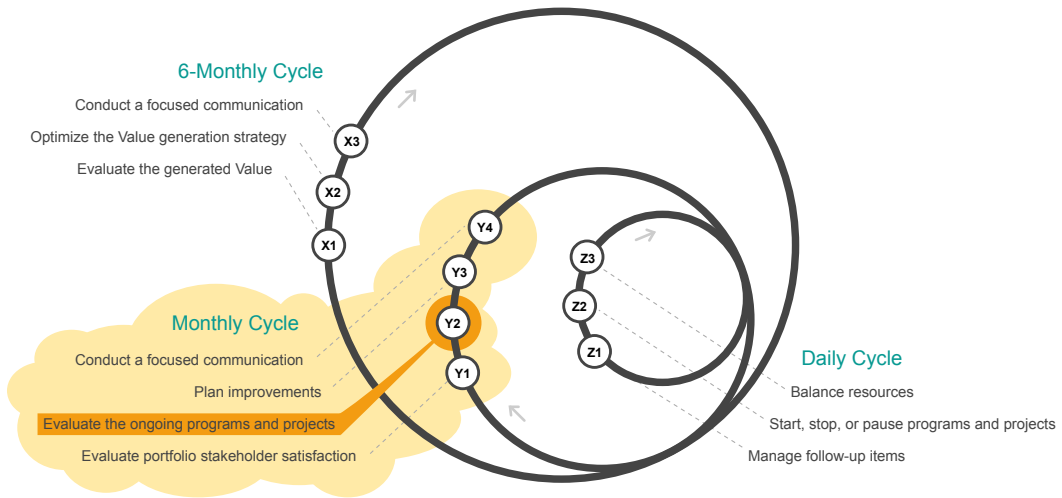
This is how many people evaluate the situation, which would give a forecast that doesn't match reality very well.

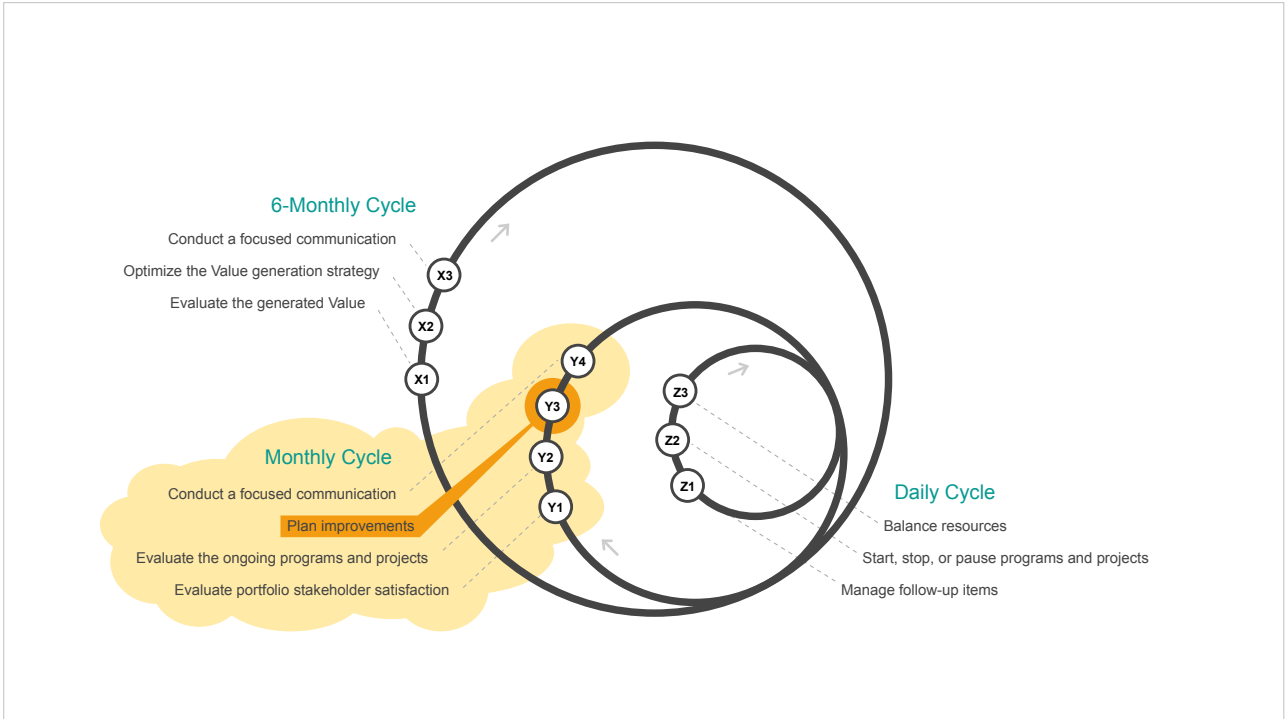


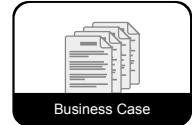
This forecast matches the reality of projects much better than the one before. This solution compares what's actually done with the planned version of the same thing, which is more realistic than comparing that with what was supposed to be done if we had progressed as planned. Note that this method usually works well if the progress of the project is more than about 25%.

Don't let them be scared of it, and let them know that it's okay if they don't understand the calculations well enough to use them in the future. The main purpose is to expose them to the variety of calculations and make sure they know that there can be better or worse ways of calculating, and as a portfolio board member, they have to make sure either they do it properly, or they get proper help for doing so.

In this example, we used the forecasting system of the "Earned Schedule" method, which is a method of evaluating the progress of projects.









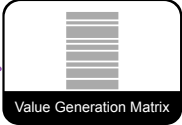


Satisfaction evaluations





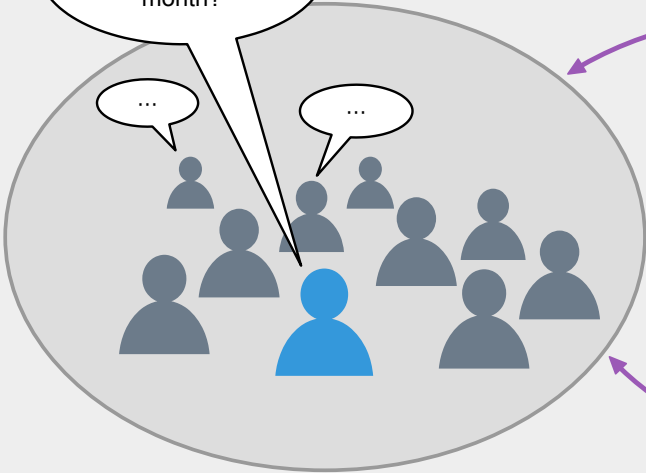
The status of programs and projects



Satisfaction evaluations



What can be improved next month?



The status of programs and projects



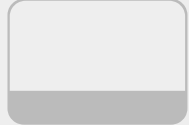
Portfolio Description



Value Generation Matrix



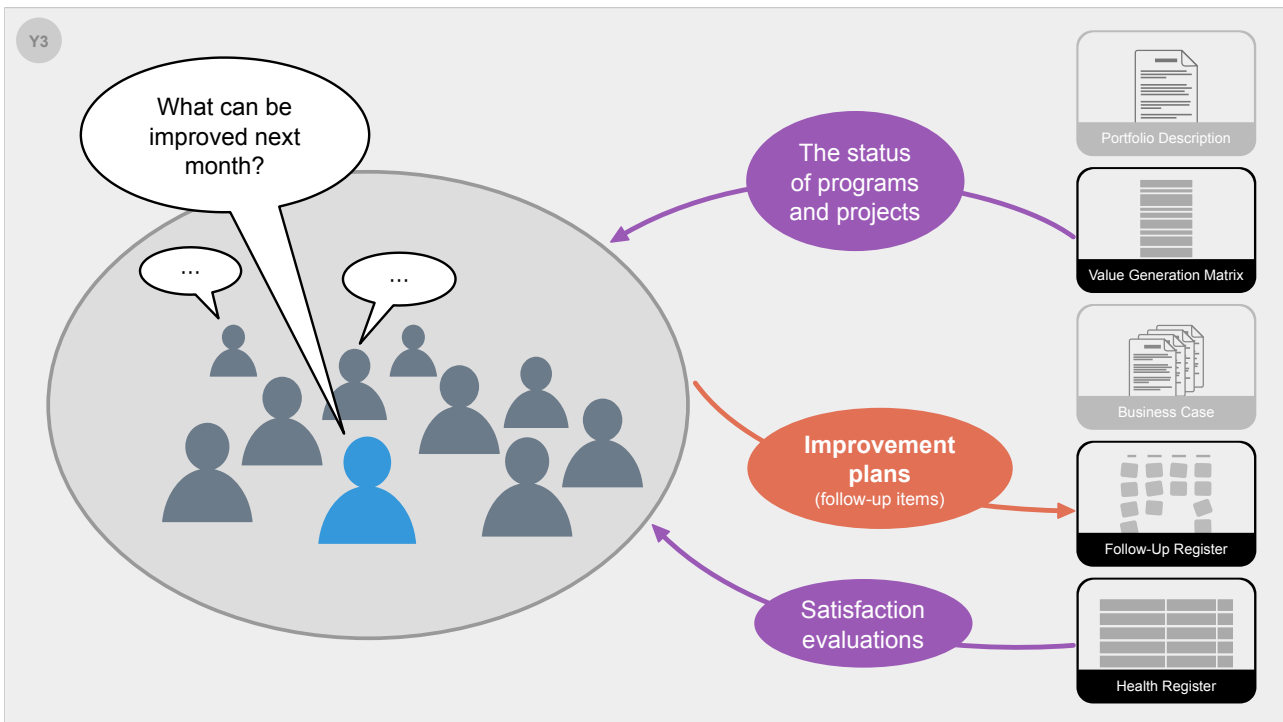
Business Case



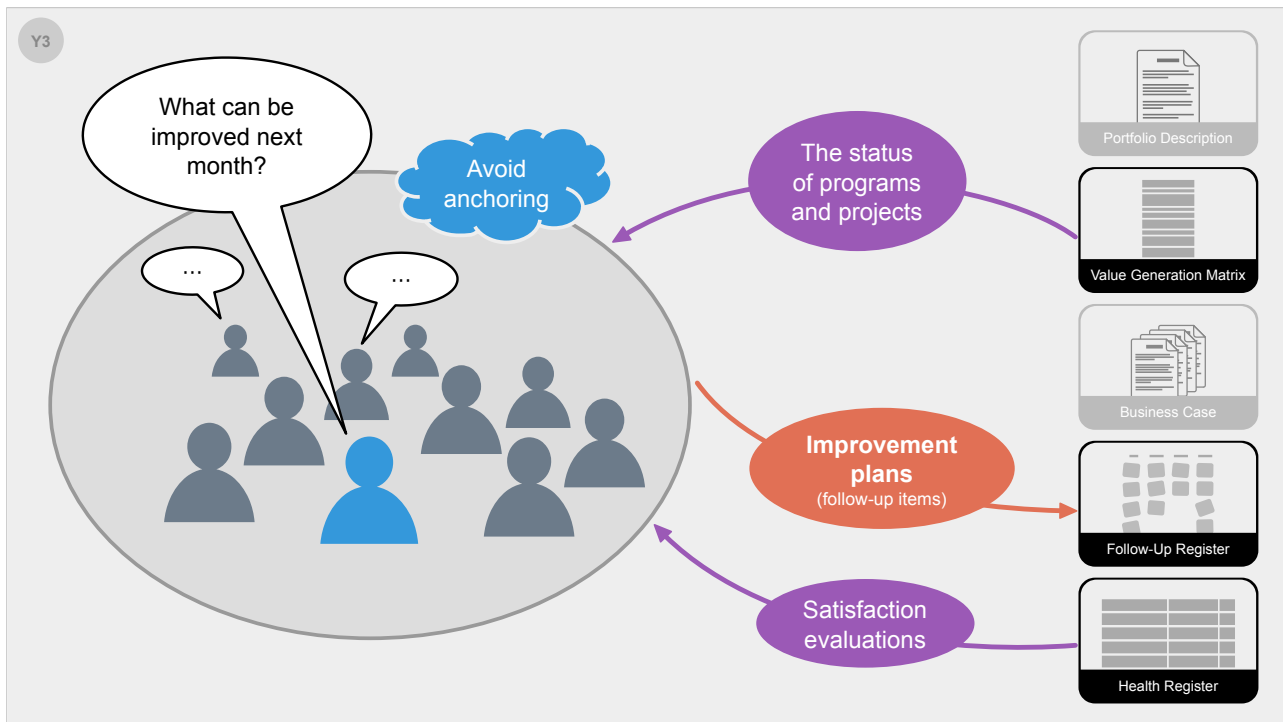
Satisfaction evaluations



Health Register

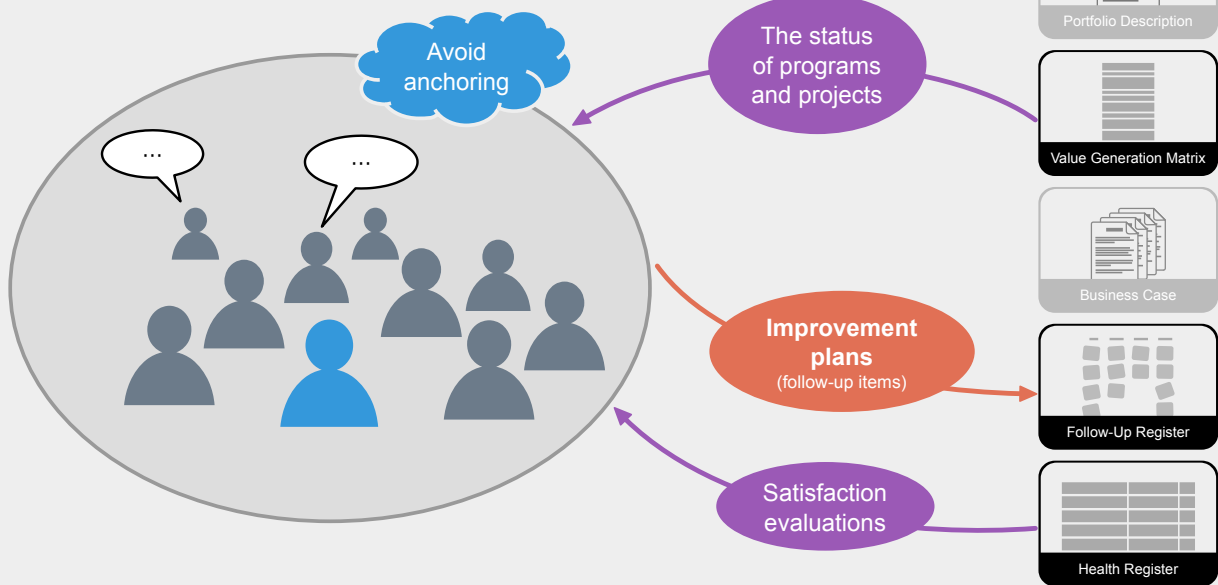


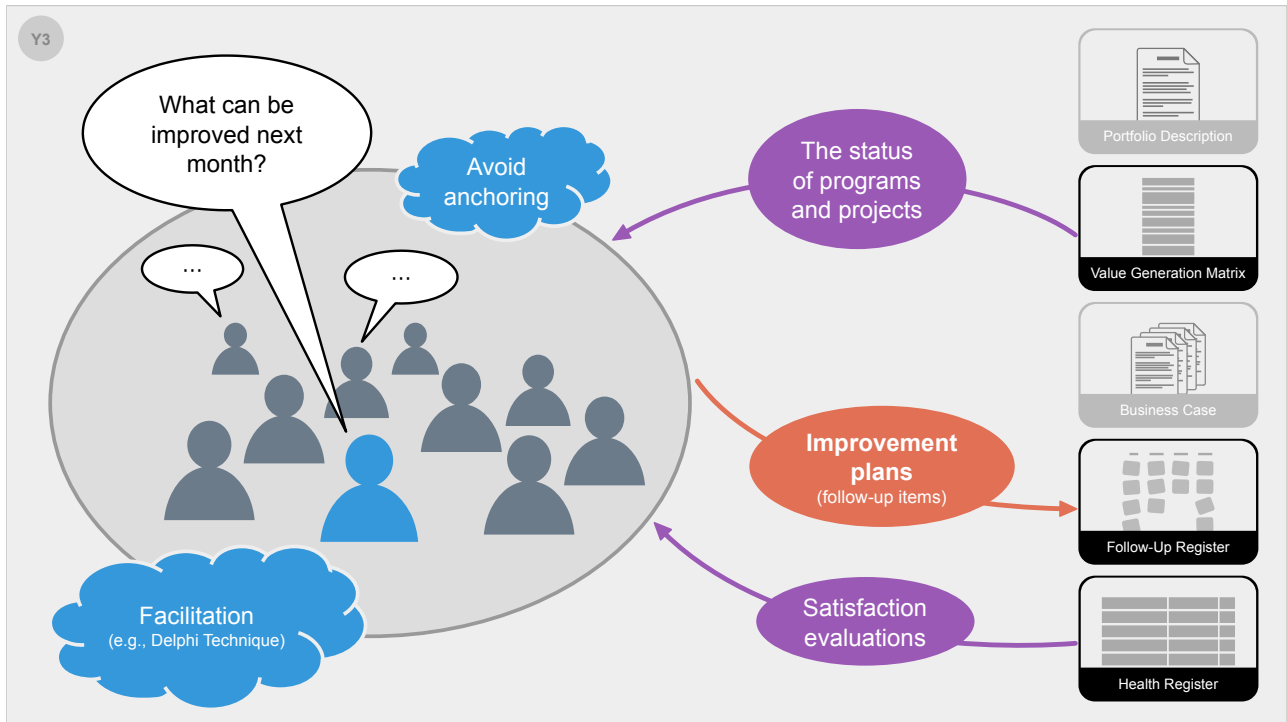
And here's our last document/artifact: the Follow-Up Register, or, better said, the Global Follow-Up Register (to distinguish it from those at the program and project level).



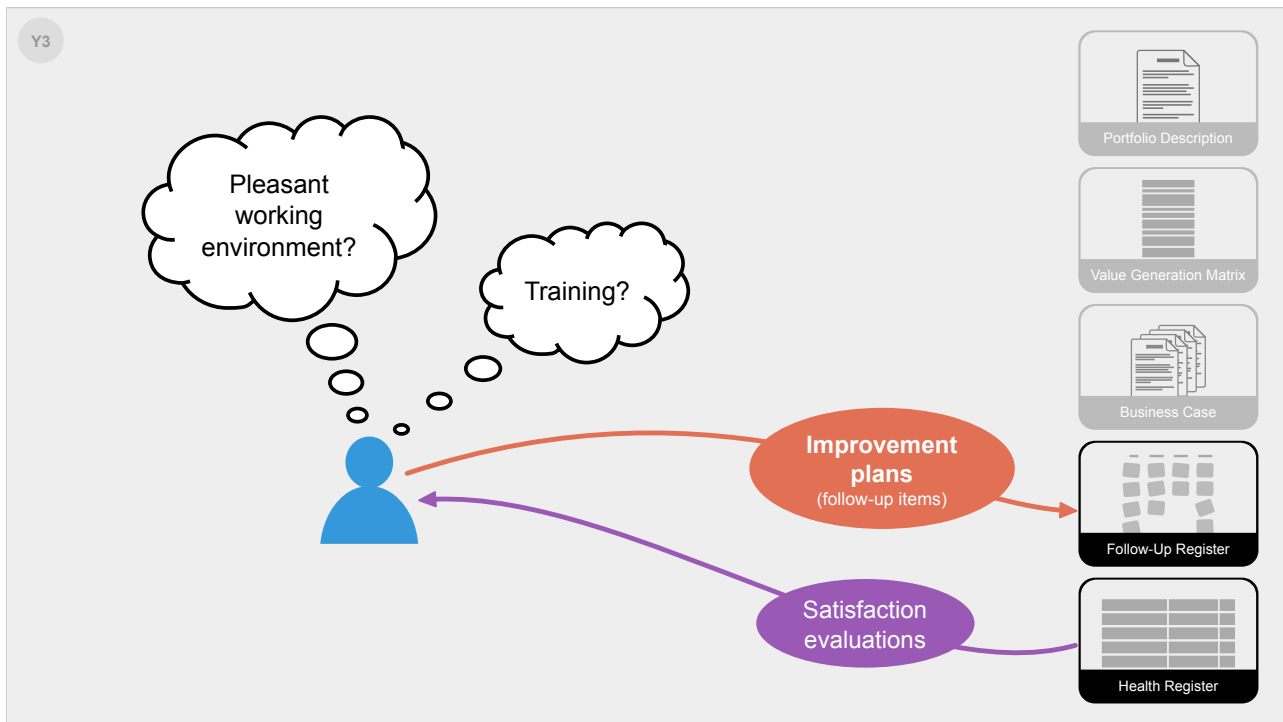
We try to come up with improvement plans in a workshop with program and project managers. Sometimes a separate workshop can be arranged for the portfolio management team members as well.

The portfolio manager is the facilitator, as usual. One of the things the facilitator of any workshop must have in mind is to avoid “anchoring” (the cognitive bias).



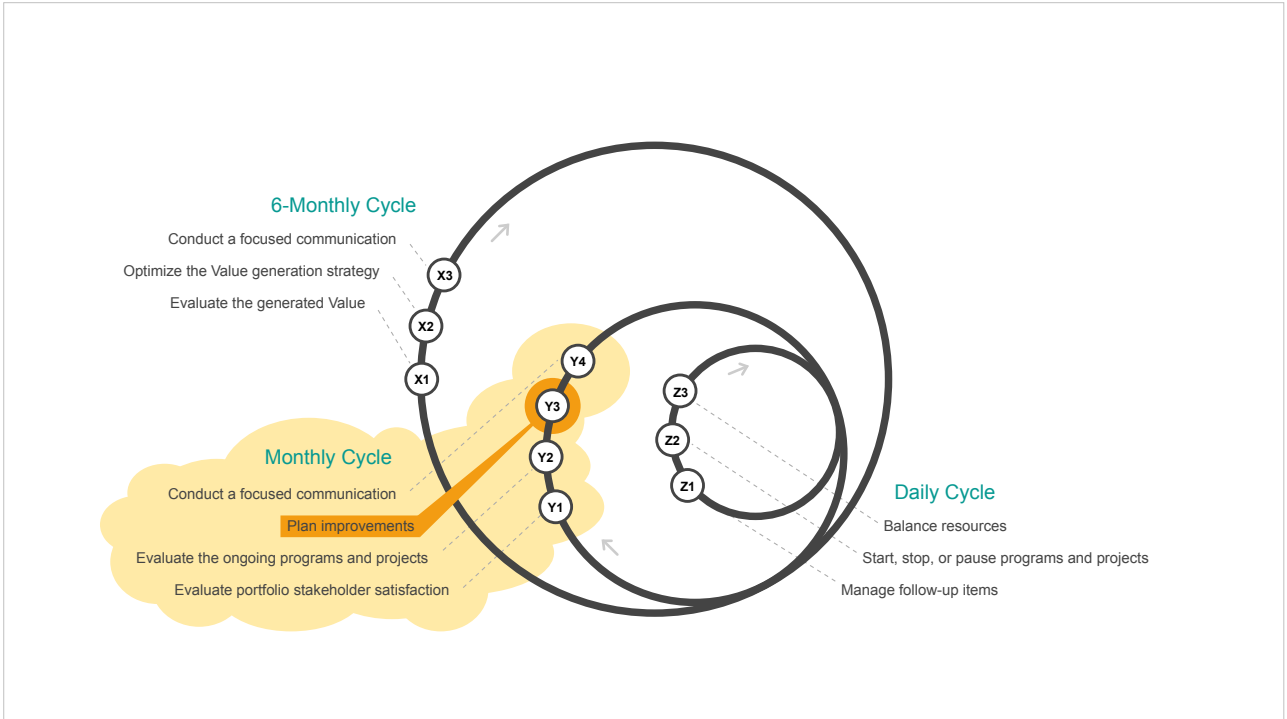


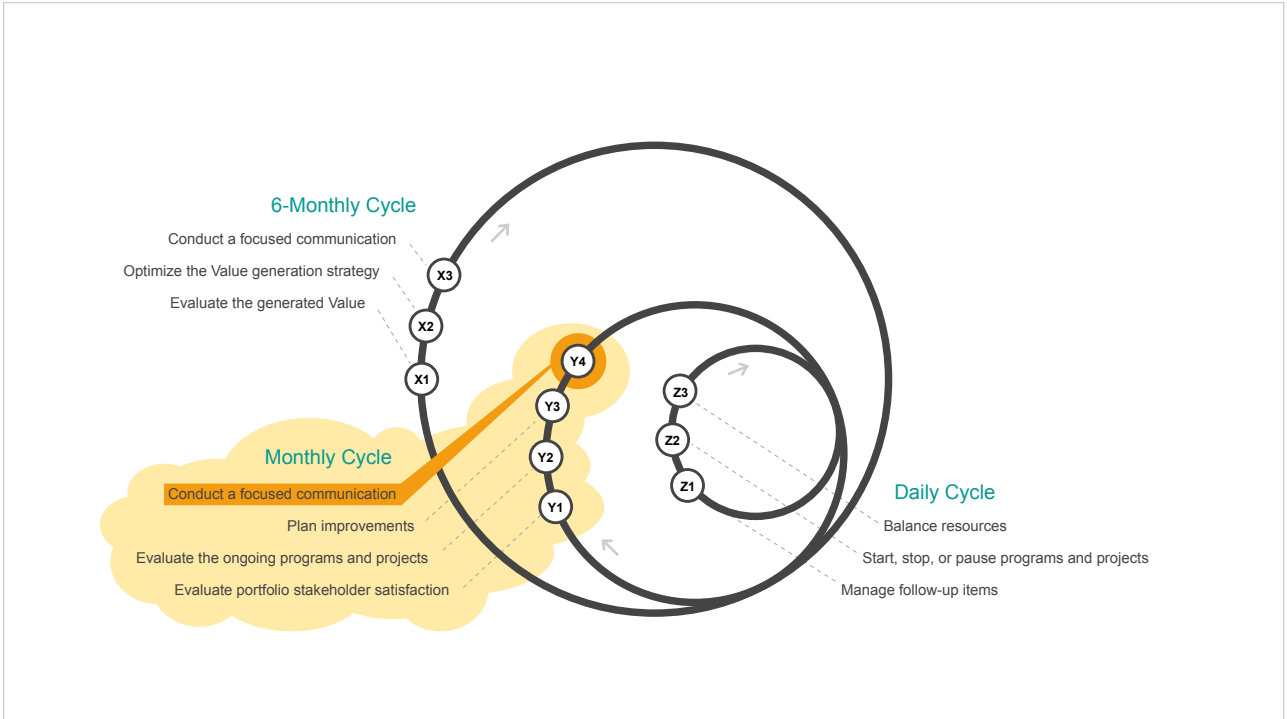
Another thing the facilitator can use is techniques such as Delphi. The Delphi technique is a good way of avoiding anchoring and involving everyone in the decision.

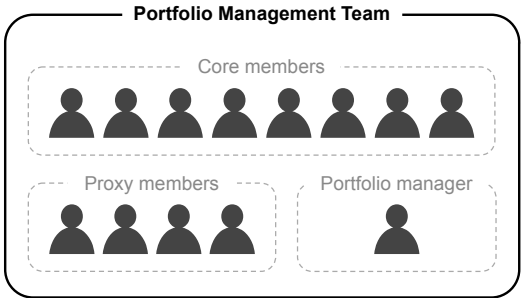


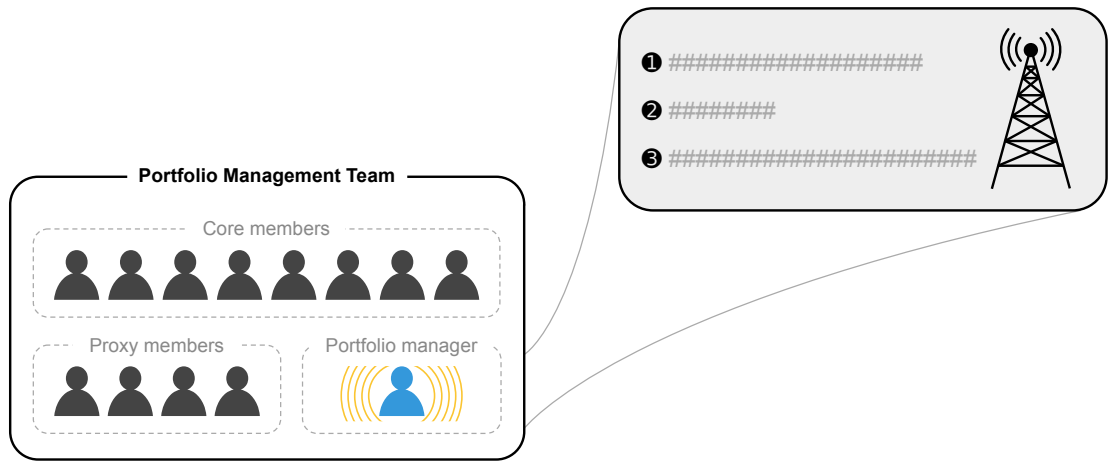
Besides the things that the workshop participants would come up with, the portfolio manager should always think about two fixed points as well:

- ❶ How can we improve people's capabilities through training, coaching, etc.?
- ❷ How can we create a more pleasant working environment for everyone?

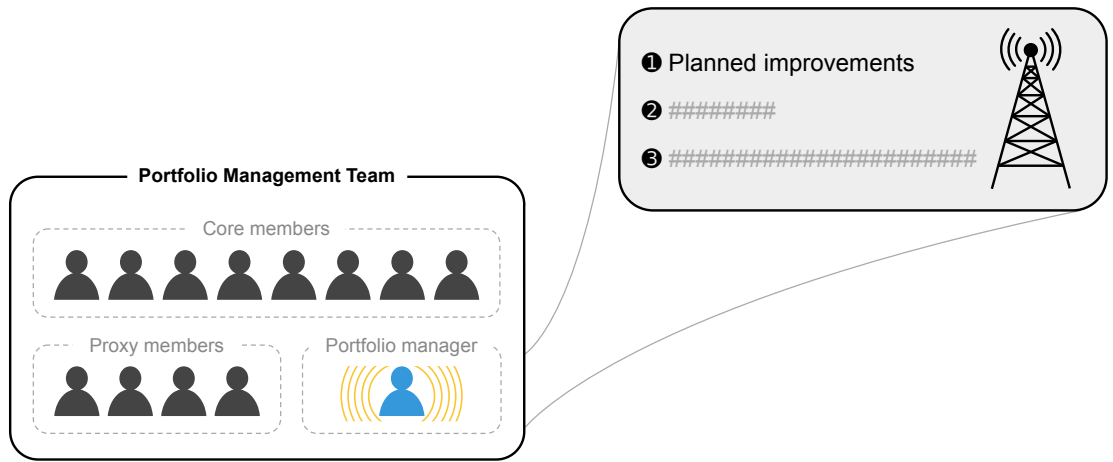




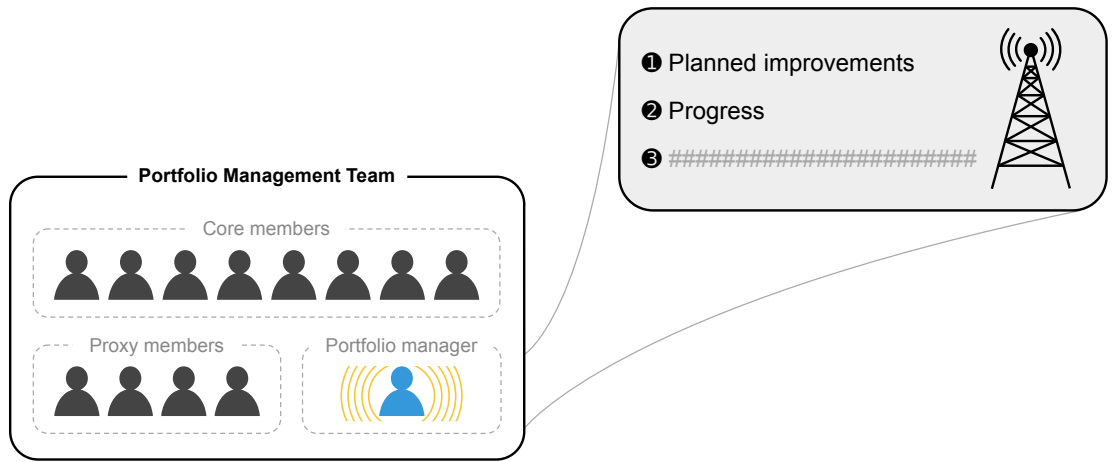




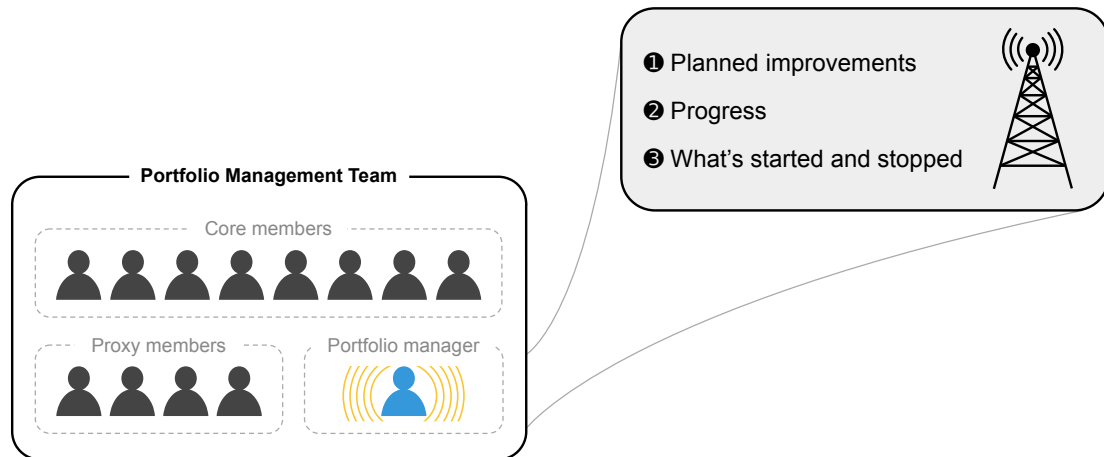
Again, focused communication is the responsibility of the Portfolio Manager.



We tell everyone about the improvements we've planned because we might need their contribution in making it happen.

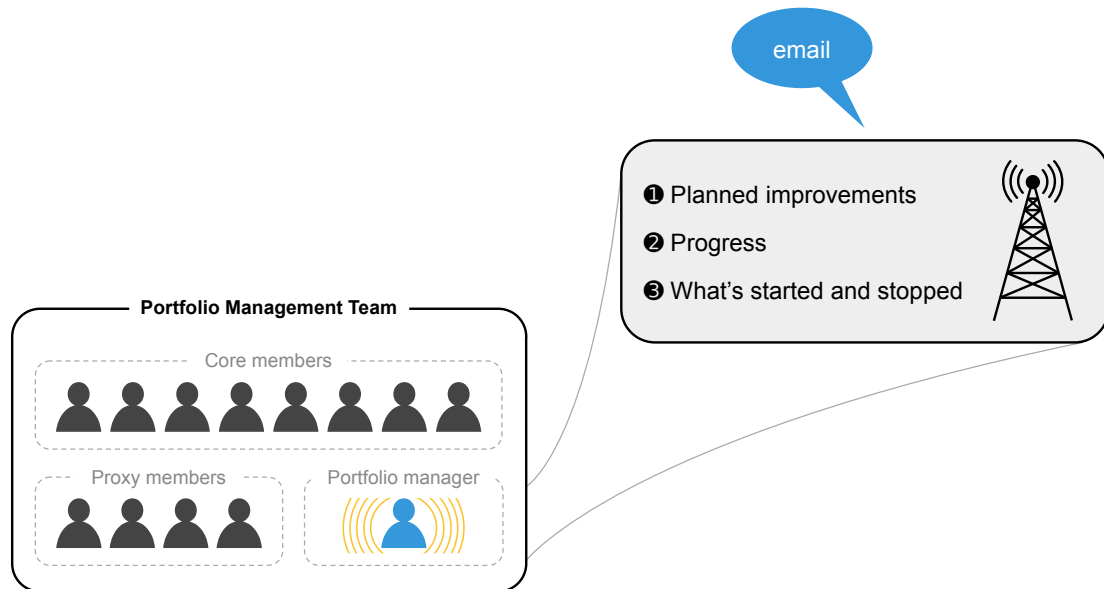


We also tell them about the progress in the previous cycle, which is because of their contributions.



And, finally, we tell them about which projects and programs have started or stopped. Being stopped means they were finished, paused, or canceled.

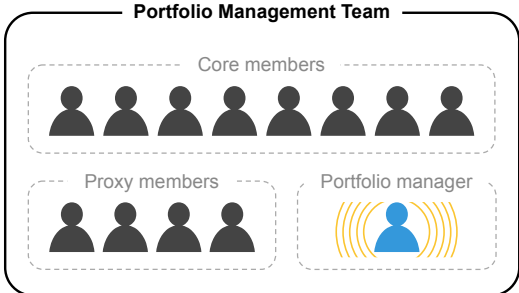
It's important for everyone in the organization to know what's going on, as it creates real contribution rather than blind activity-based involvements.




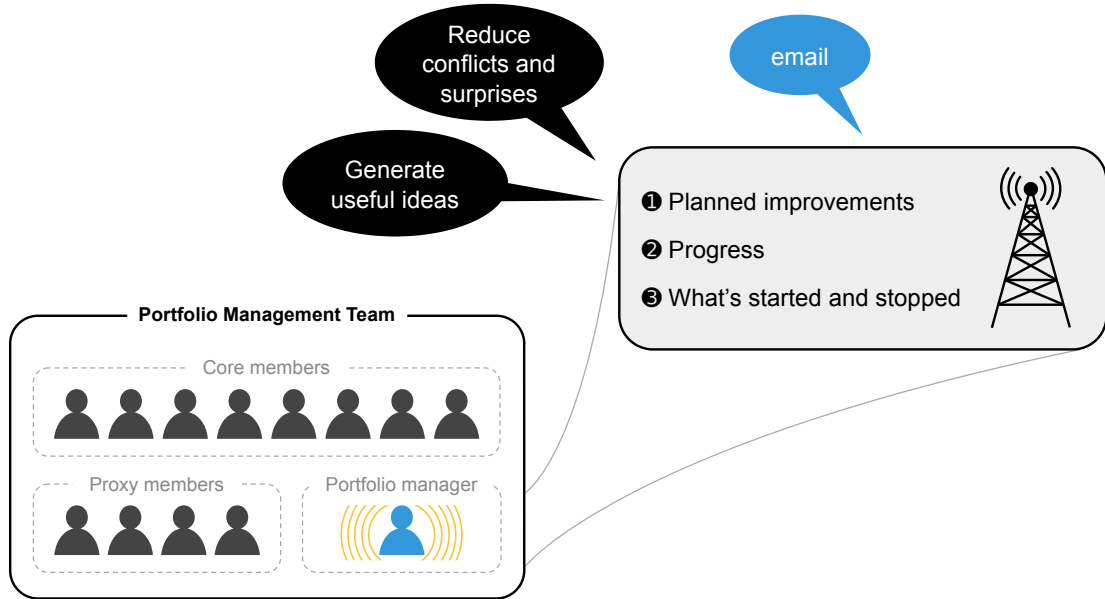
The focused communication is usually done as an email. Remember that it's a monthly communication, so it should be kept short and to the point.

Reduce conflicts and surprises

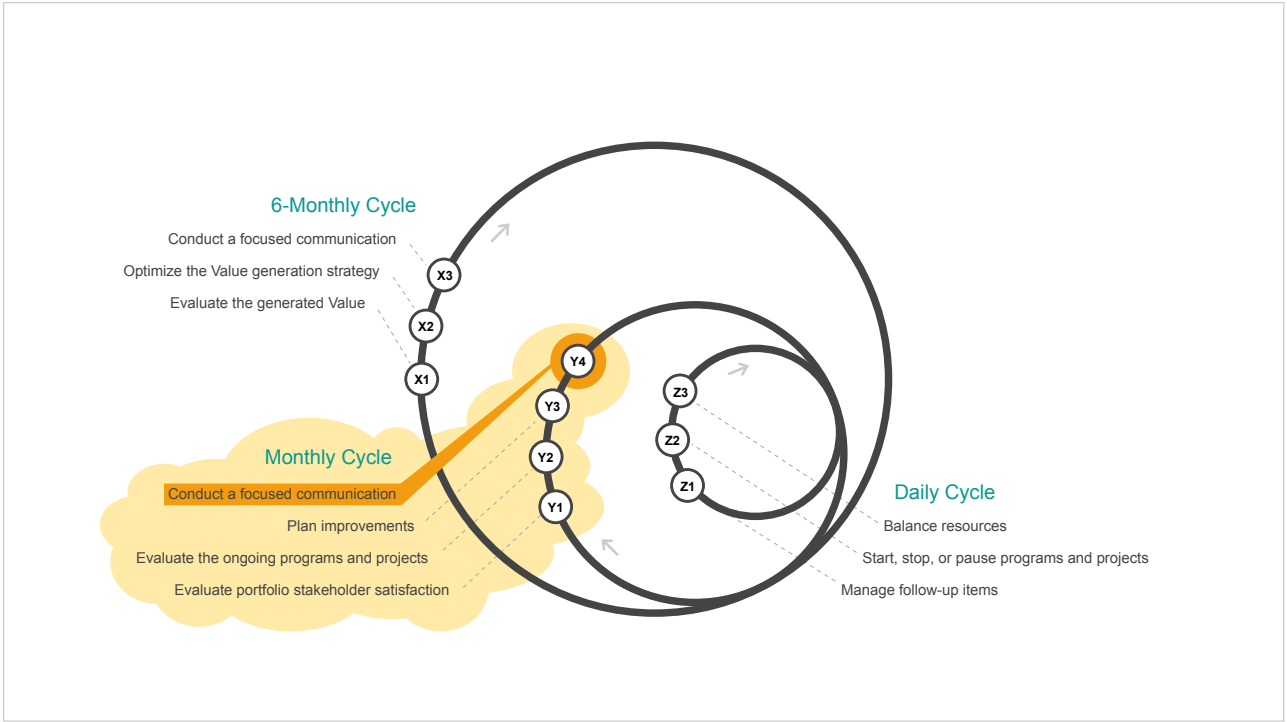
email

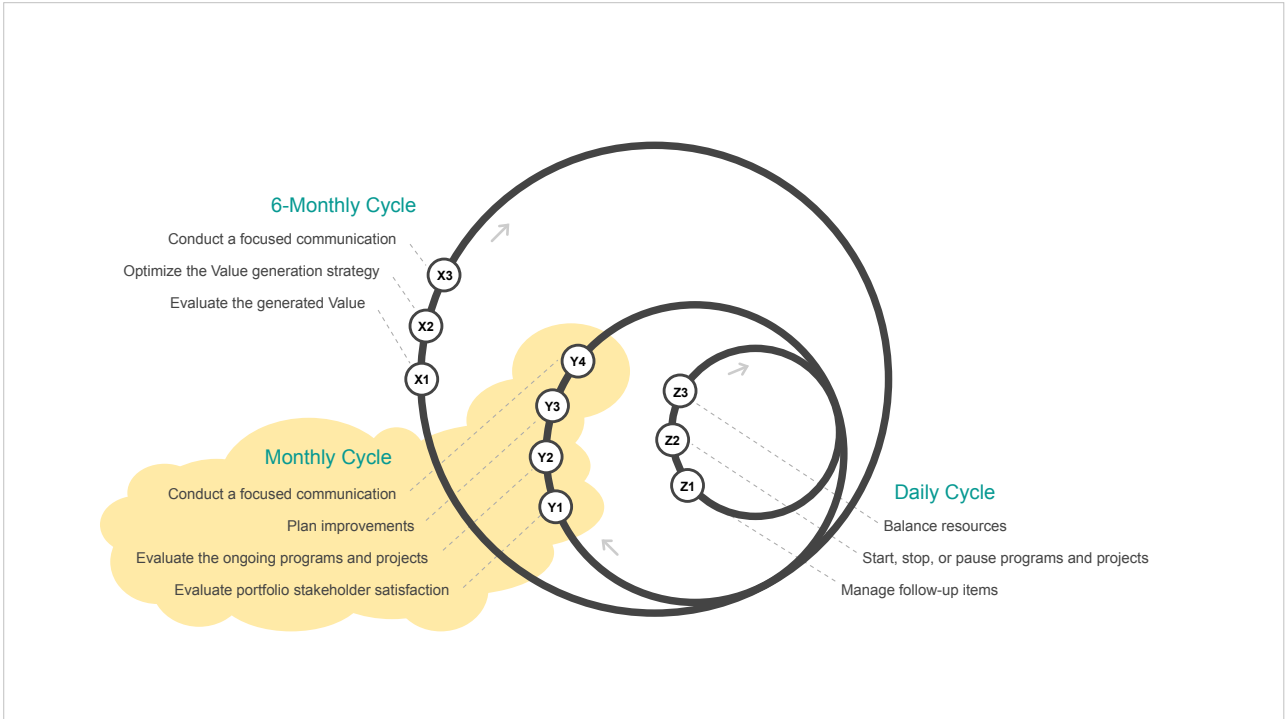


- 1 Planned improvements
 - 2 Progress
 - 3 What's started and stopped
- 



As usual, we must have a purpose for anything we do, and these two are our purposes in this activity.





① Why portfolio management?

② Process overview

③ Roles overview

④ 6-Monthly Cycle

⑤ Monthly Cycle

⑥ Daily Cycle

⑦ Range of use

① Why portfolio management?

② Process overview

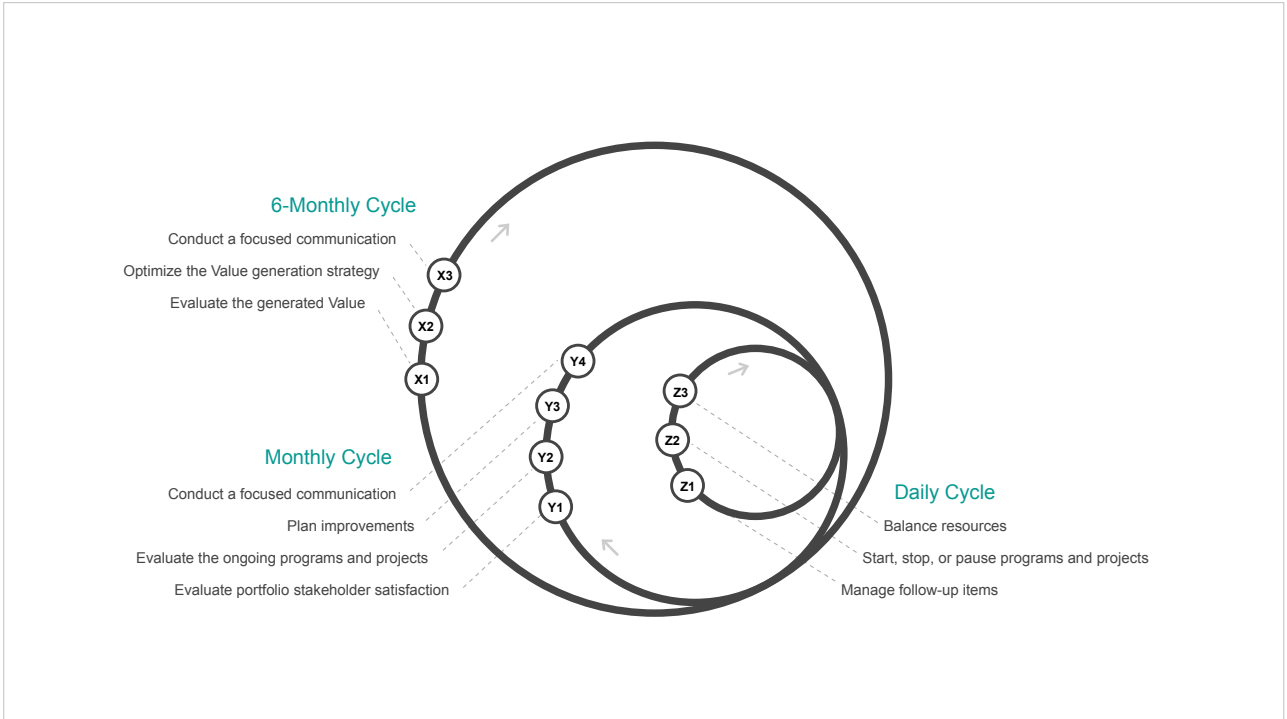
③ Roles overview

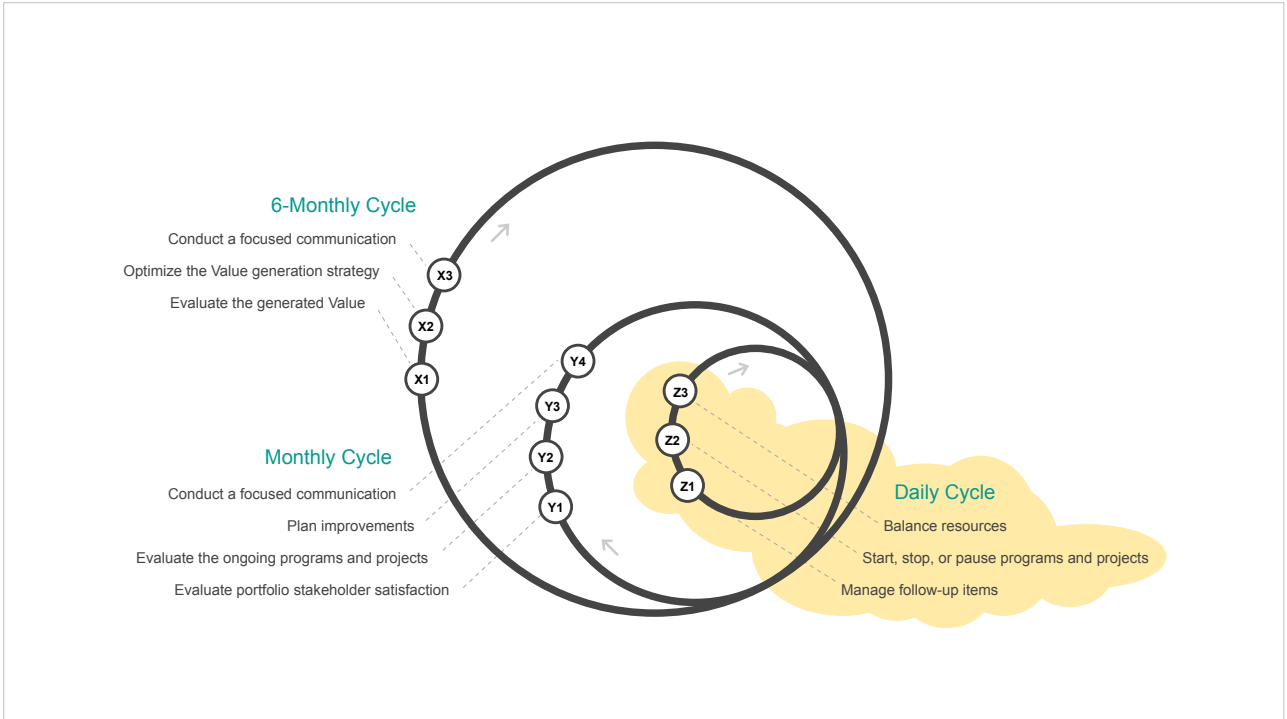
④ 6-Monthly Cycle

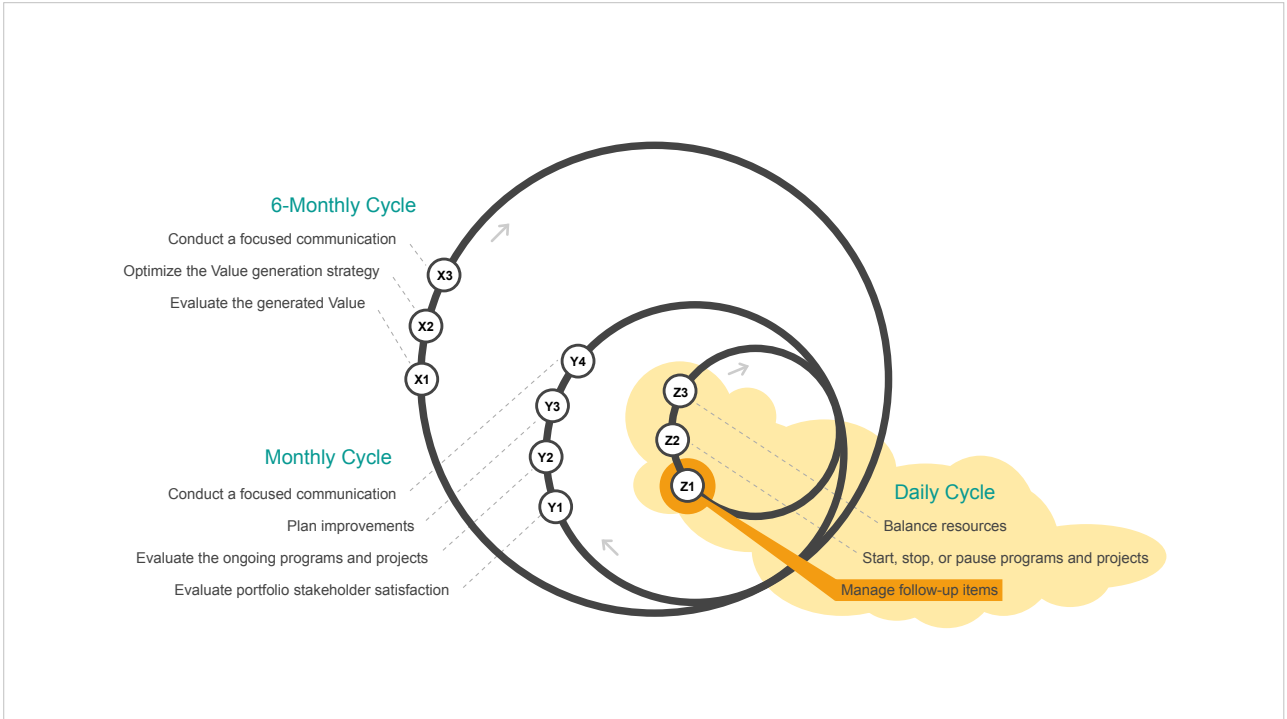
⑤ Monthly Cycle


⑥ Daily Cycle

⑦ Range of use









Many of our products
are not compatible with
the new legislation.

It's time to talk about follow-up items. We'll introduce each of the traditional types with an example and then explain that OMIMO doesn't separate them but considers them as one type.

The traditional types are mentioned because many people are used to them, and we can get help from that to explain the concepts faster.

Many of our products
are not compatible with
the new legislation.

An ad hoc
concern
about now

Issue

A current condition that may impact the program

Many of our products are not compatible with the new legislation.

Issue

A current condition that may impact the program

Many of our products are not compatible with the new legislation.

If they start a new war, our raw materials might become too expensive to survive!

Issue

A current condition that may impact the program

Many of our products are not compatible with the new legislation.

If they start a new war, our raw materials might become too expensive to survive!

An ad hoc probable concern about the future

Issue

A current condition that may impact the program

Risk

An uncertain future condition that may impact the program

Many of our products are not compatible with the new legislation.

If they start a new war, our raw materials might become too expensive to survive!

Issue

A current condition that may impact the program

Risk

An uncertain future condition that may impact the program

Many of our products are not compatible with the new legislation.

If they start a new war, our raw materials might become too expensive to survive!

Let's have fewer unnecessary meetings to stay more productive and less distracted

Issue

A current condition that may impact the program

Risk

An uncertain future condition that may impact the program

Improvement Plan

An ad hoc plan for improving future work

Many of our products are not compatible with the new legislation.

If they start a new war, our raw materials might become too expensive to survive!

Let's have fewer unnecessary meetings to stay more productive and less distracted

Issue

A current condition that may impact the program

Risk

An uncertain future condition that may impact the program

Improvement Plan

An ad hoc plan for improving future work

Many of our products are not compatible with the new legislation.

If they start a new war, our raw materials might become too expensive to survive!

Let's have fewer unnecessary meetings to stay more productive and less distracted

If we had a simple first aid kit, it wouldn't have become such a disaster!

Issue

A current condition that may impact the program

Risk

An uncertain future condition that may impact the program

Improvement Plan

An ad hoc plan for improving future work

Lesson Learned

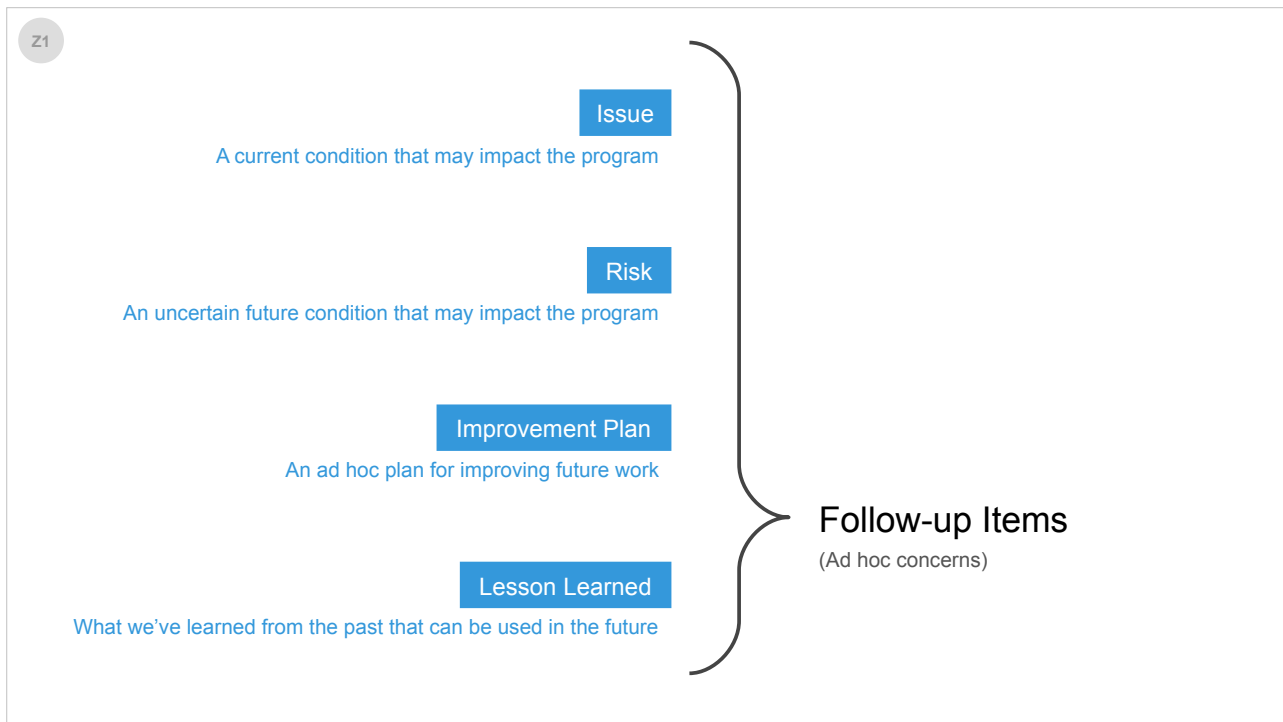
What we've learned from the past that can be used in the future

Many of our products are not compatible with the new legislation.

If they start a new war, our raw materials might become too expensive to survive!

Let's have fewer unnecessary meetings to stay more productive and less distracted

If we had a simple first aid kit, it wouldn't have become such a disaster!



So, any “ad hoc concern” is considered a follow up item in OMIMO.

Issue

A current condition that may impact the program

Risk

An uncertain future condition that may impact the program

Improvement Plan

An ad hoc plan for improving future work

Lesson Learned

What we've learned from the past that can be used in the future



Portfolio Description



Value Generation Matrix



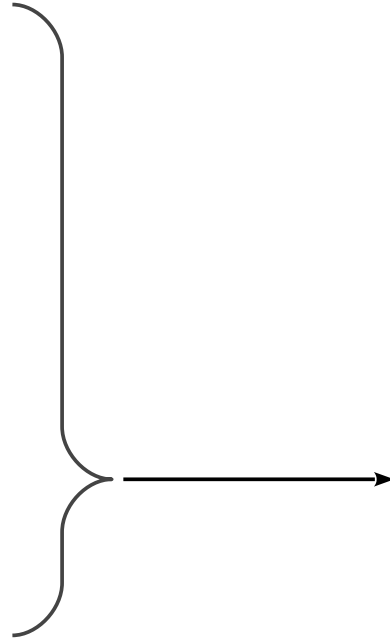
Business Case



Follow-Up Register



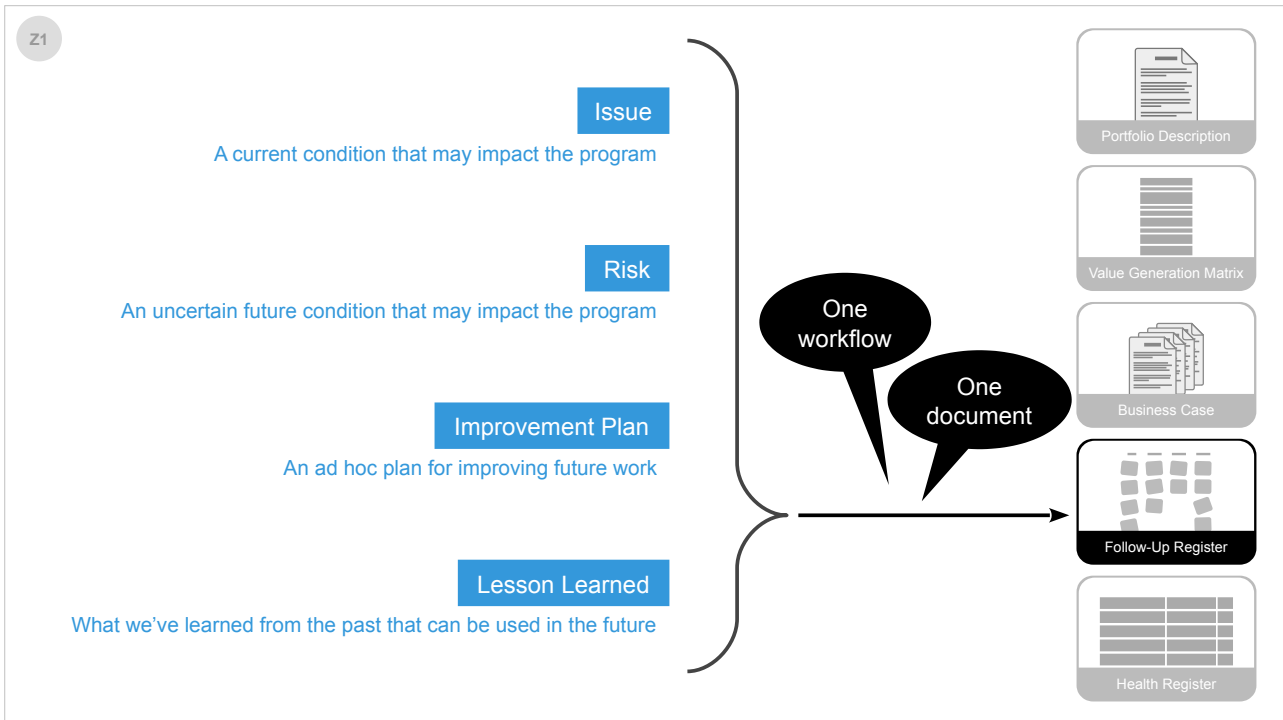
Health Register



- Issue**
A current condition that may impact the program
- Risk**
An uncertain future condition that may impact the program
- Improvement Plan**
An ad hoc plan for improving future work
- Lesson Learned**
What we've learned from the past that can be used in the future

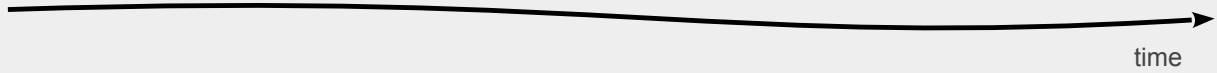
One workflow

- Portfolio Description
- Value Generation Matrix
- Business Case
- Follow-Up Register
- Health Register



Some people add a field to the follow-up register to mention which traditional type the item has (risk, issue, etc.). That's deviating from the true nature of follow-up items in OMIMO for many reasons, including the one we'll explain in the following slides.

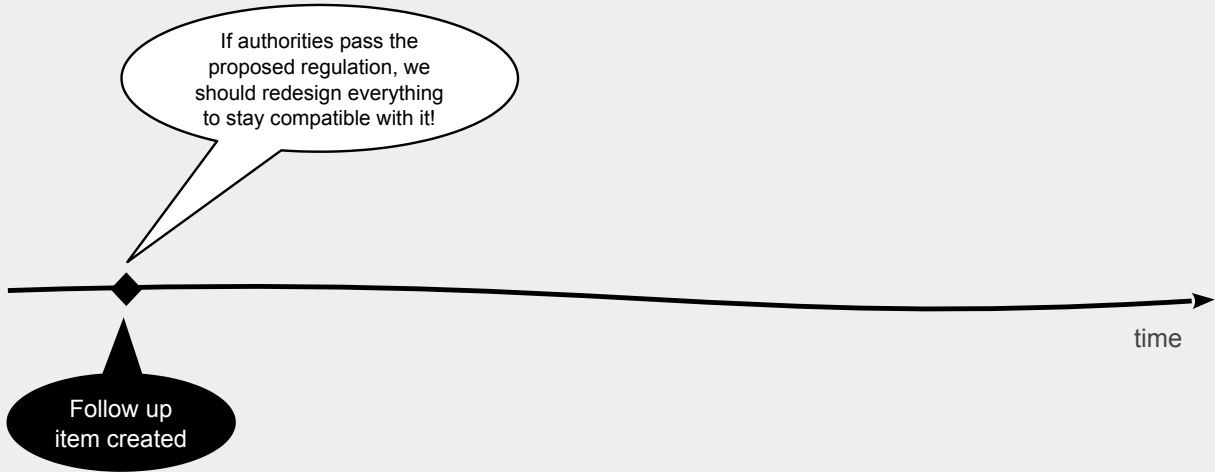
Despite what's said, it can be a valid tailoring decision to split the follow-up register into two or more registers and have customized processes for each type. However, that's usually not needed and should be done if there's a good reason for it, not because it's traditionally done like that.

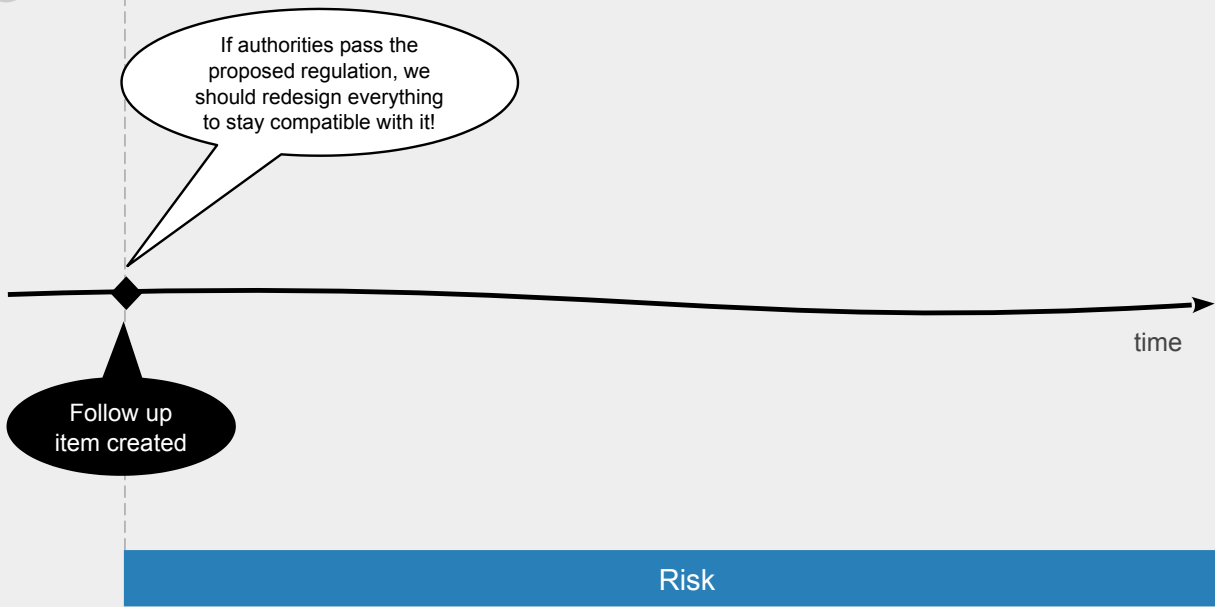


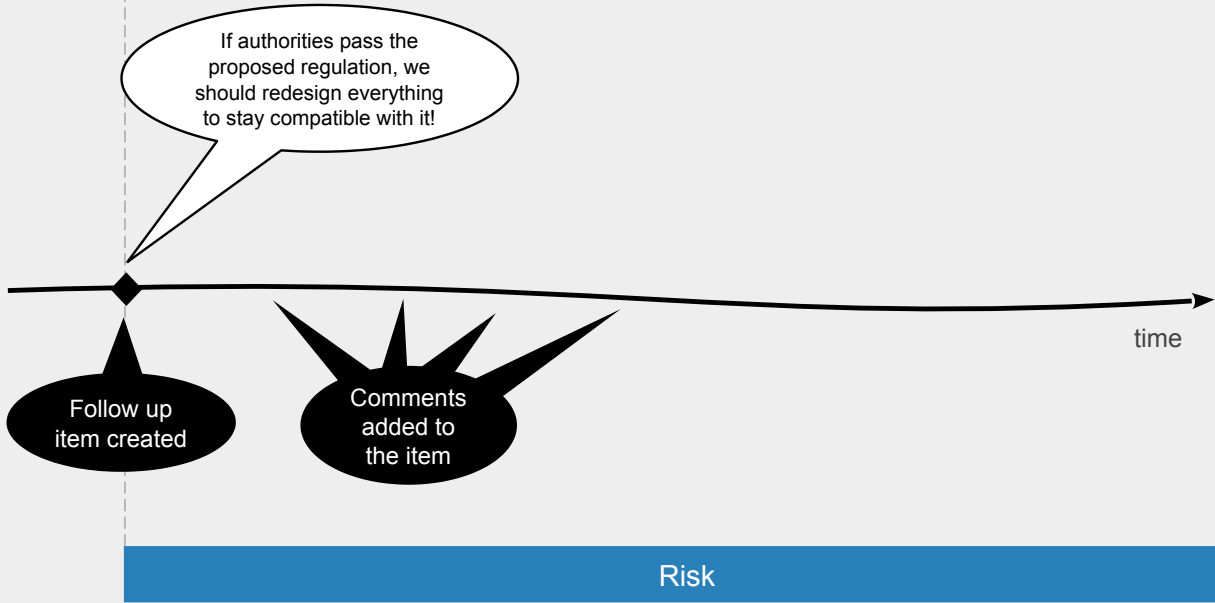
There are two reasons for OMIMO to have one type for all ad hoc concerns instead of breaking them into their traditional types. One reason is that it's possible to have a single process and document that works well for all of them. The second is that one concern can morph from one of the traditional types into another. So, in a traditional setup, one object would be closed and another created in a different document. In OMIMO modules, we go on with the same object until it's closed. It created perfect history, less trouble, and great traceability.

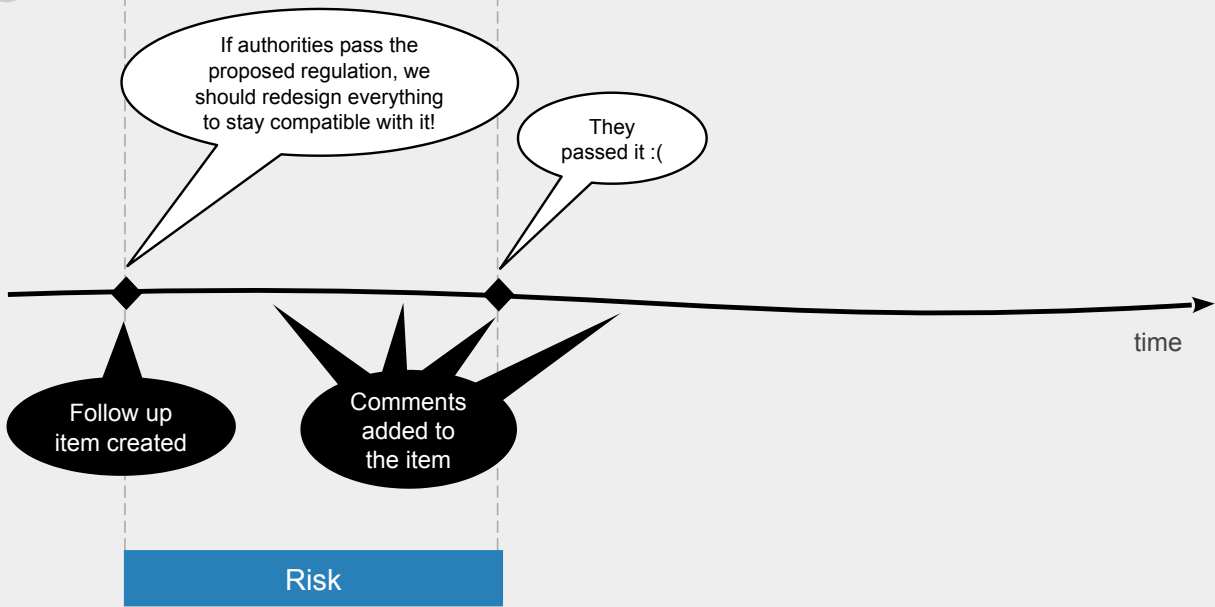
If authorities pass the proposed regulation, we should redesign everything to stay compatible with it!

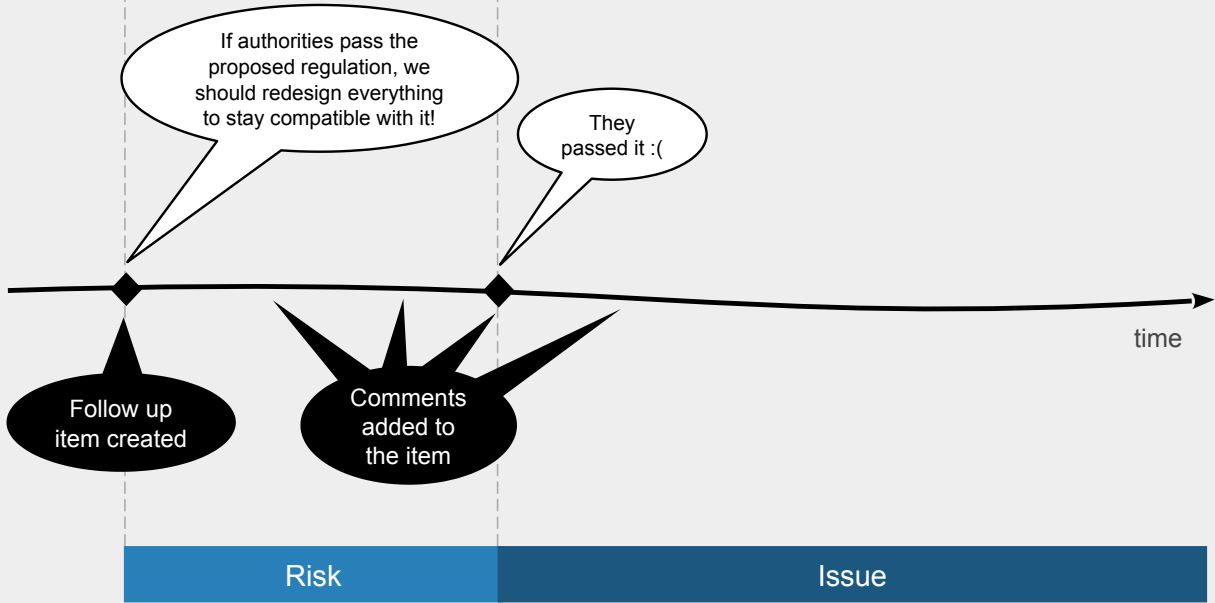


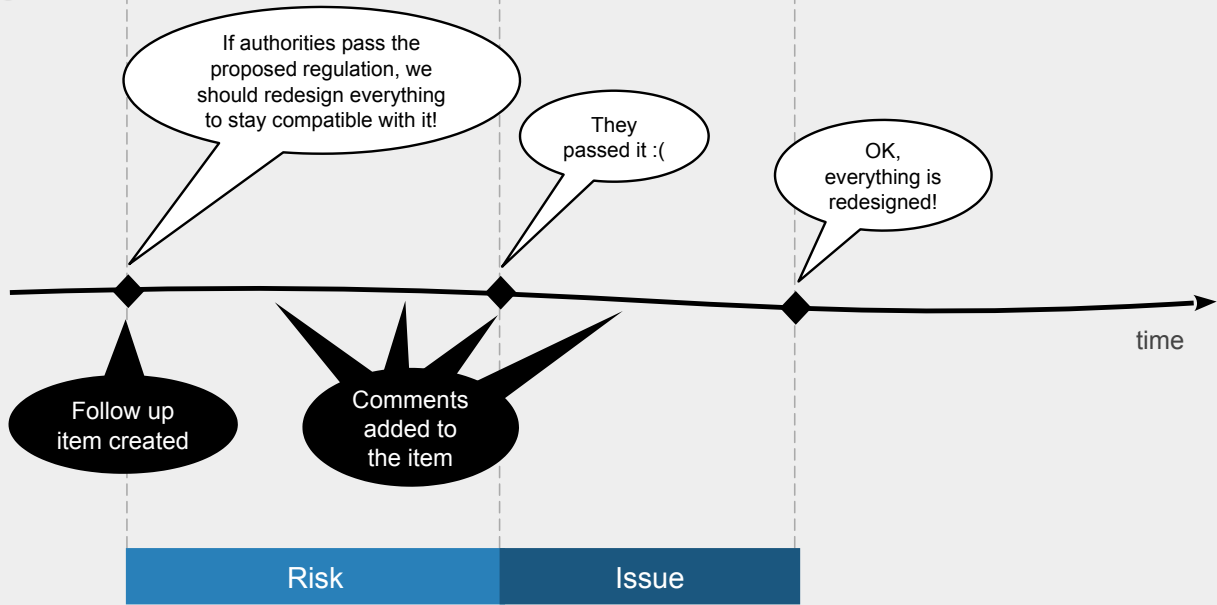


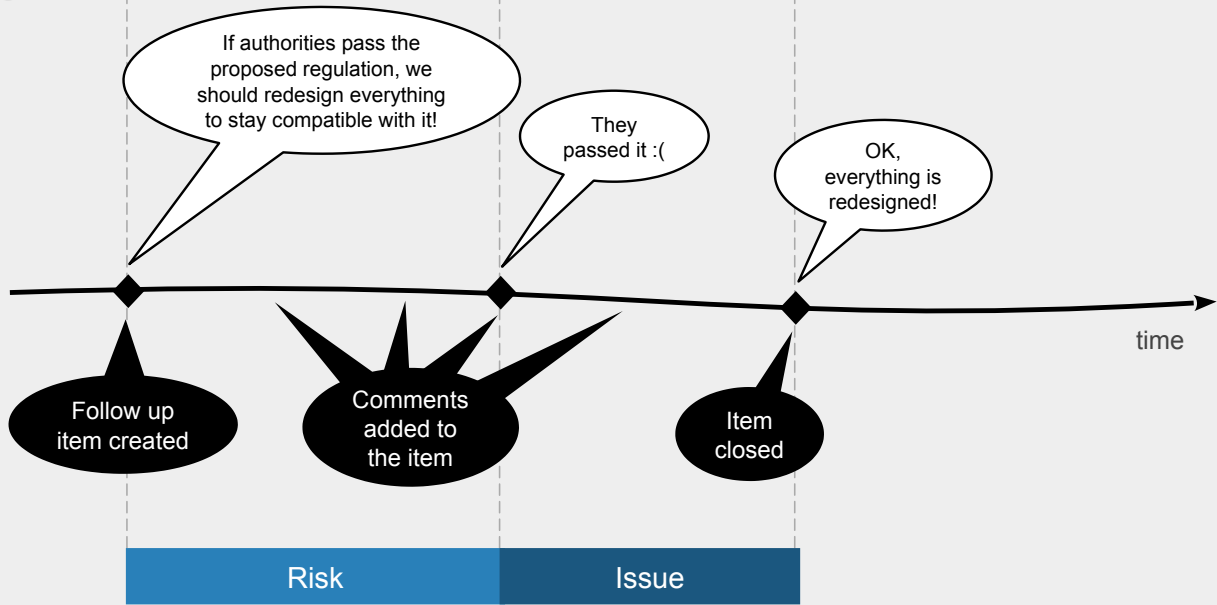


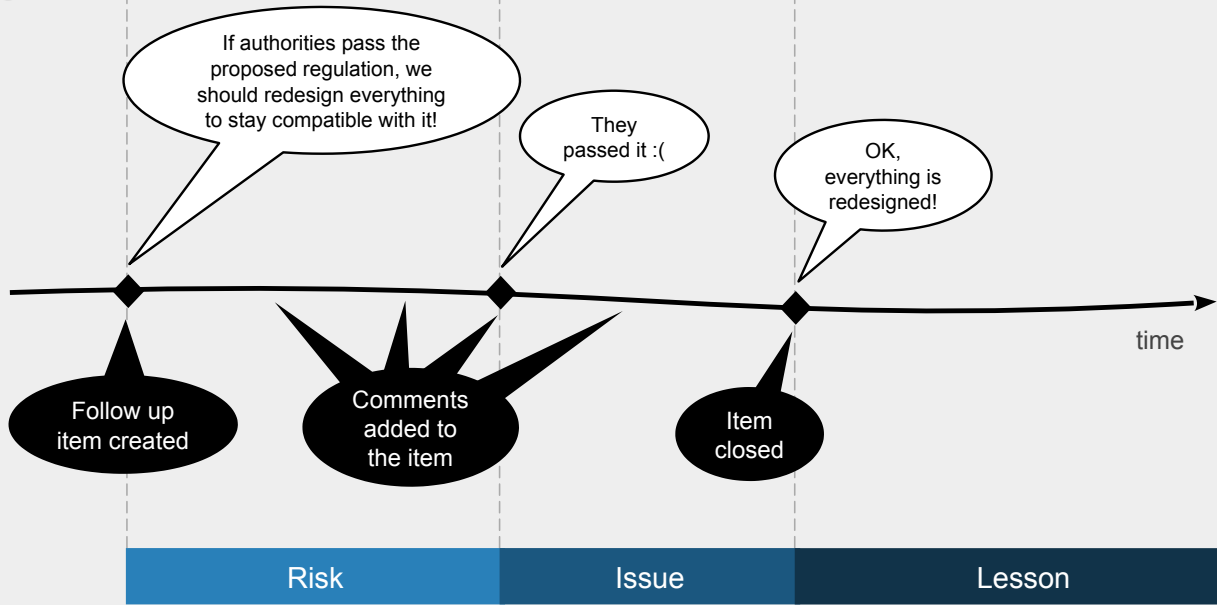




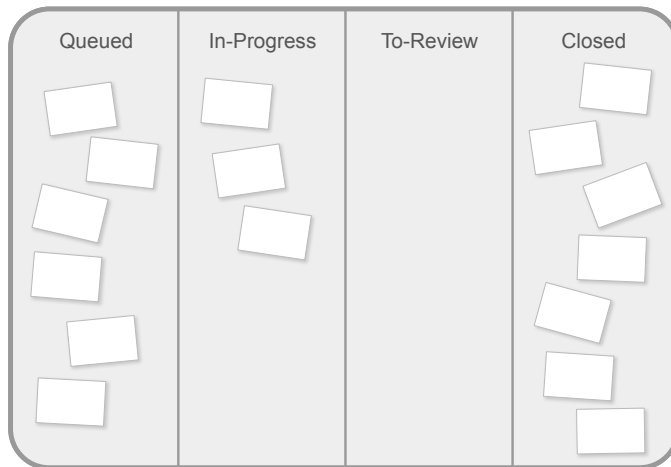








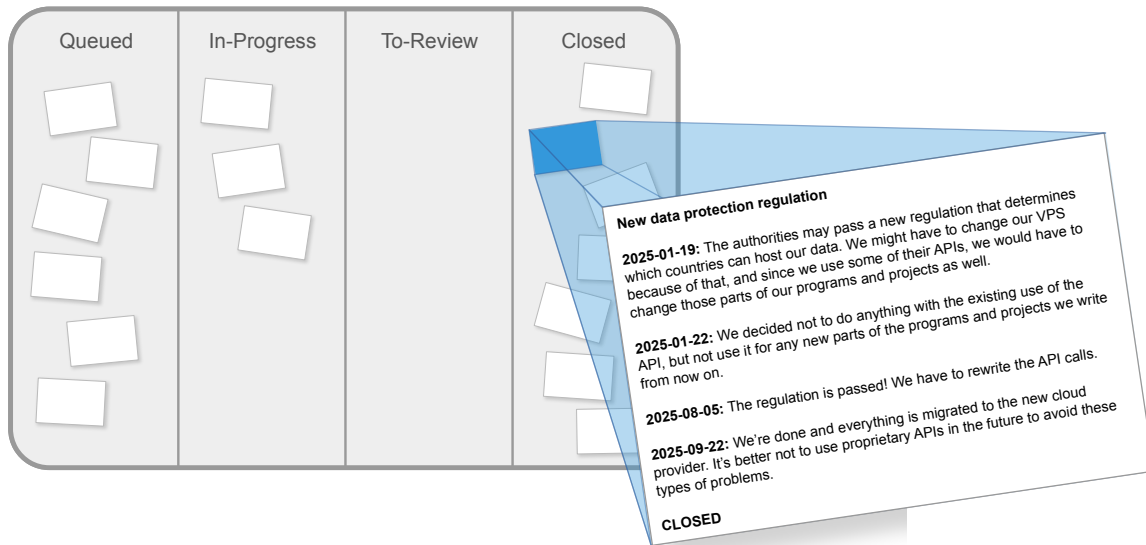
Follow Up Register



So, what does the register look like?

In the past, the default OMIMO recommendation was to implement the register in a spreadsheet. Based on the experience of the past nearly ten years, that default has changed: now our default recommendation is to implement the register as a flow board (some people call it a “kanban board”).

Follow Up Register



Each follow-up item is a card on the board, and the goal is to follow up on them until they are “closed”, meaning that there’s nothing else we want to or need to do about them.

As we follow up, we keep adding comments to the card.

Your organization has made a few pieces of software for internal and external use. There's the rumor that there's a security **vulnerability** in a popular library that some of your software packages might have used.

Create a follow up item for it and follow up on it using your imagination.



The example comes in the next slide.

2026-03-13: There's a rumor that the VL5 library that many pieces of software use has a vulnerability that an aggressive regime has found out about and is using it against political activists and anyone else who's against them. If that's true, the vulnerability will become public sooner or later, and then everyone will start using it. That would be a big problem for us, because many of our software packages may use it, directly or indirectly, and some of our software should be very secure, such as the one we have for the UX64 bank.

2026-03-14: Action 1: Let's divide our software into 3 groups, from the most sensitive to the least sensitive. This helps go through them in order, if it happens. Action 2: Then, let's start investigating each piece of software in group 1 (the most sensitive) to see whether or not it uses that library, so that we're ready to react if something happens.

2026-03-19: We're done with the two actions defined before. About half of the software in group 1 uses the library ./

2026-09-02: The Citizen Lab has confirmed that the rumors about that vulnerability are correct, and the aggressive regime is using that to target political activists. Action 3: Let's start fixing the software in group 1 before it's too late. Action 4: Let's investigate which software in groups 2 and 3 uses that library to be ready.

2026-09-20: Action 4 is finished. About half of the software in each of those groups is marked for having used that library.

2026-10-15: Oh, what we were worried about happened: the vulnerability has become public, and many bad actors are using it! Unfortunately, we're only halfway through fixing our group-1 software packages.

2026-10-18: It's not okay at all... more and more attacks are coming! Action 5: Let's pause as many programs and projects as possible and focus all our energy on fixing our group-1 software.

2026-11-06: There was a successful attack on one of our group-2 software packages! Fortunately, it didn't have severe consequences, but it can be a disaster if it happens to one of our group-1 software.

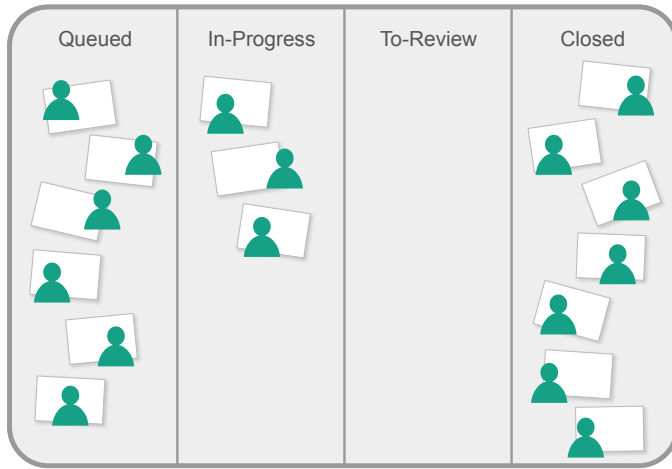
2026-11-20: Alright, all group-1 software packages are fixed! Now we can relax a little. Action 6: Let's release half of the people who were working on this fix, so that they can go back to their original projects and programs. Action 7: Let's start working with the remaining people on group-2 software.

2026-12-15: All group-2 software packages are fixed. Action 8: Let's start working on group 3.

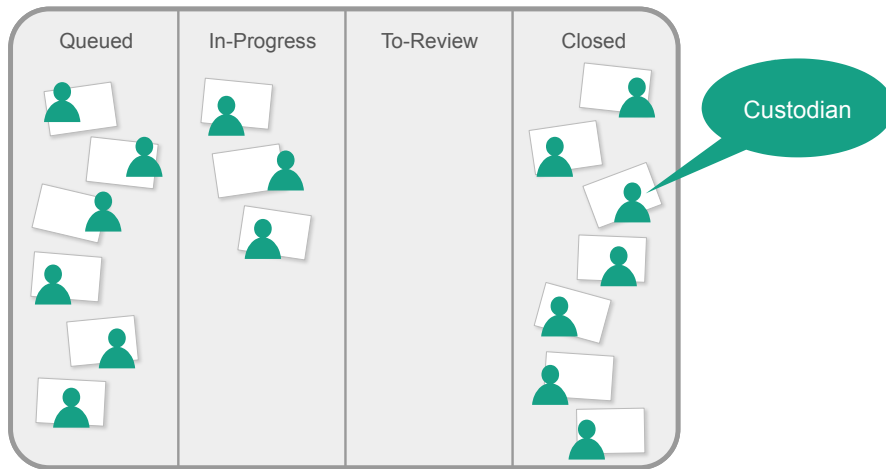
2027-02-05: All group-3 software packages are fixed as well.

2027-02-05: **CLOSED**

Follow Up Register

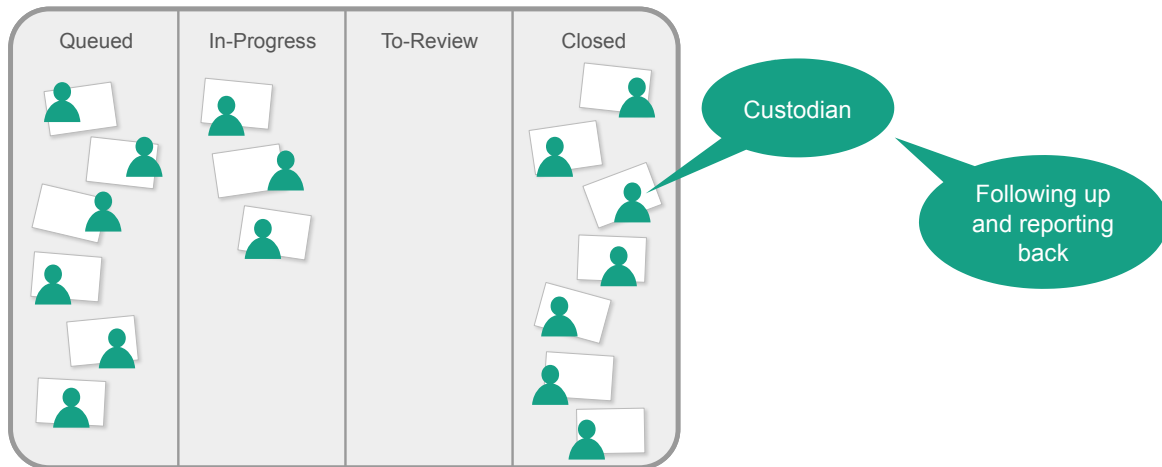


Follow Up Register



Similar to other OMIMO modules, each follow-up item must have a custodian.

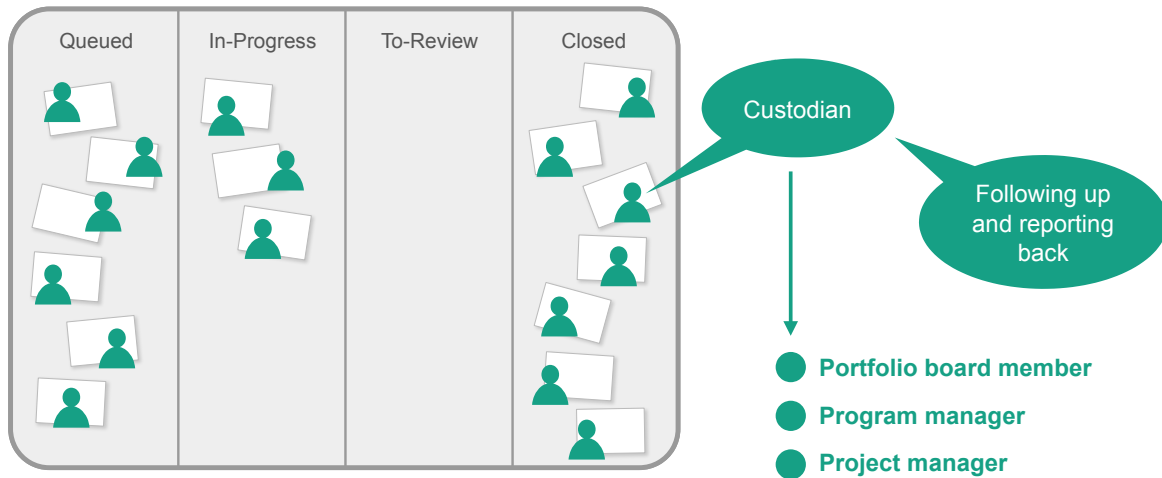
Follow Up Register



Note that the custodian is responsible for following up on the item, reminding people of their roles regarding the item, reporting back and updating the card on the board, etc. The custodian does NOT have any extra authority about the card, and they don't decide how to close the card. Doing the work needed to close the card may or may not be given to the same person who plays the role of custodian for the card. Even when so, they don't do the work as a custodian, but they do it as a team member.

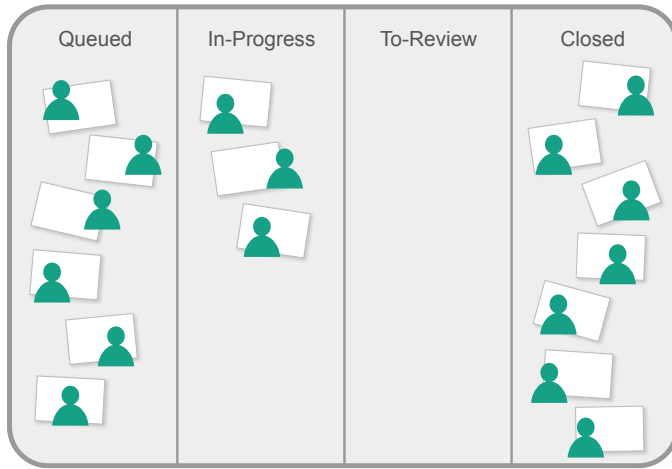
What's said is important because many items need more than one person to decide about them and more than one person to do its work. When we limit the custodian role to reporting, then we can freely give this role to a broader set of team members.

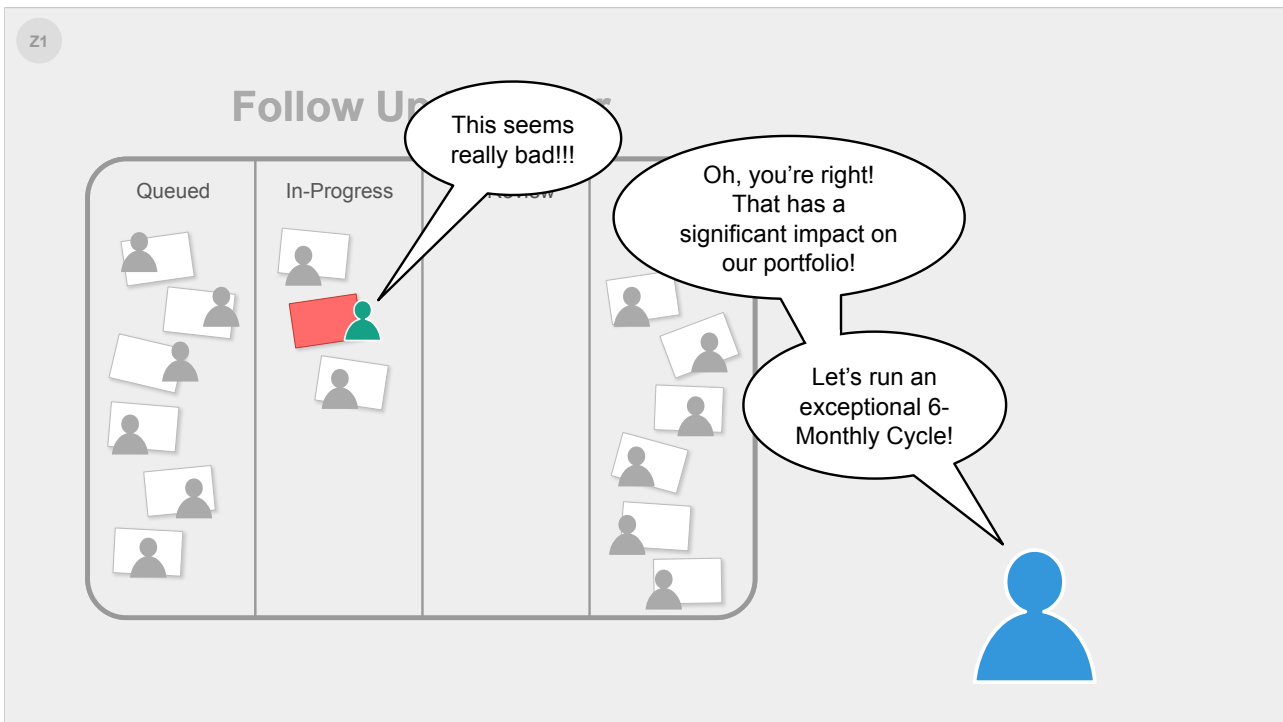
Follow Up Register



In P5.express, these people can become custodians. No one else is qualified to be the custodian of any portfolio-level follow-up item.

Follow Up Register

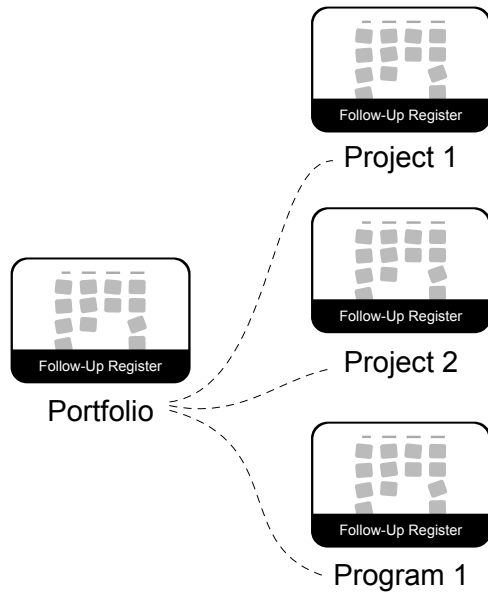


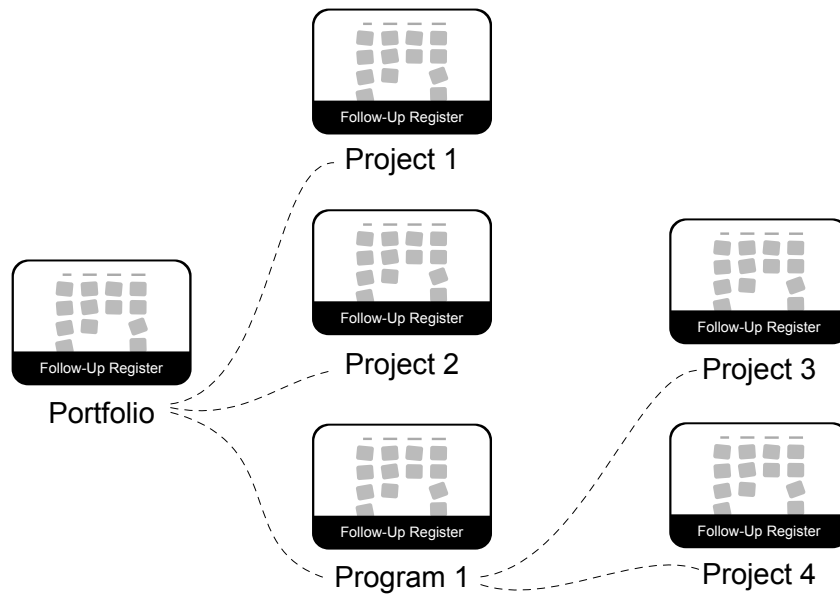


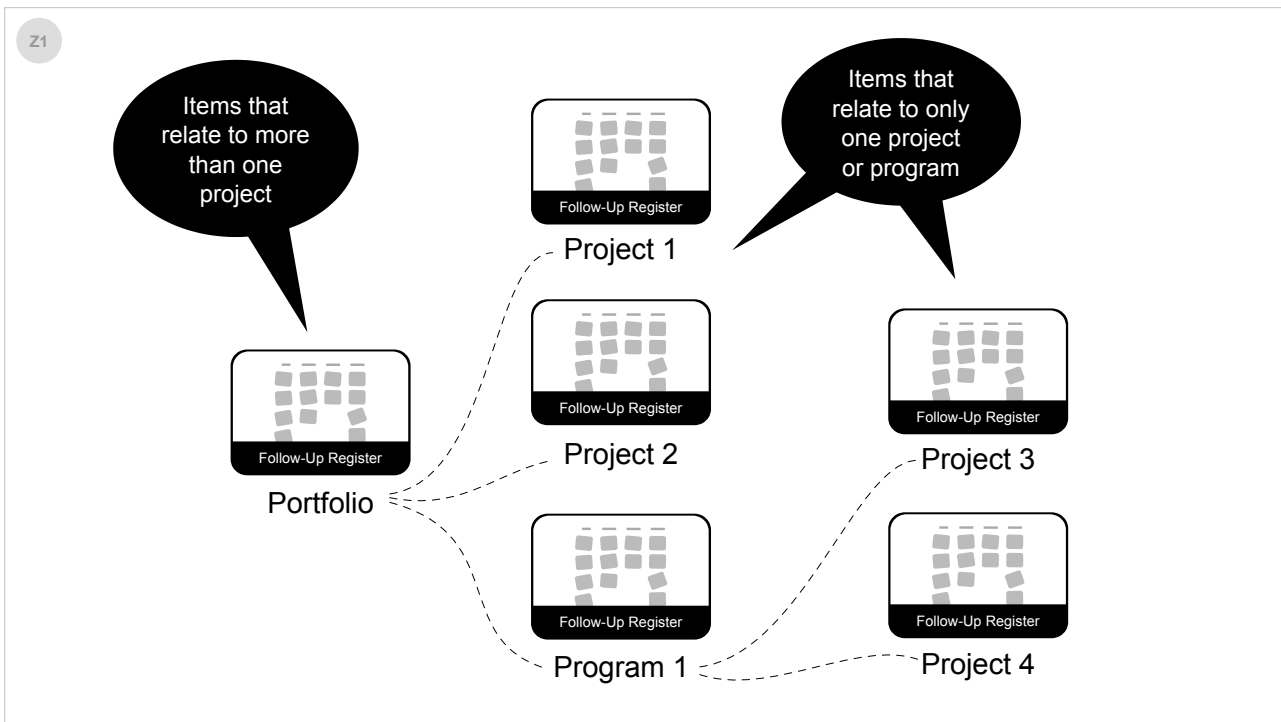
As usual, the portfolio manager should have their decision-making threshold in mind, and when something significant happens, instead of making a decision alone or with the help of a few team members, they should run an exceptional 6-Monthly Cycle and do it with the help of all portfolio management team members.



Portfolio

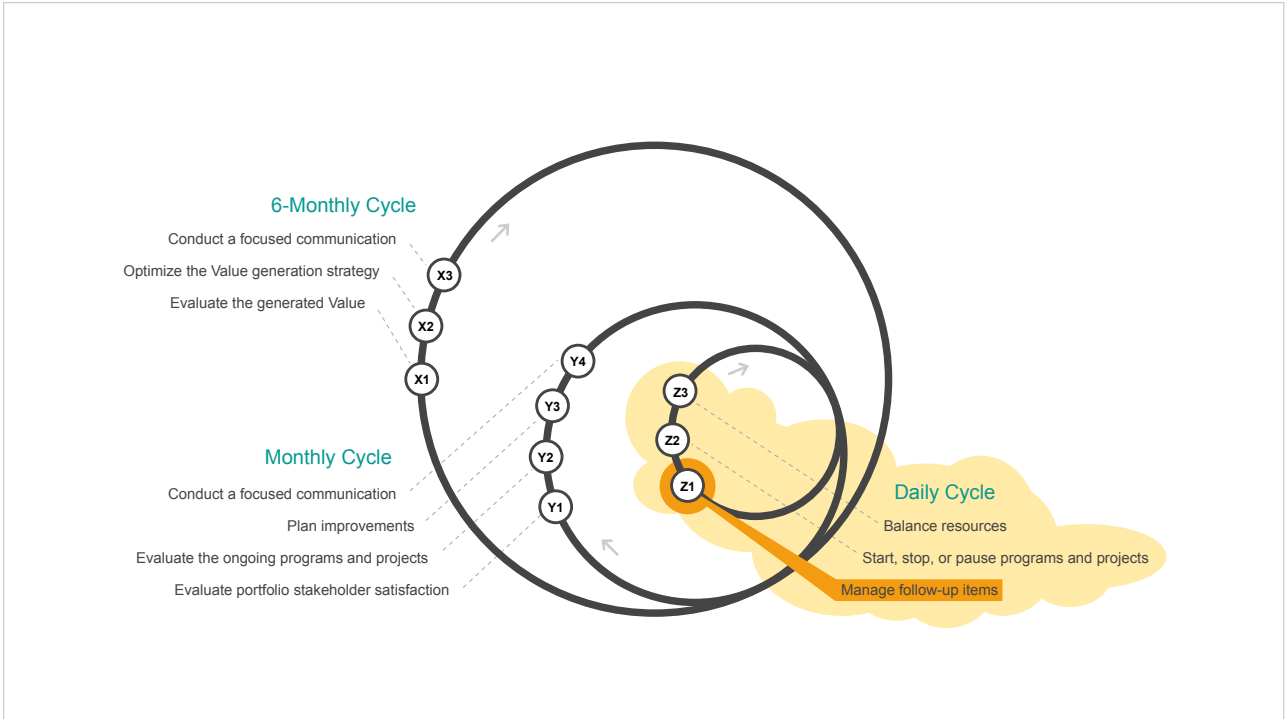


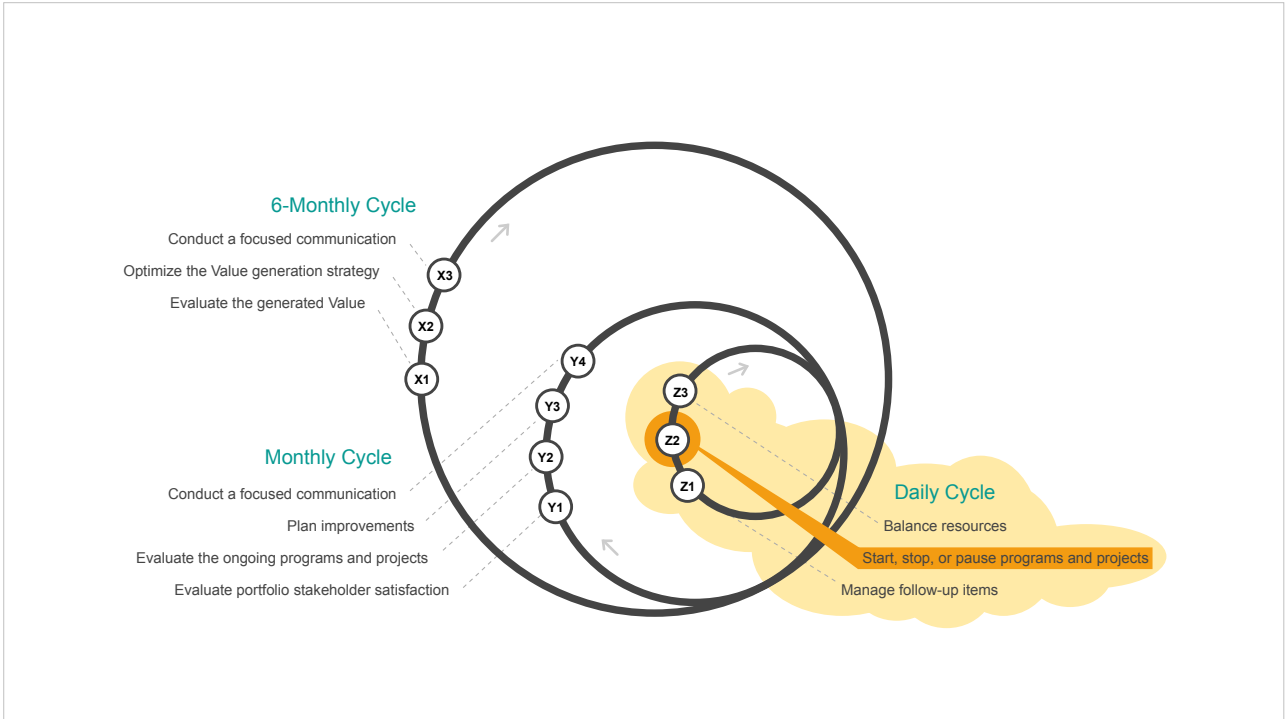


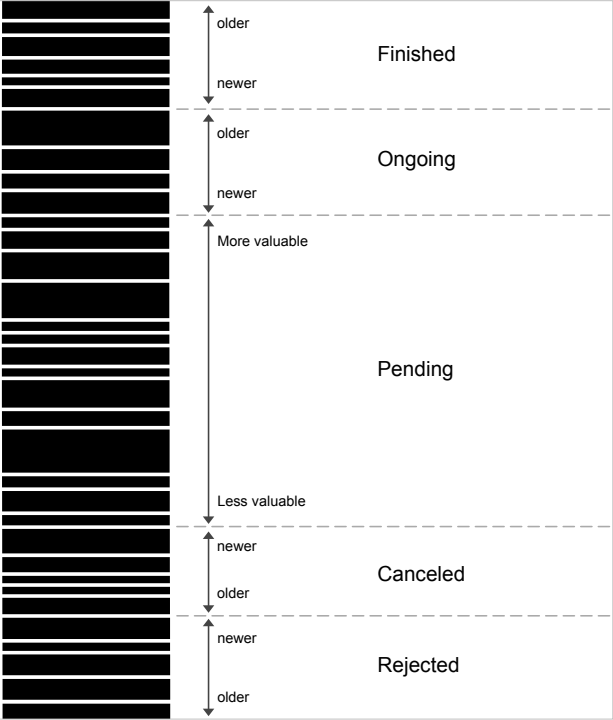


There's a hierarchy of registers. There's one local register in each project that contains ad hoc concerns that impact only that project. Then, if the project belongs to a program, there would be a register in that program that contains items that relate to more than one project in that program. And finally, there's a register in the portfolio management layer that contains items that impact more than one program or project of a program.

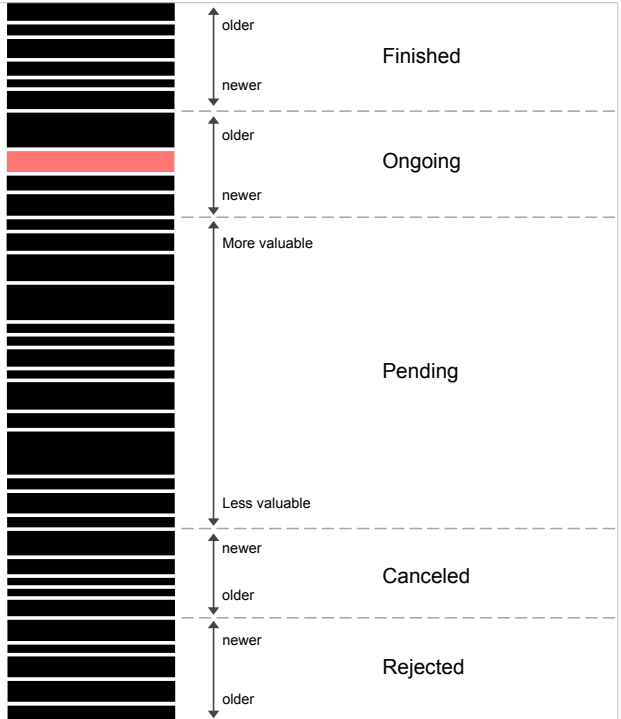
So, for a project manager, they should be working with 2 or 3 different registers instead of just 1.



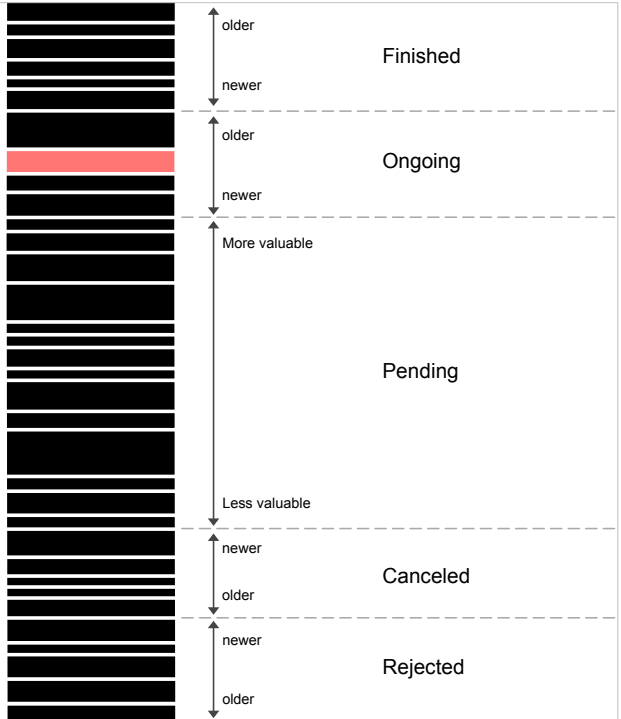
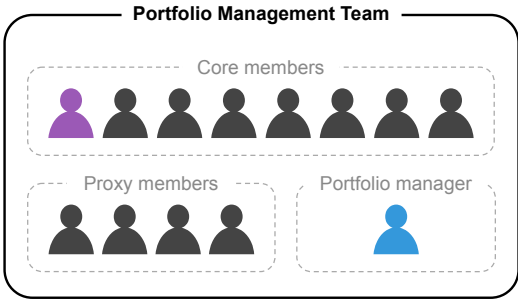




Finished!

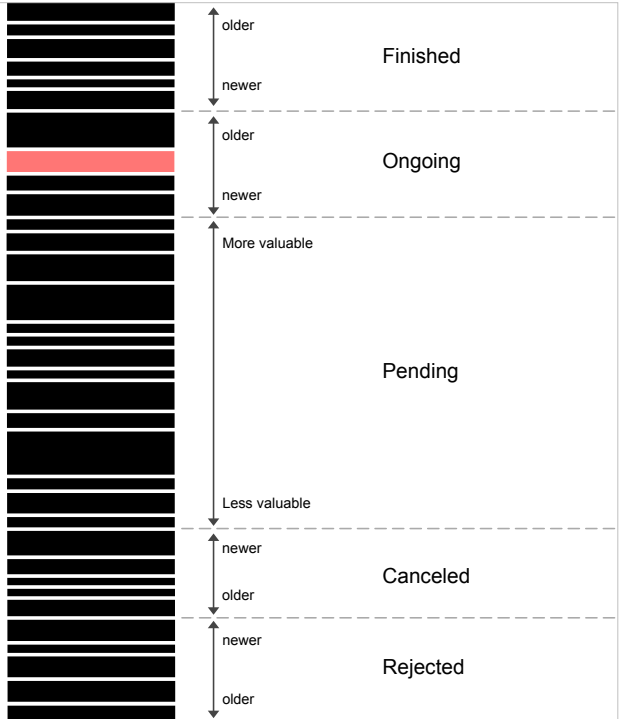
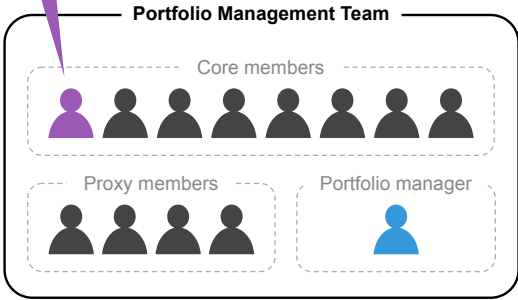


Finished!



Sponsor

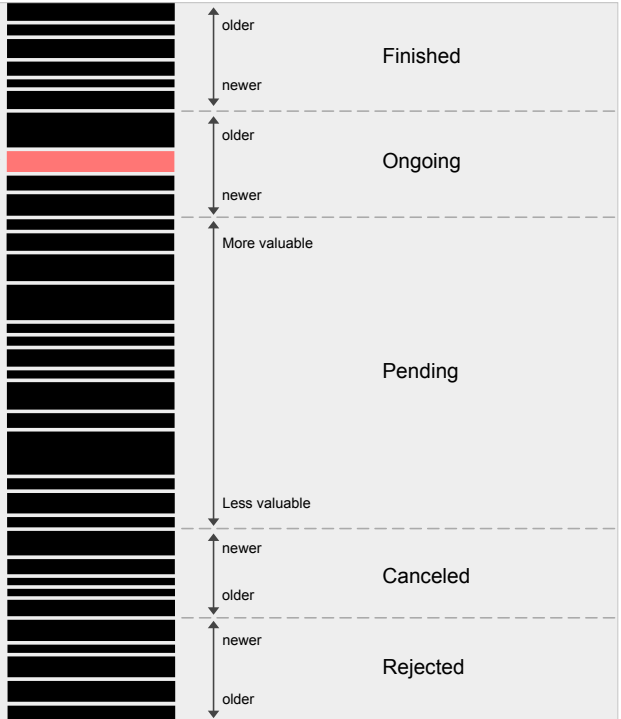
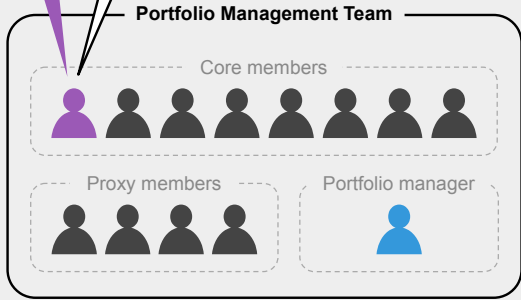
Finished!

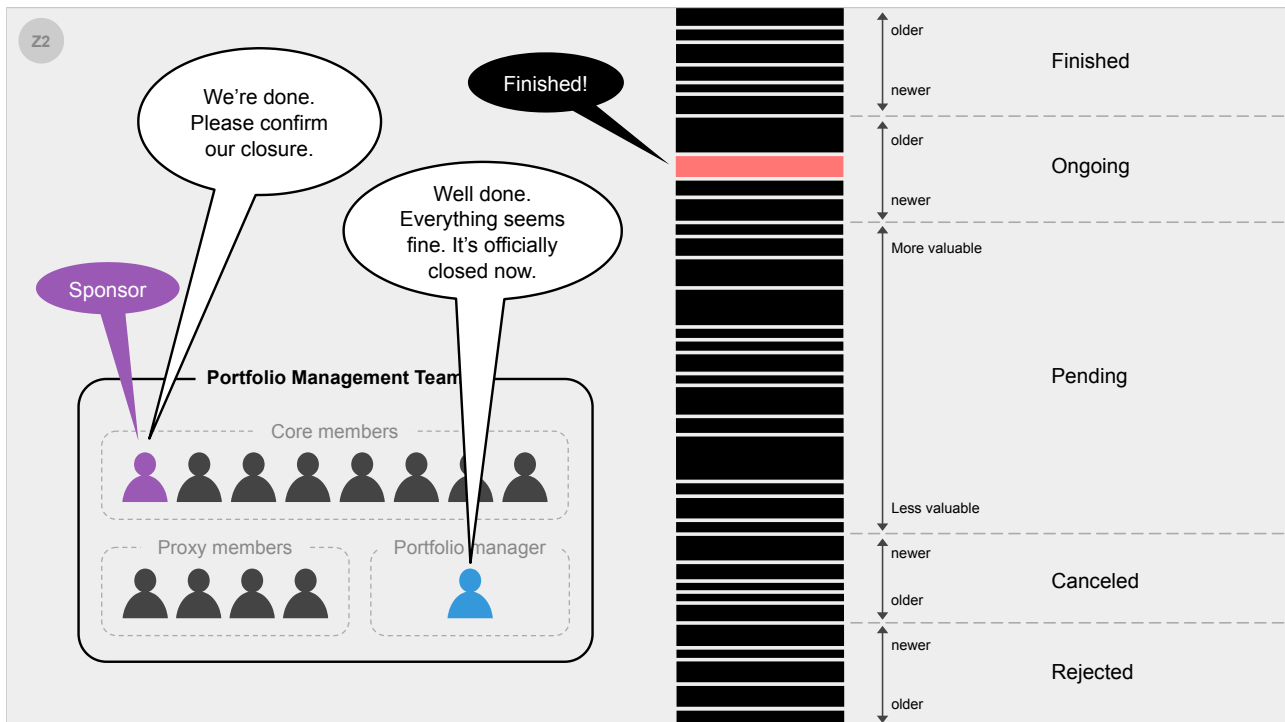


We're done. Please confirm our closure.

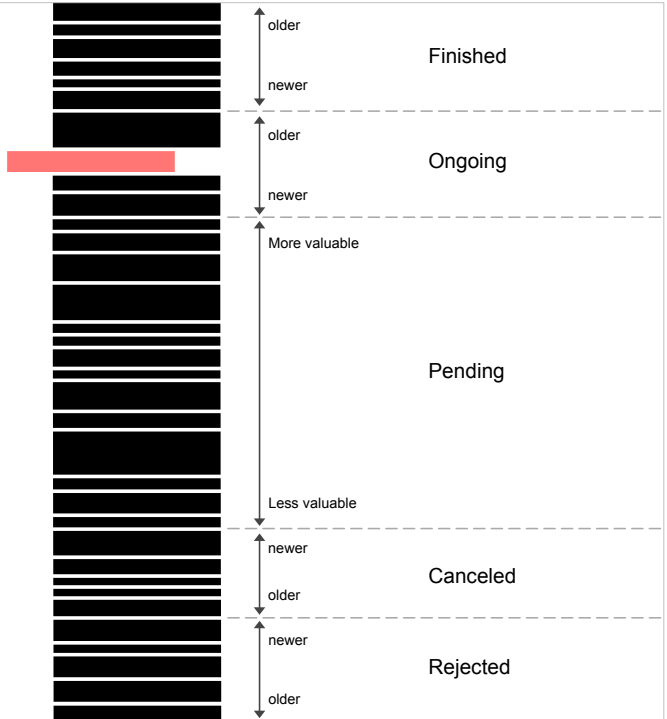
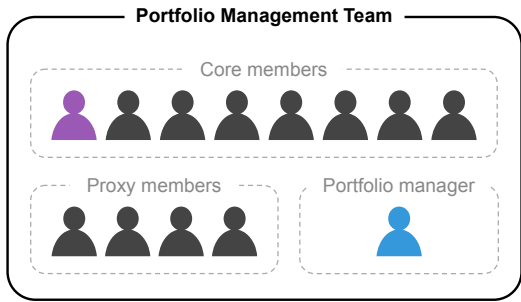
Sponsor

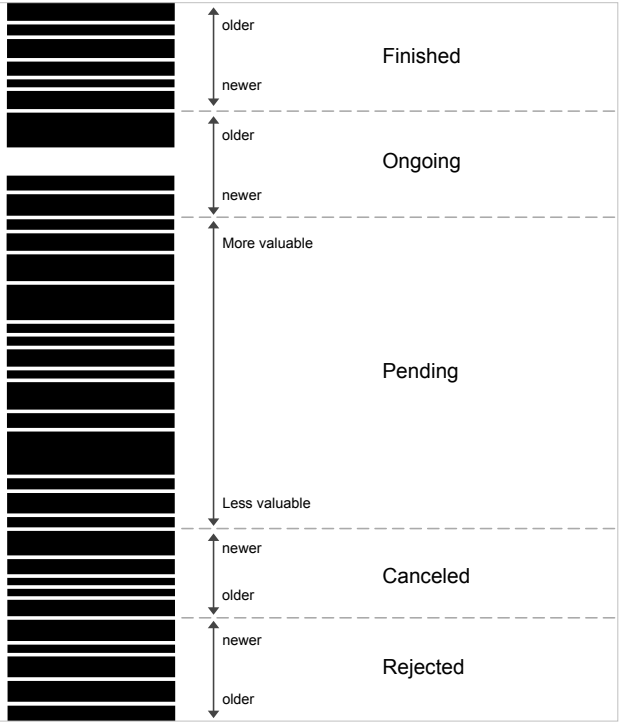
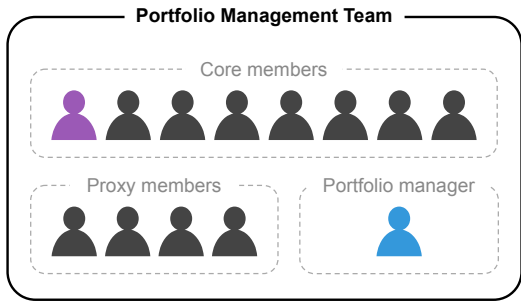
Finished!

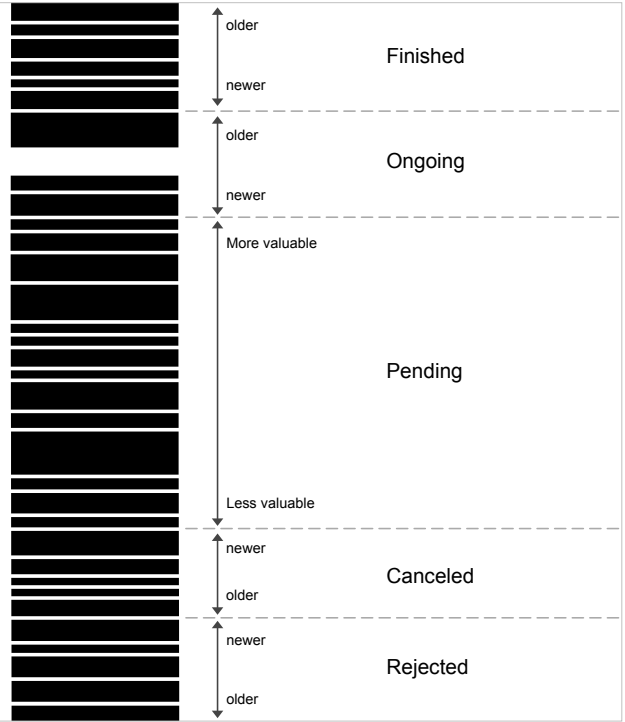
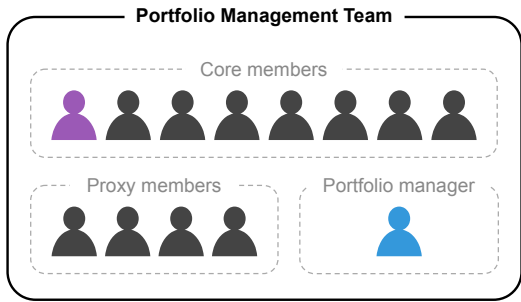


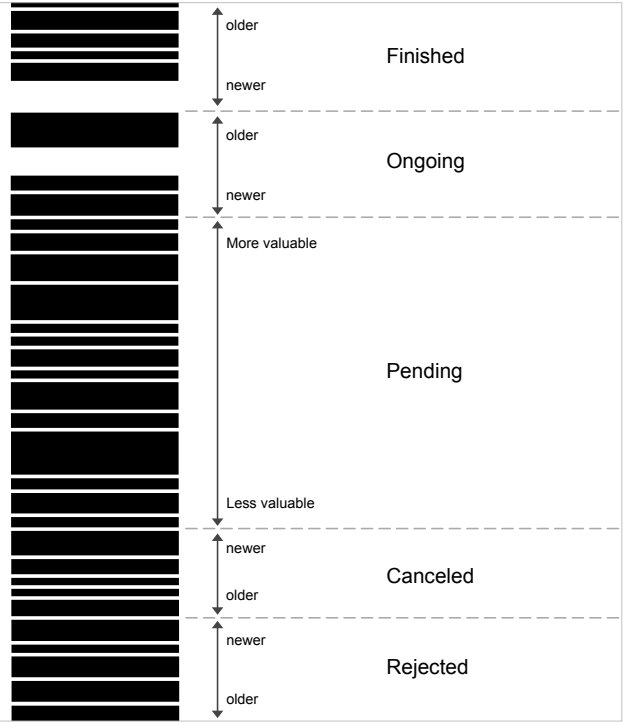
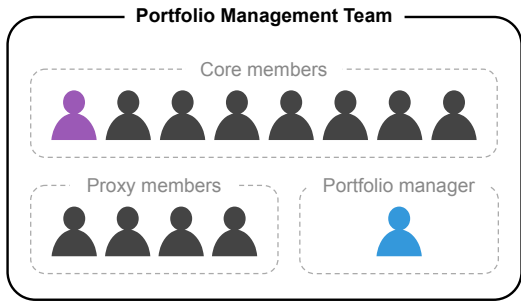


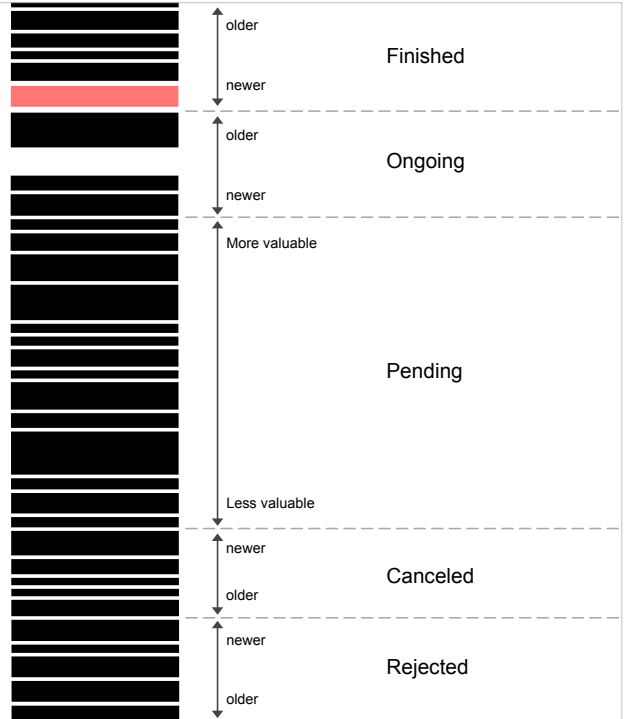
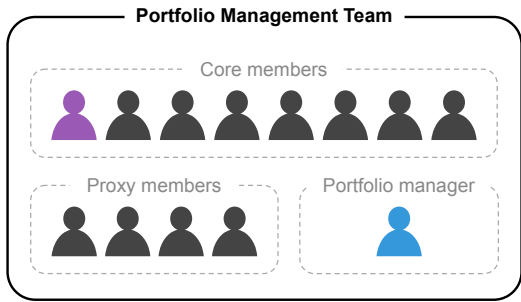
When a project or program is finished, its sponsor should ask the portfolio manager for permission before closing it. The portfolio manager doesn't make a personal judgment in cases like this but interprets the collective opinion of the board. If they can't decide like that, or if the decision is too important, or if their decision doesn't agree with the sponsor, they should run an exceptional 6-Monthly Cycle, so that all the portfolio board members can get together and decide.

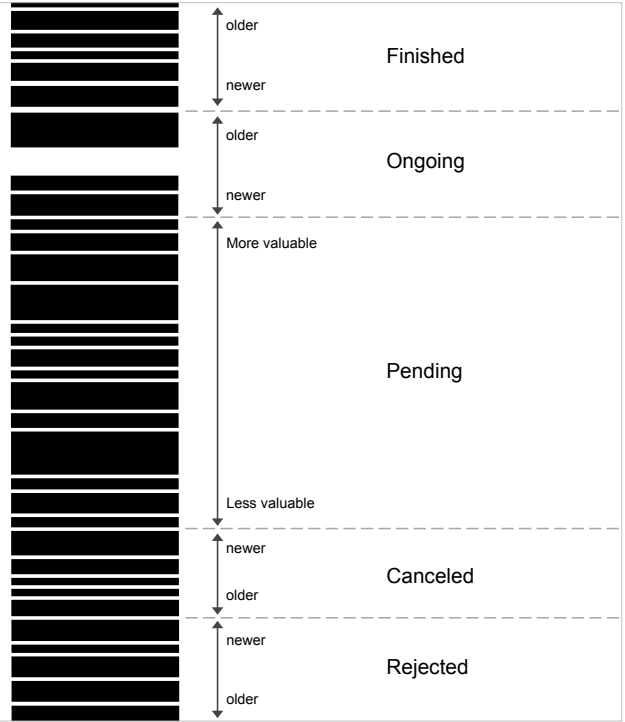
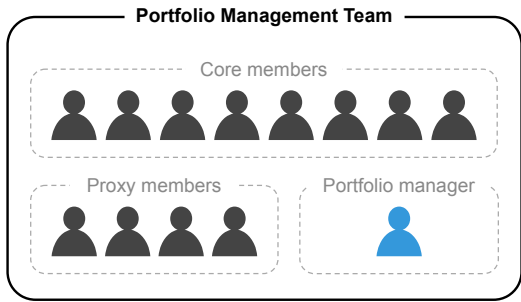


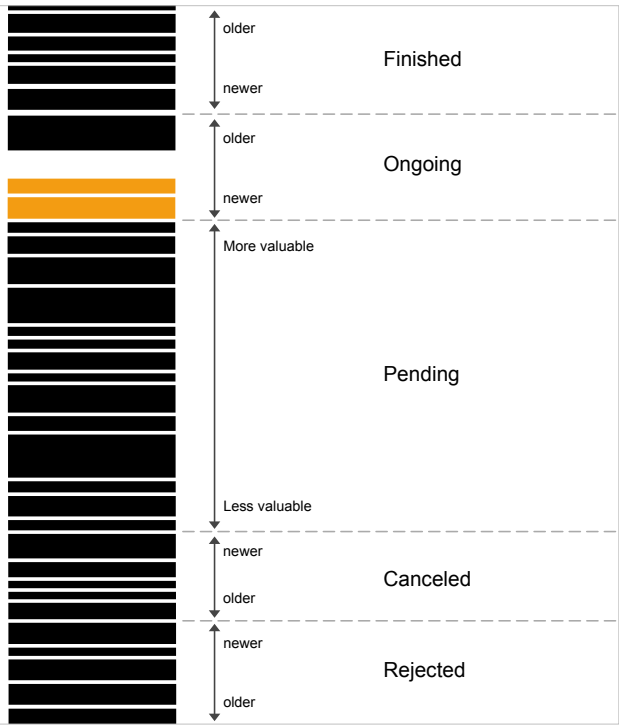
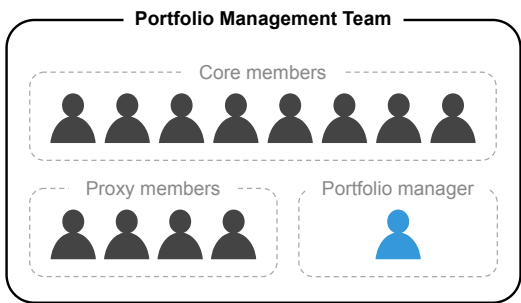


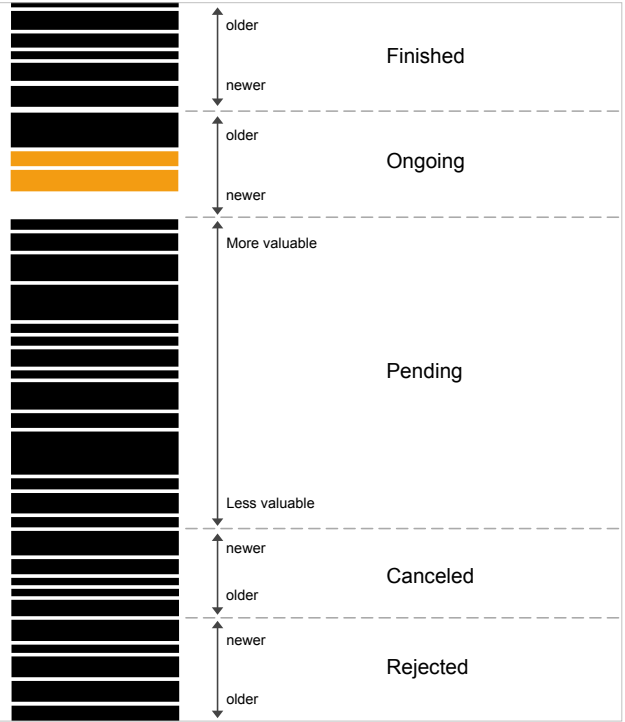
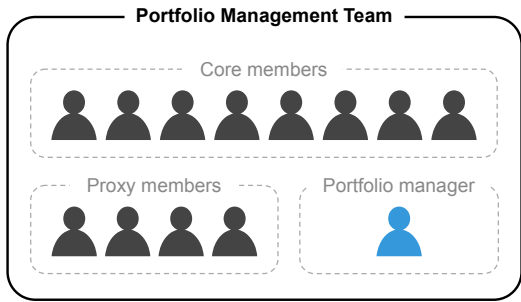


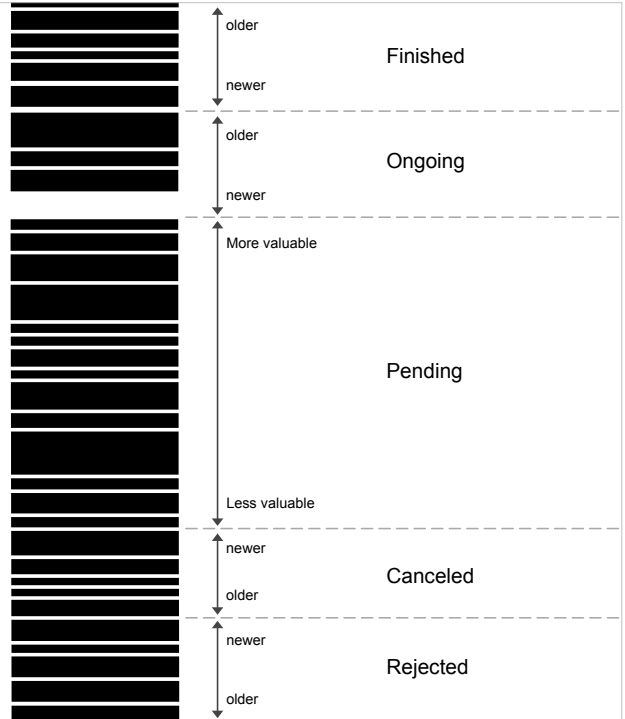
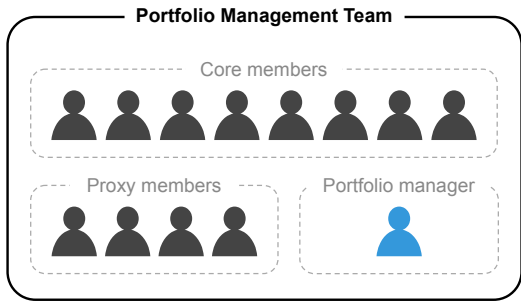




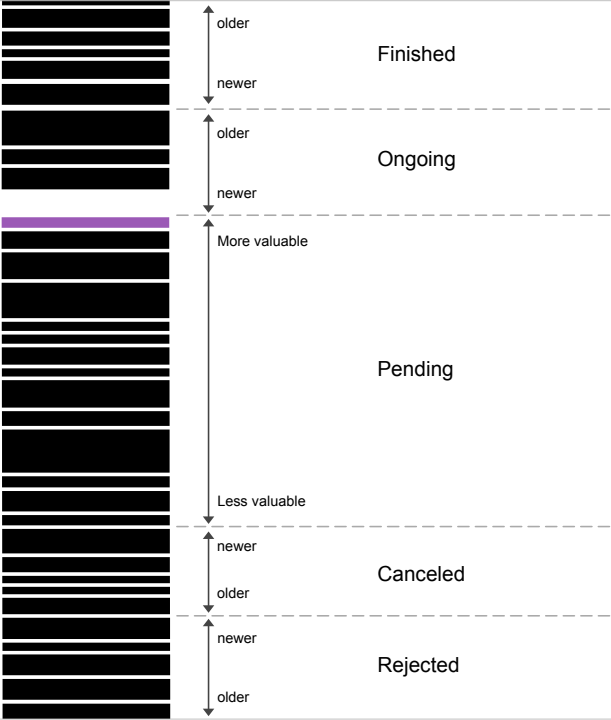
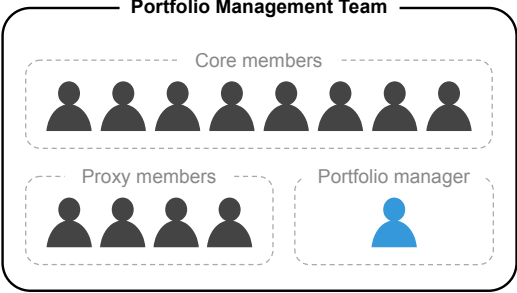




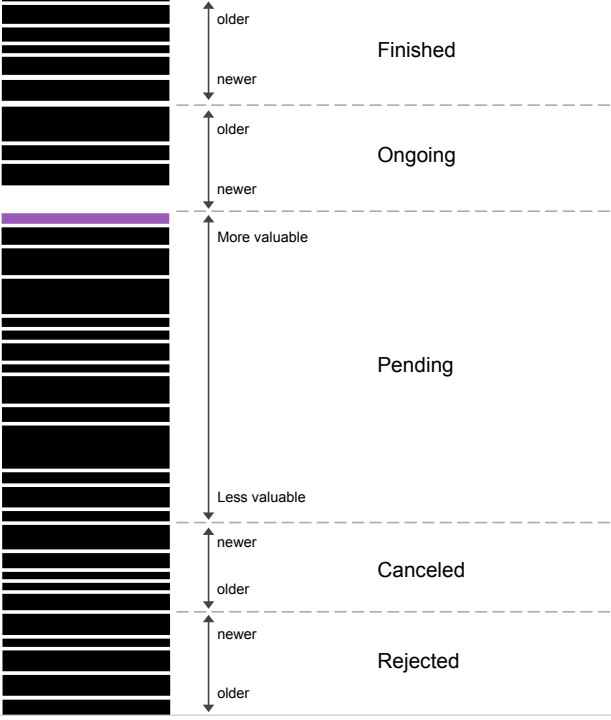
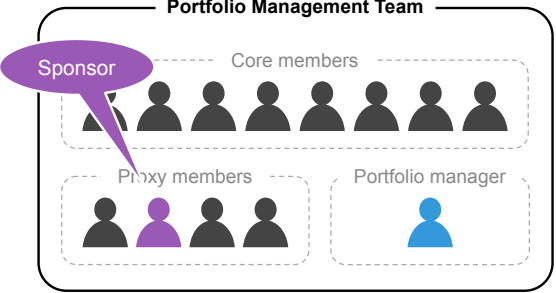




The next project

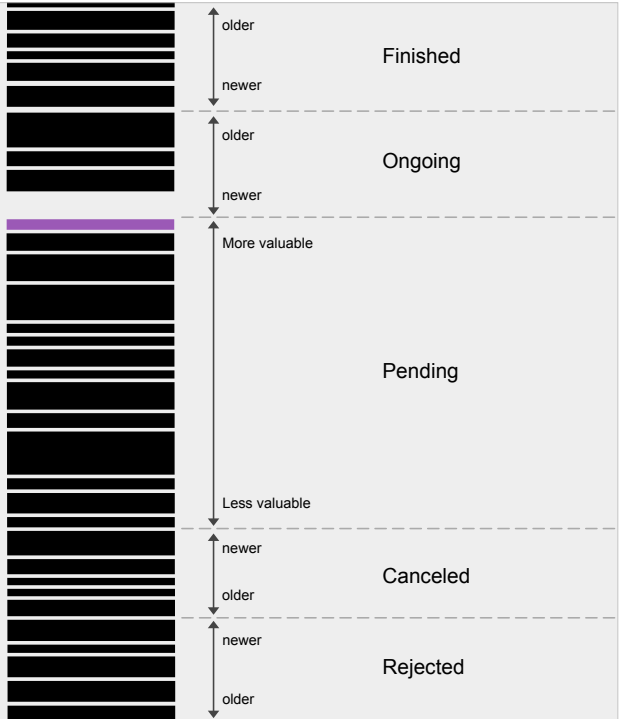
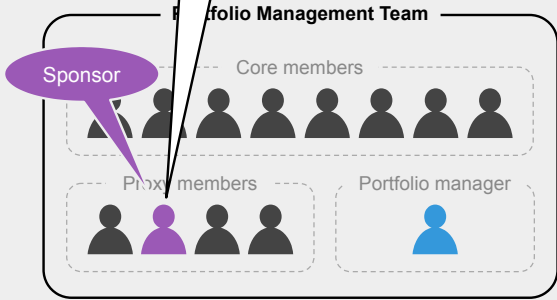


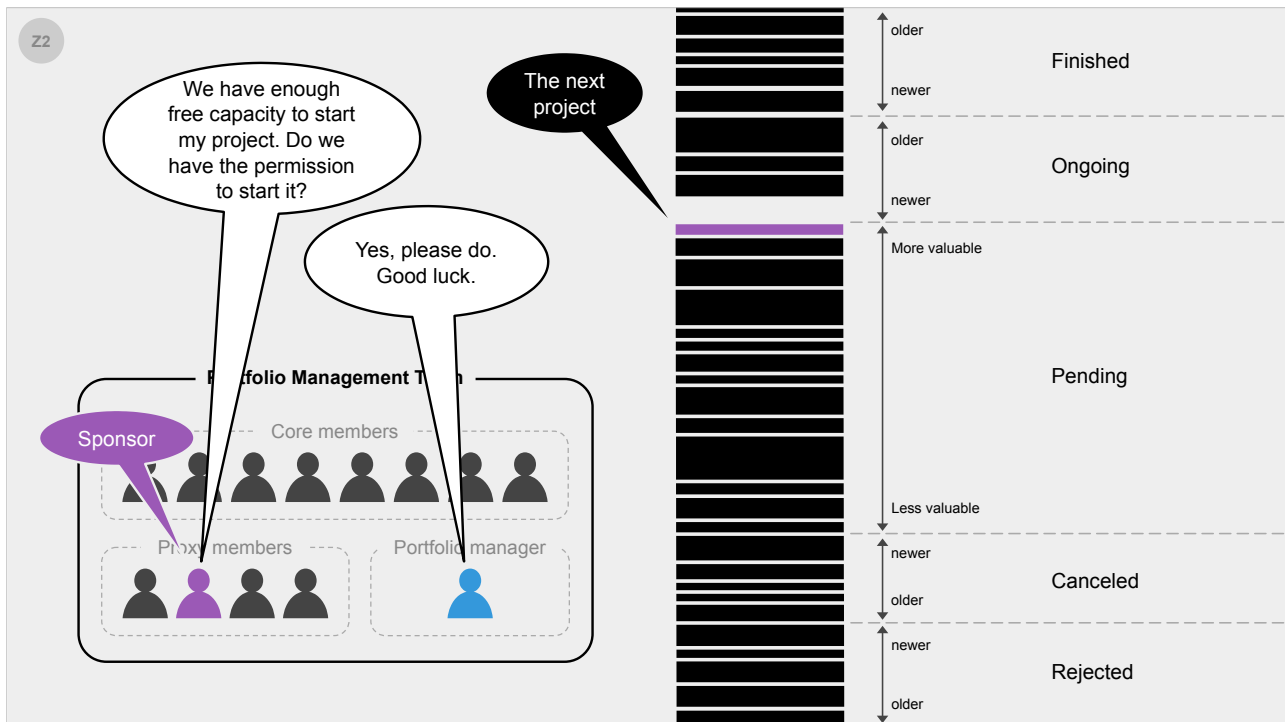
The next project



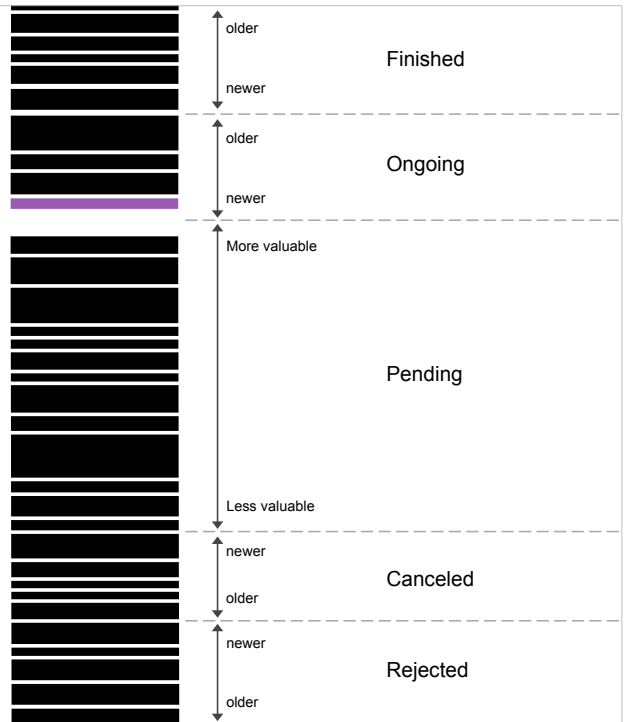
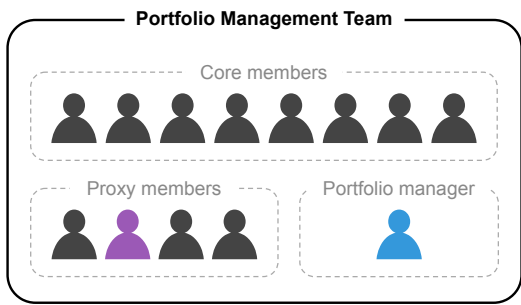
We have enough free capacity to start my project. Do we have the permission to start it?

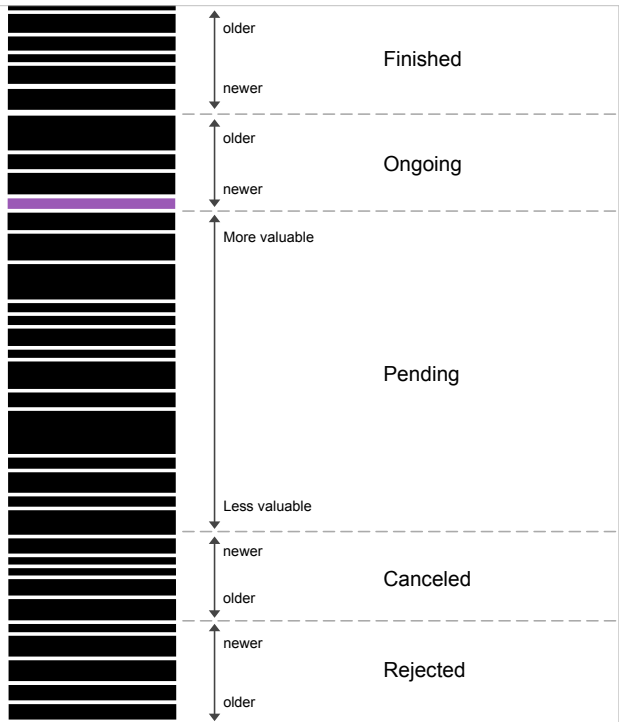
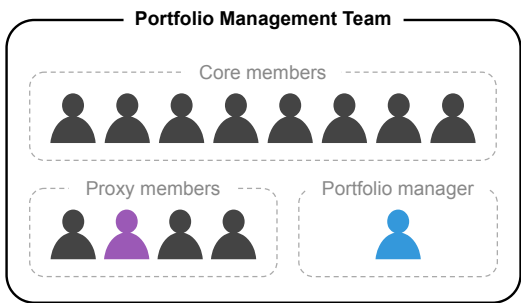
The next project



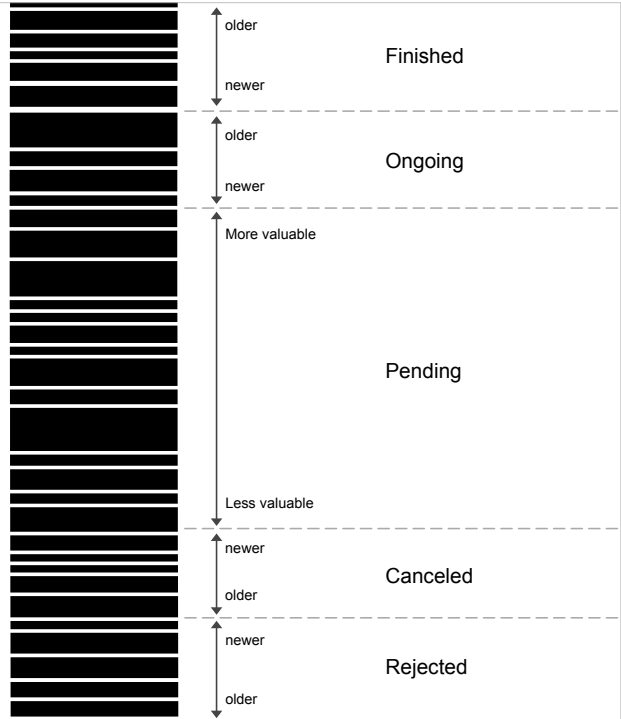
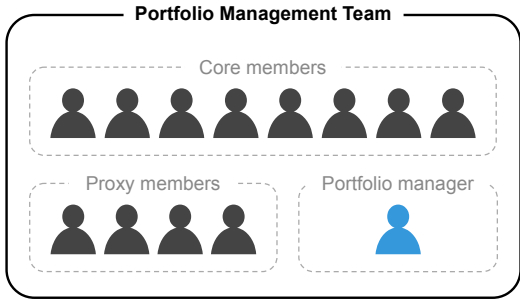


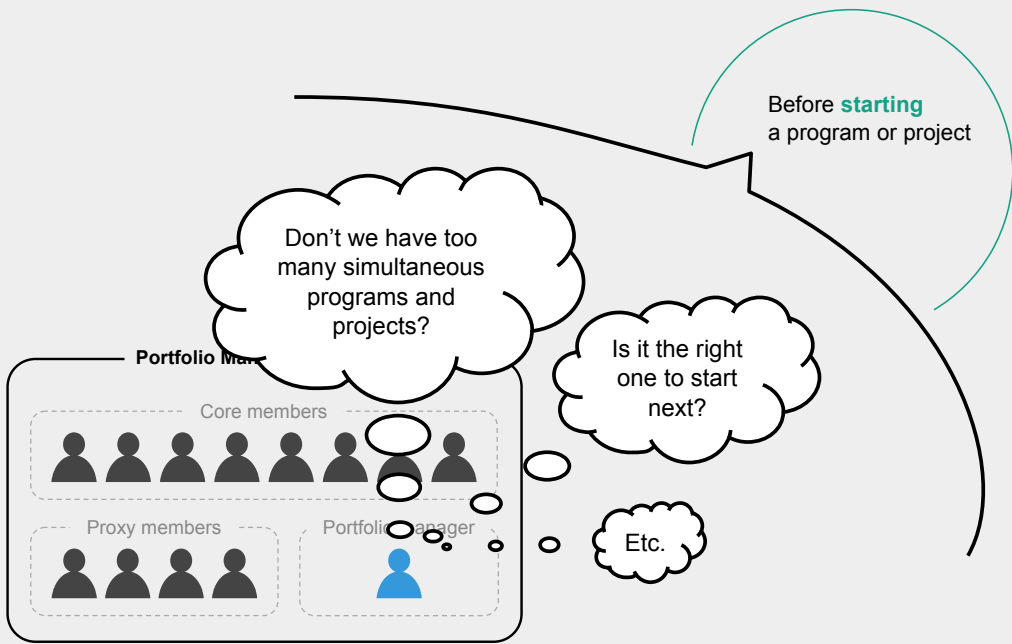
And the same goes for starting new projects and programs: the sponsor should get permission from the portfolio manager, and the portfolio manager gives the permission based on the decisions of the board that are reflected in the matrix and not based on personal opinion.

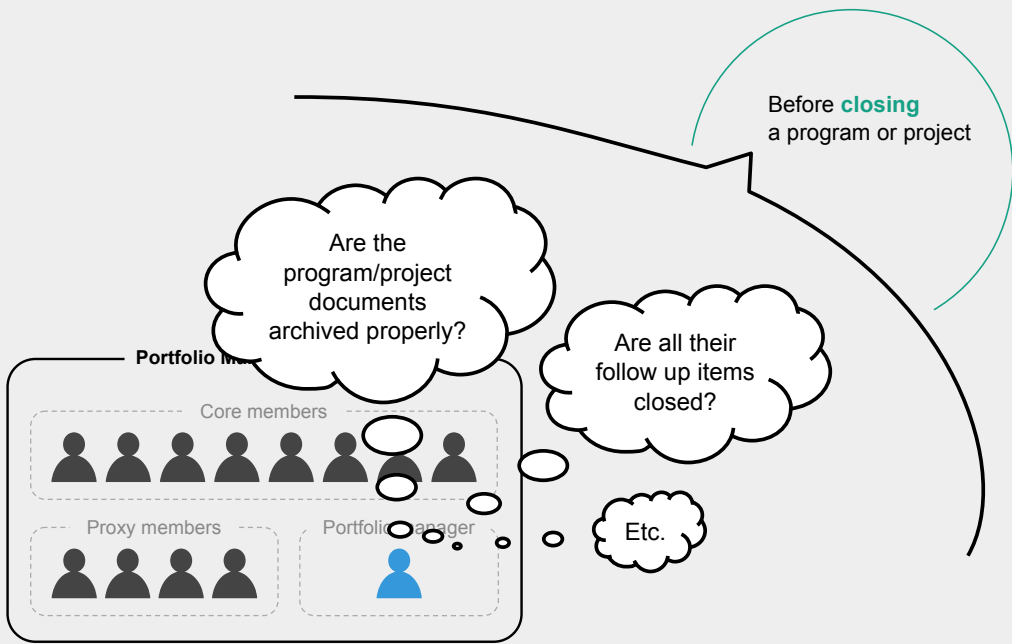


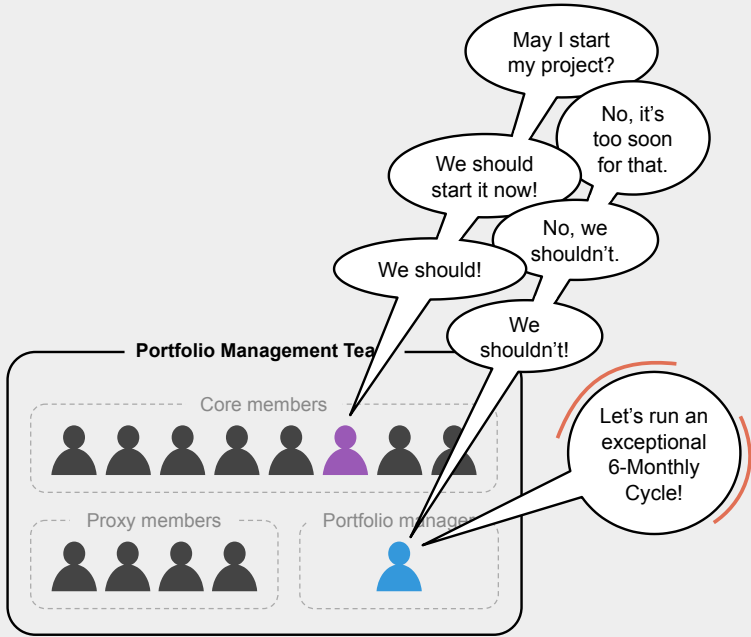


No program or standalone project may be started, stopped, or paused without the permission of the portfolio manager!





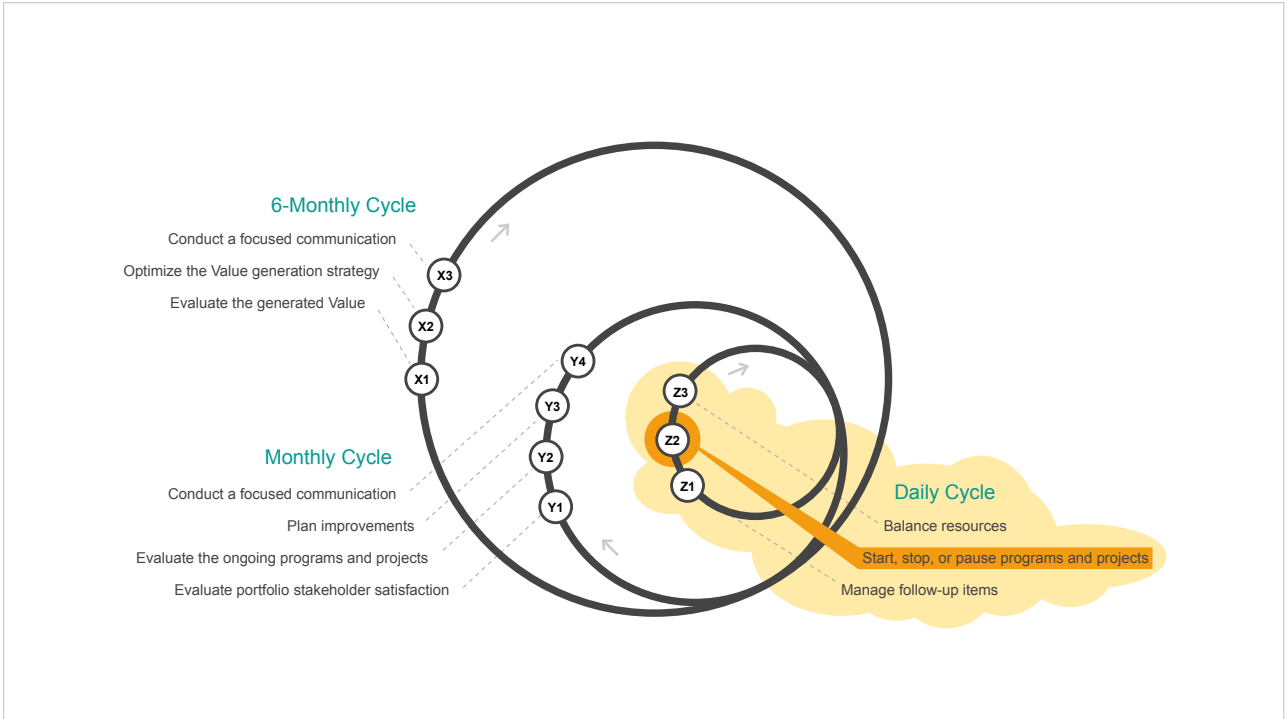


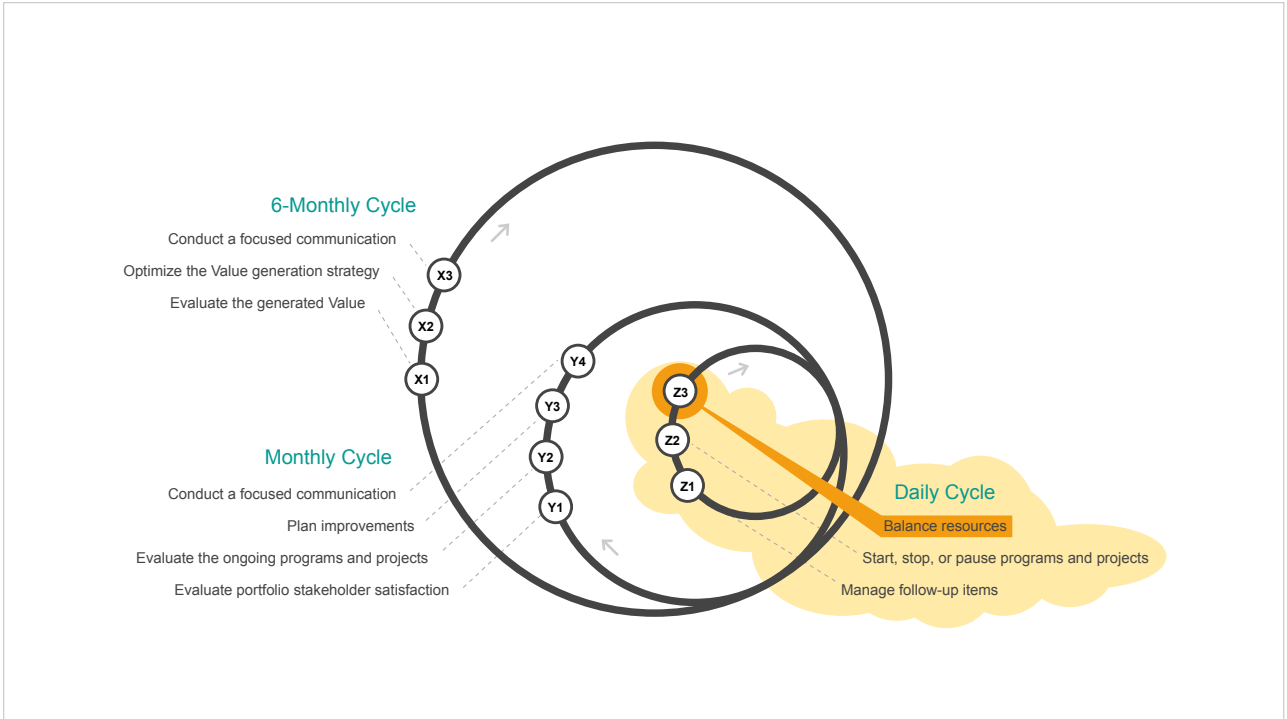


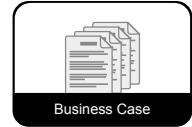
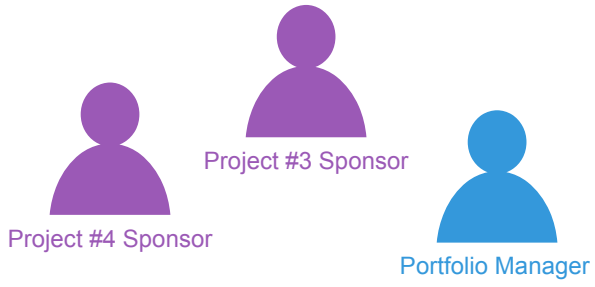
Many of the portfolio board members are the highest managers in the company. So, how can we expect the portfolio manager, who has a lower organizational position, to be the one who gives them **permission** for starting or stopping their projects?



That's because the portfolio manager doesn't make personal decisions but only interprets what the portfolio board would have decided, as a whole, on their behalf. So, it's not the opinion of the portfolio manager against that of an executive, but an interpretation of what the collective opinion of all executives is against the opinion of one of them. Moreover, if the executive doesn't accept the portfolio manager's interpretation, the portfolio manager's opinion won't be forced, but an exceptional 6-Monthly Cycle will be run, and the executives will get together and decide.







We need Azar for our project this week!



Project #4 Sponsor



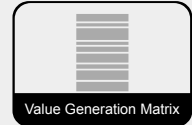
Project #3 Sponsor



Portfolio Manager



Portfolio Description



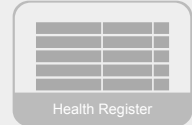
Value Generation Matrix



Business Case



Follow-Up Register



Health Register



Portfolio Description



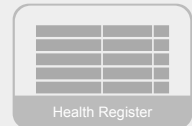
Value Generation Matrix



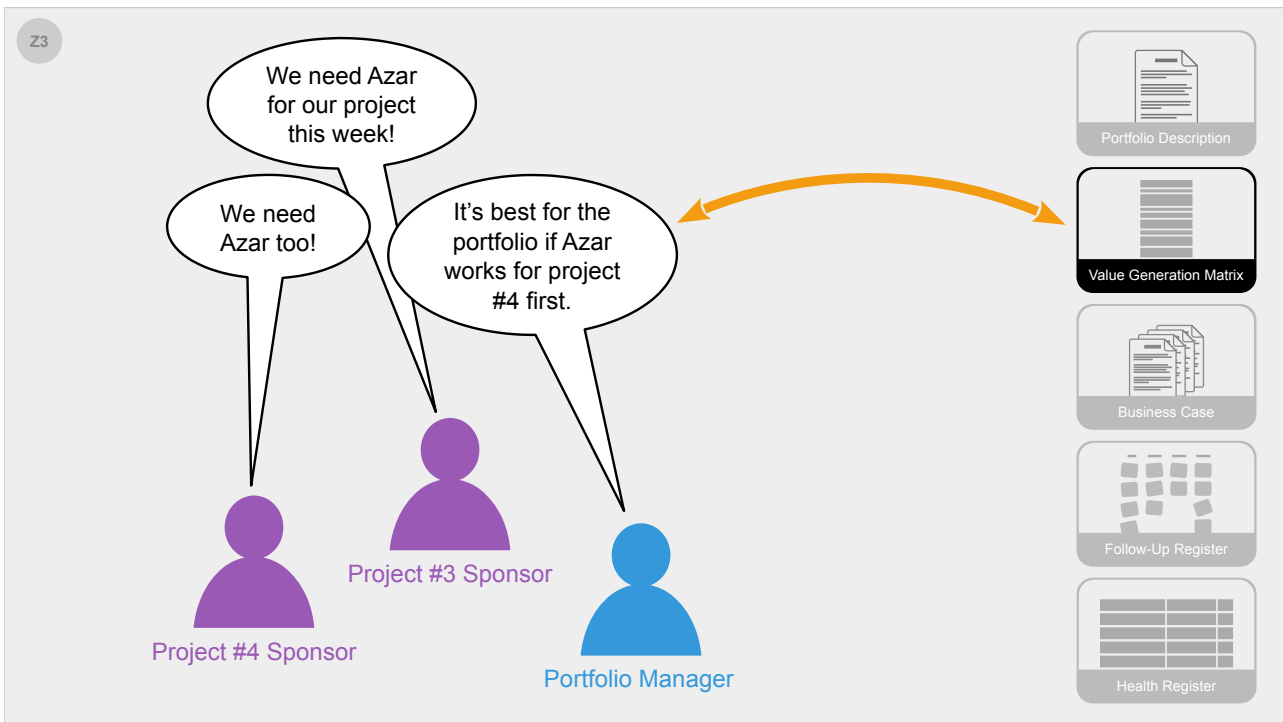
Business Case



Follow-Up Register



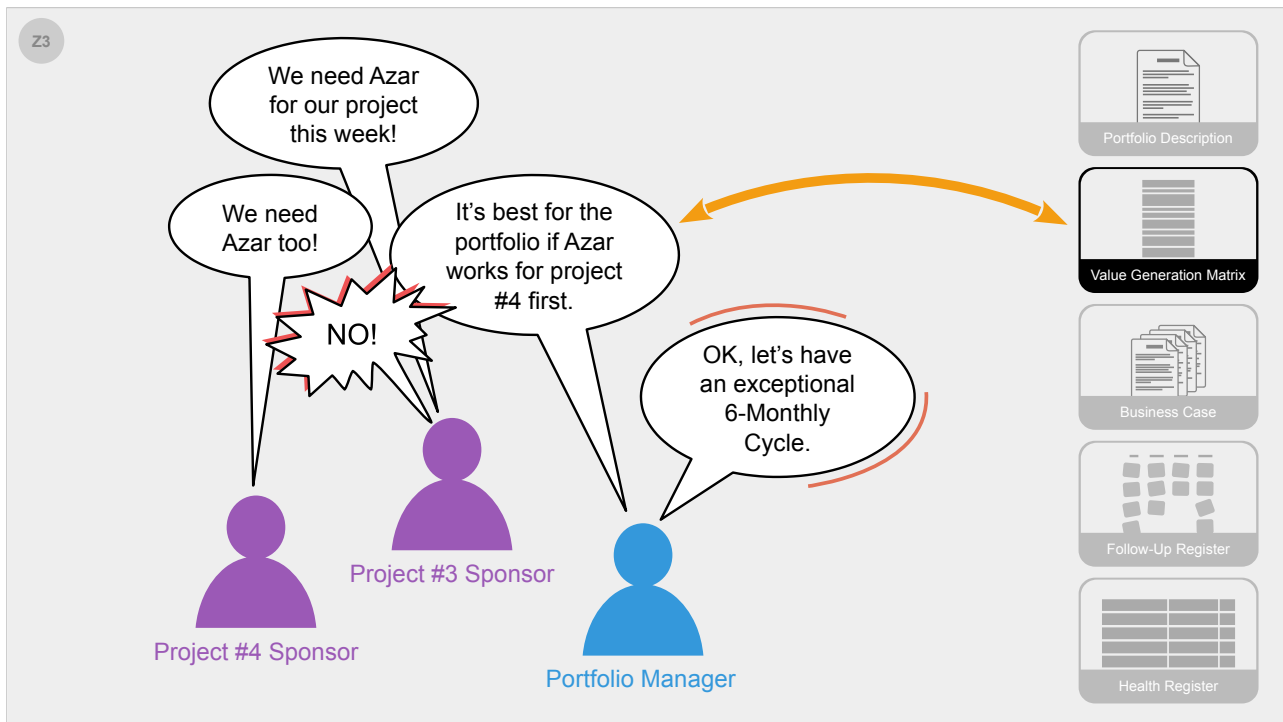
Health Register



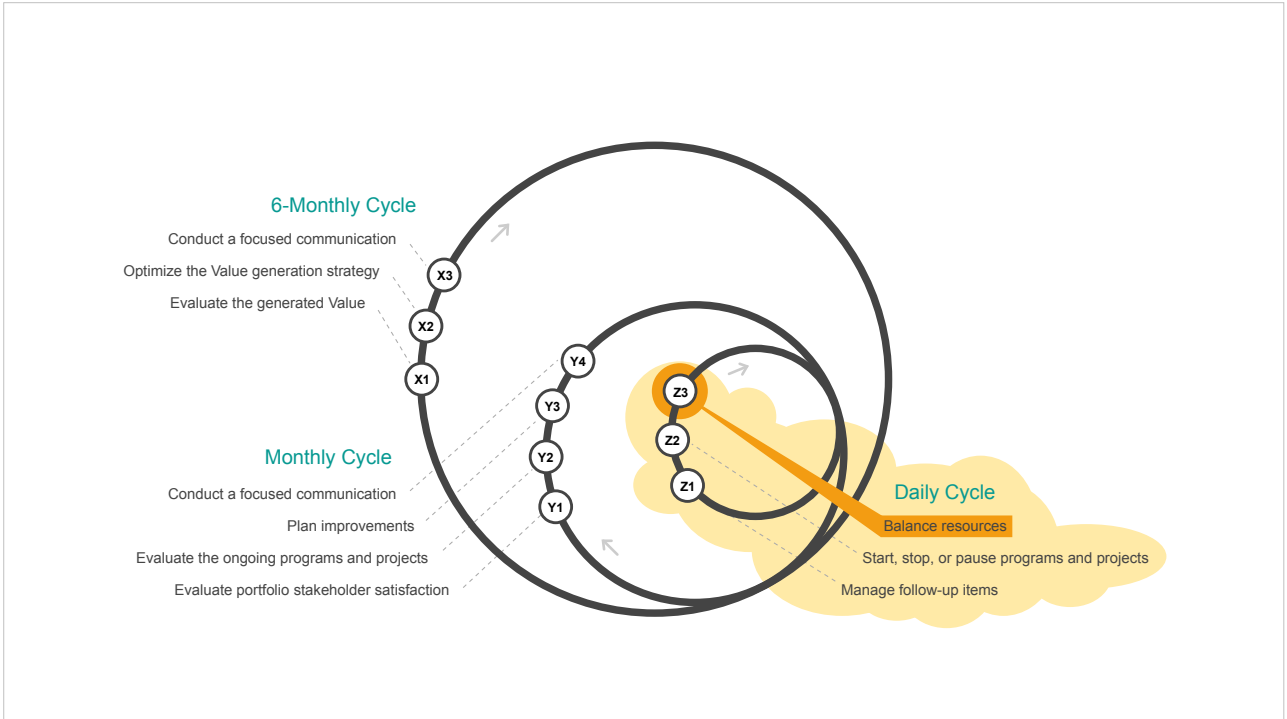
It shouldn't be done based on which project sponsor (or project manager) is louder, but based on which decision is best for the program as a whole.

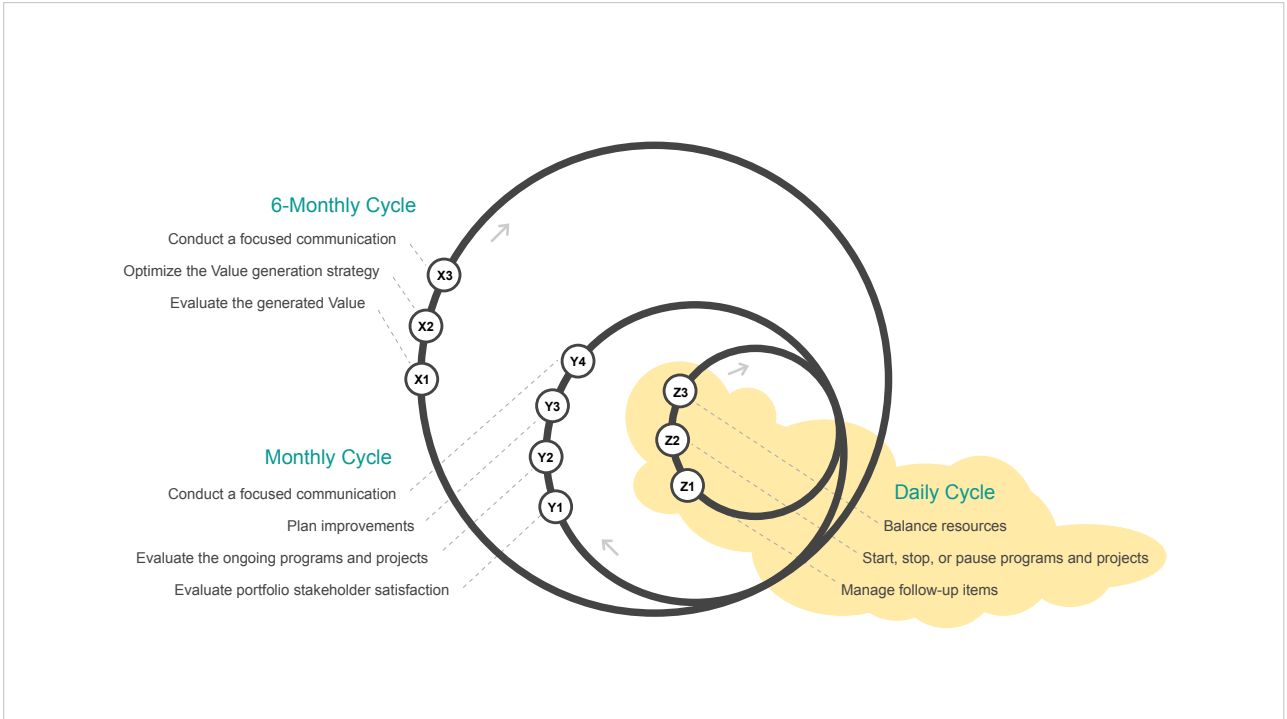


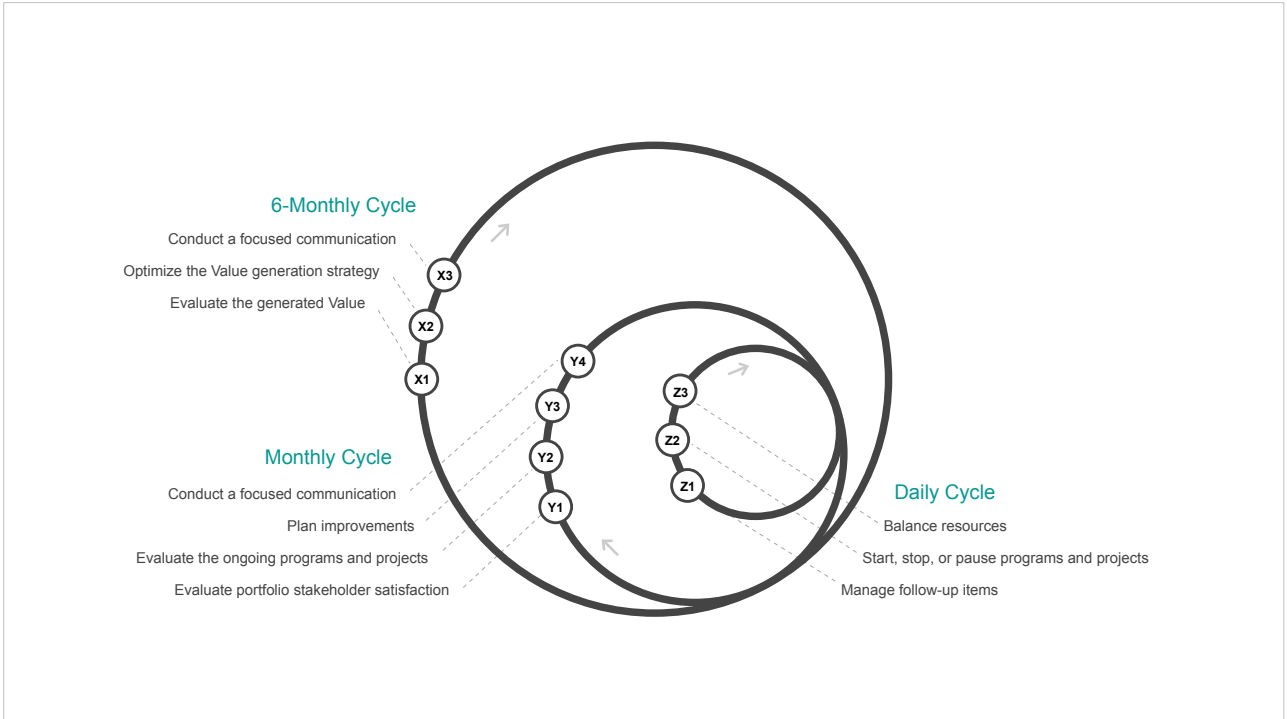
- Portfolio Description
- Value Generation Matrix
- Business Case
- Follow-Up Register
- Health Register



As usual, if they can't agree, they should run an exceptional 6-Monthly Cycle so that the portfolio management team can decide.







① Why portfolio management?

② Process overview

③ Roles overview

④ 6-Monthly Cycle

⑤ Monthly Cycle

⑥ Daily Cycle

⑦ Range of use

① Why portfolio management?

② Process overview

③ Roles overview

④ 6-Monthly Cycle

⑤ Monthly Cycle

⑥ Daily Cycle

⑦ Range of use

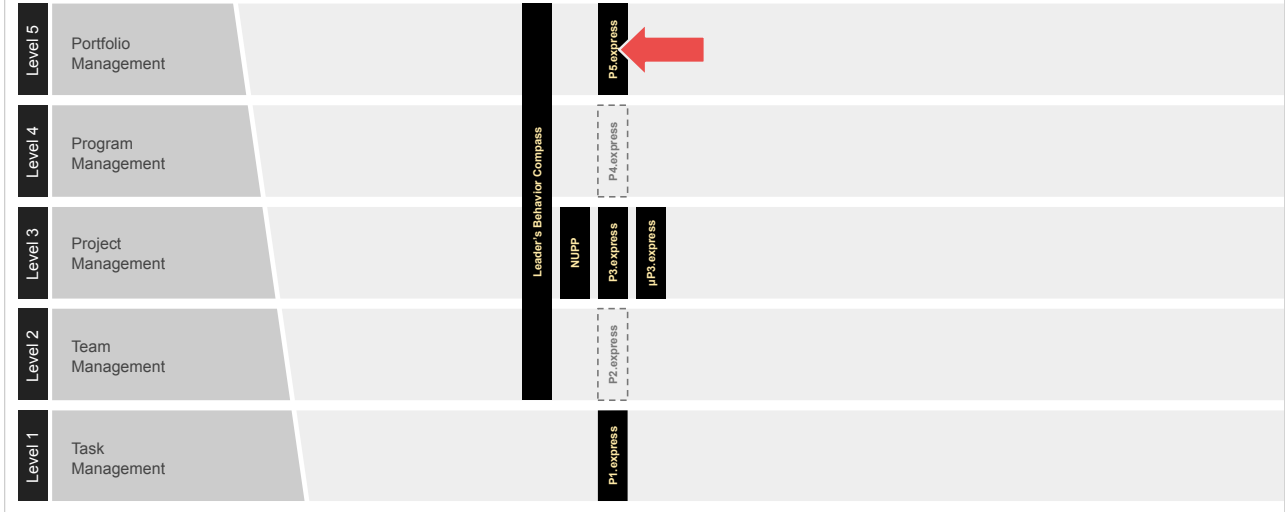
Project Ecosystem



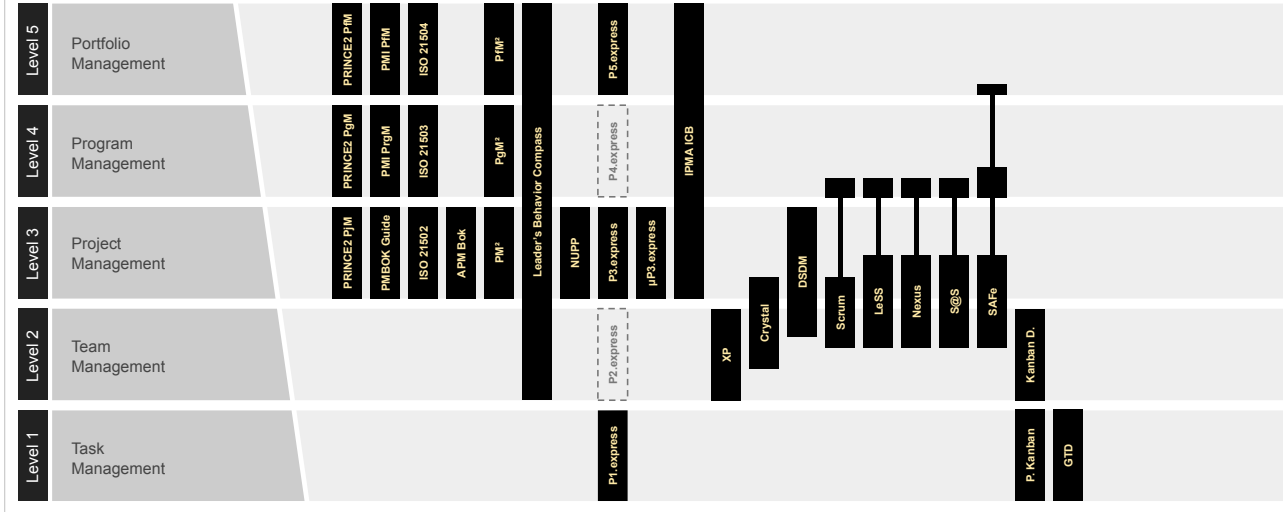
In the introduction, we talked about why it's important to have separate levels of management and how each of them helps make sense of projects. Then we talked a lot about how portfolio management can be done according to P5.express.

OMIMO has modules for other levels of management as well.

Project Ecosystem

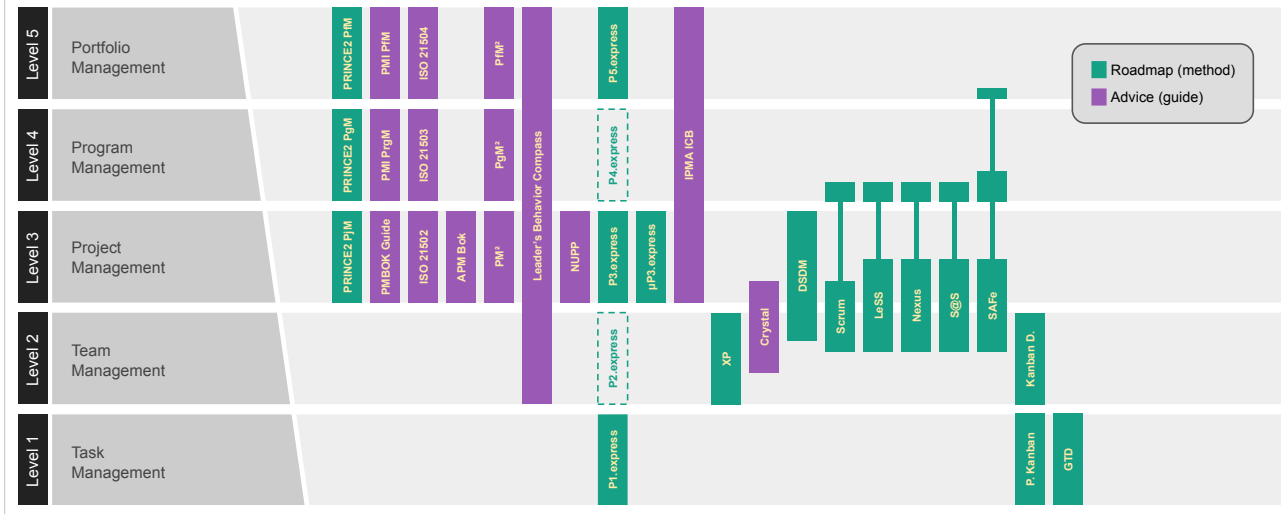


Project Ecosystem



In this diagram, we can see the OMIMO modules alongside well-known resources from other organizations. We're going to review some of their attributes so that we know how you can get help from all the available resources in this landscape.

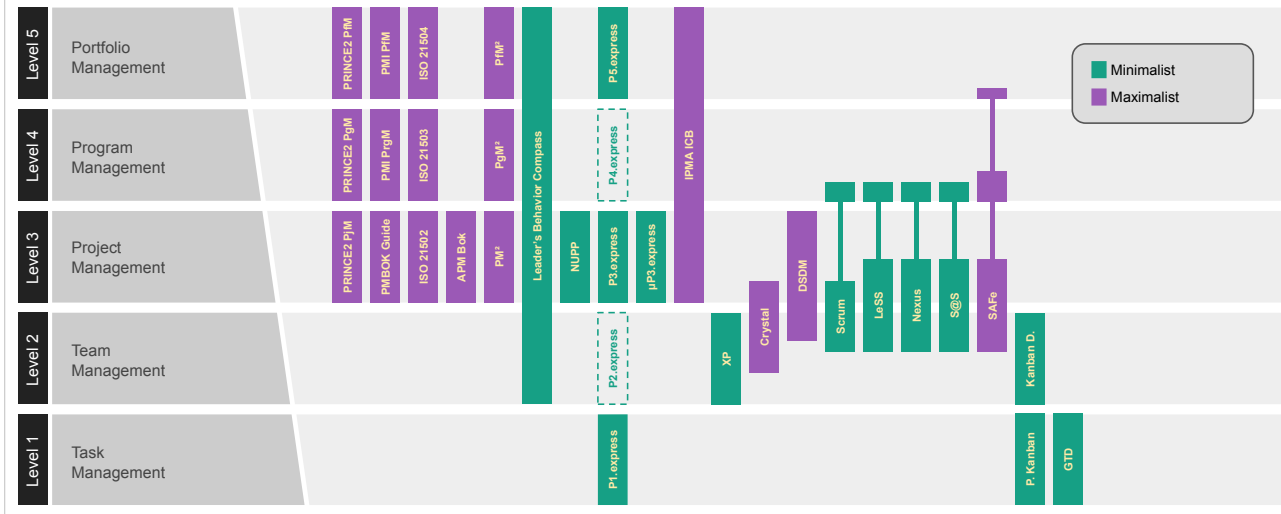
Project Ecosystem



Some of these are roadmaps (methods/methodologies/frameworks) that give you a step-by-step path, and some are structured advice (guides) that help when you already know what you need to do.

The first thing you need is a method, and guides can be used later on to enrich your method. Unfortunately, many people start with a guide instead and therefore fail.

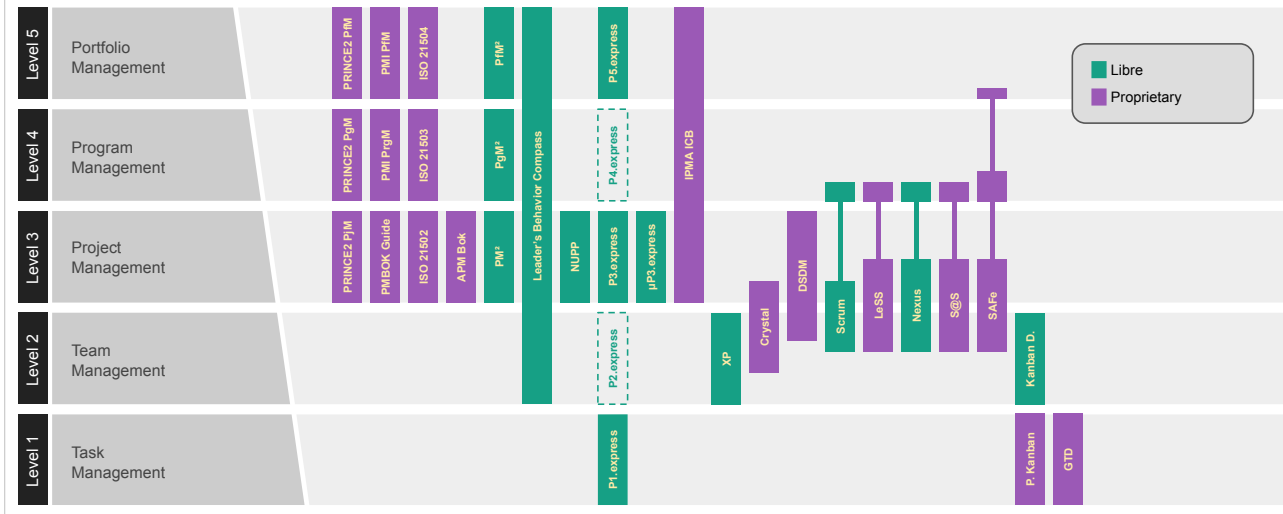
Project Ecosystem



The other difference is that some of these are minimalist and some are maximalist. Being minimalist is a key characteristic of all OMIMO modules (it's the "MI" in "OMIMO").

A maximalist system is one that tries to cover anything that might add value. A minimalist system, on the other hand, tries to avoid clutter by focusing on the most essential aspects. In practice, minimalist systems have a higher chance of success, as practitioners usually give up in the middle of implementing or using a complicated maximalist system.

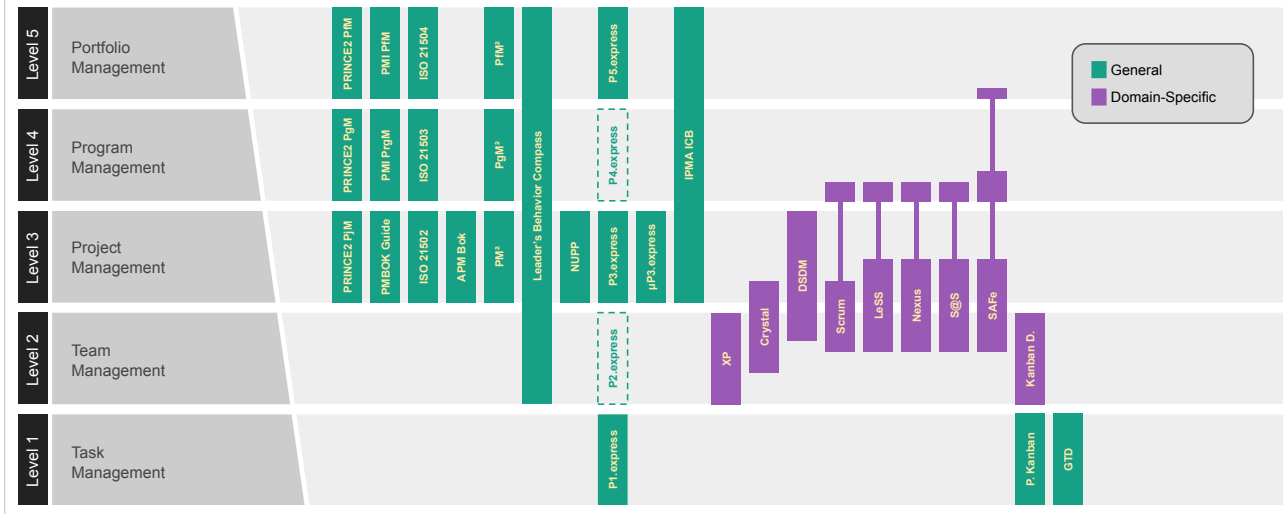
Project Ecosystem



Some of these are proprietary resources with copyright limitations, and they can ask you for a lot of money or forbid you from using their systems, from publishing your experiences about their systems, from creating training content about them, and so on, if they want. A libre system is one that gives the rights to the users permanently so that there's no risk investing in a product or service related to those systems.

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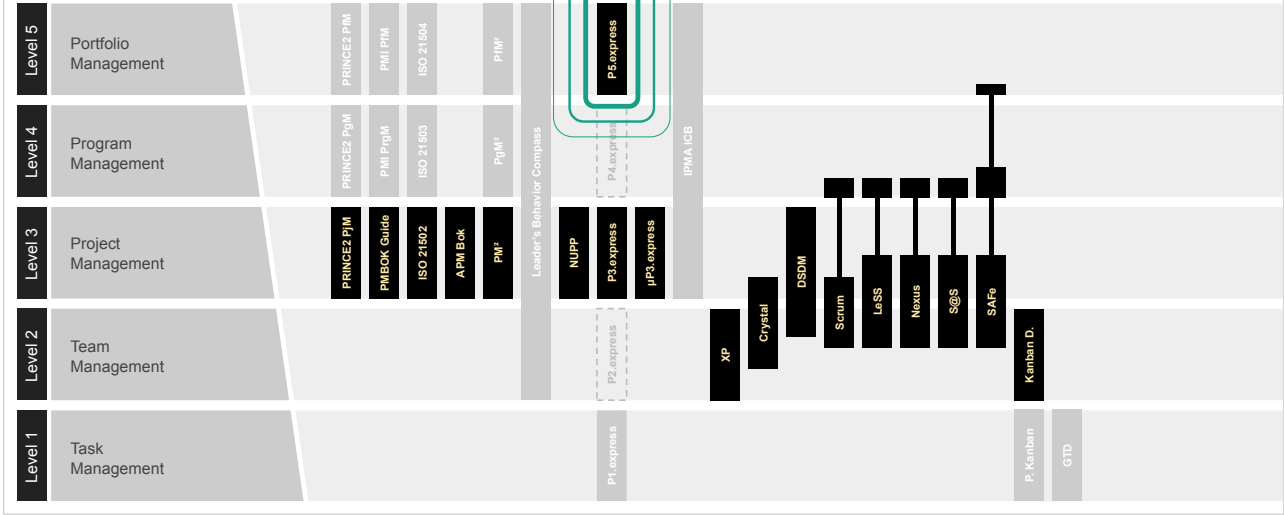
Project Ecosystem

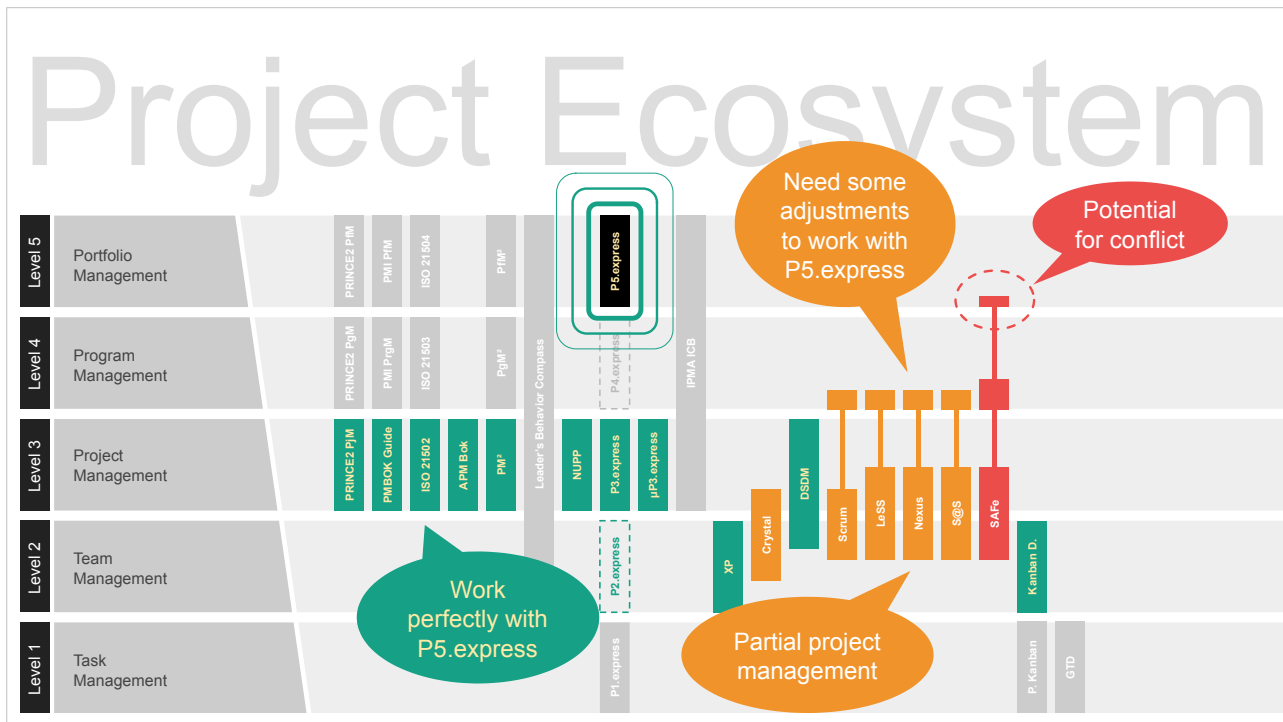


Finally, some of these are usable in any context (e.g., any industry), but some are limited to some types of context (e.g., IT development projects).

It's important to know this attribute because 1) you shouldn't try to use any of the domain-specific ones in the wrong domain (you can still be inspired by them, but not directly use them), and 2) consider the fact that becoming proficient in a general system makes your expertise more portable and your career more resilient.

Project Ecosystem

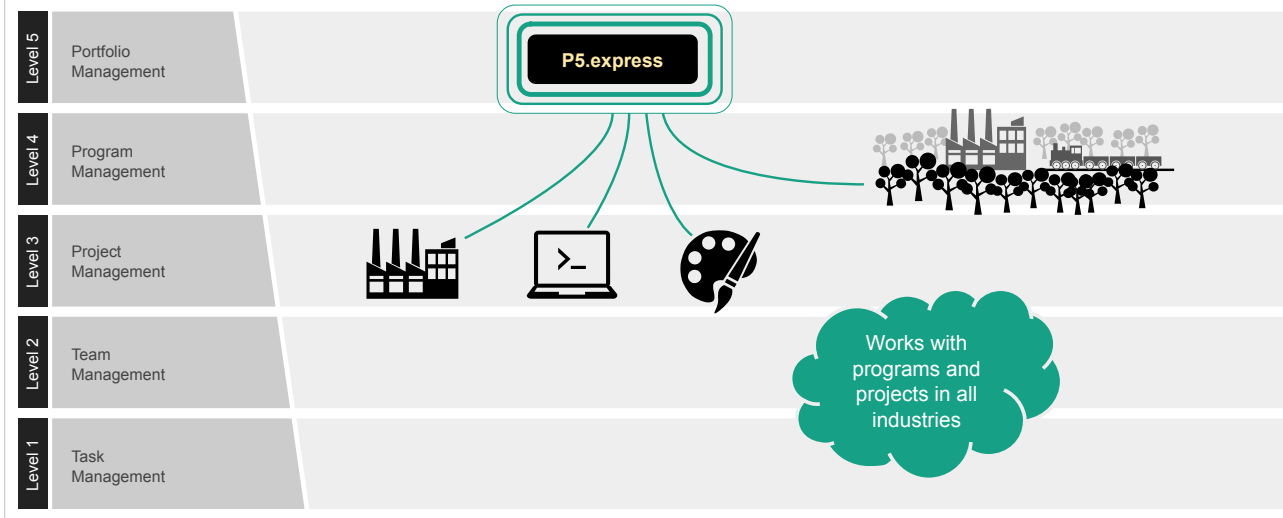




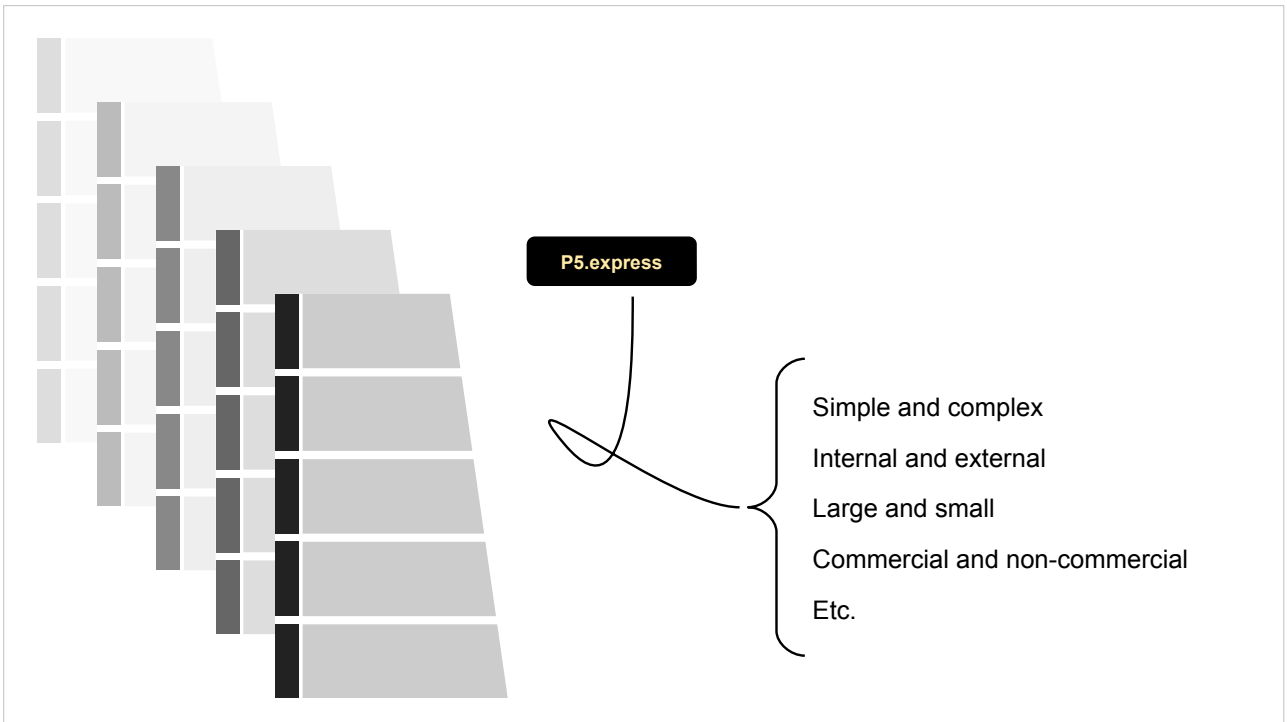
As was said before, all OMIMO modules are carefully designed to be “modular” and work in any combination and, for example, with any project management system. However, that’s as far as theoretically possible. We have three possibilities:

1. Some systems cover the whole project management layer and nothing more. They are a perfect match for being used with P5.express in the portfolio management system.
2. Some systems, such as Scrum, don’t cover the entire project management level, and their missing elements cause problems for any portfolio management system. There is some information in the P5.express manual on how to adjust such projects so that they can work with P5.express.
3. Finally, some systems mix multiple levels of management and partially cover portfolio management as well. The parts they have in portfolio management have a great potential for conflict with any complete portfolio management system such as P5.express. You would need to adjust those systems to make sure they can work properly.

Project Ecosystem



OMIMO modules probably cover the broadest range of contexts, from organizations that work with construction and process plant projects to IT development to research, artistic, cultural, humanitarian, and more.



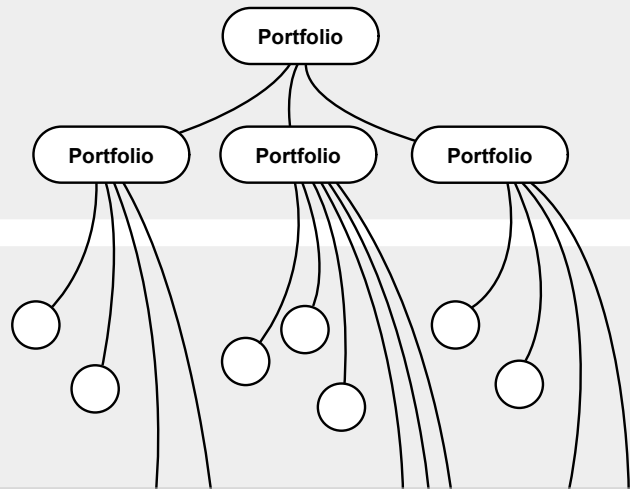
P5.express is designed to be usable in any organization regardless of its size and complexity, project type, etc.

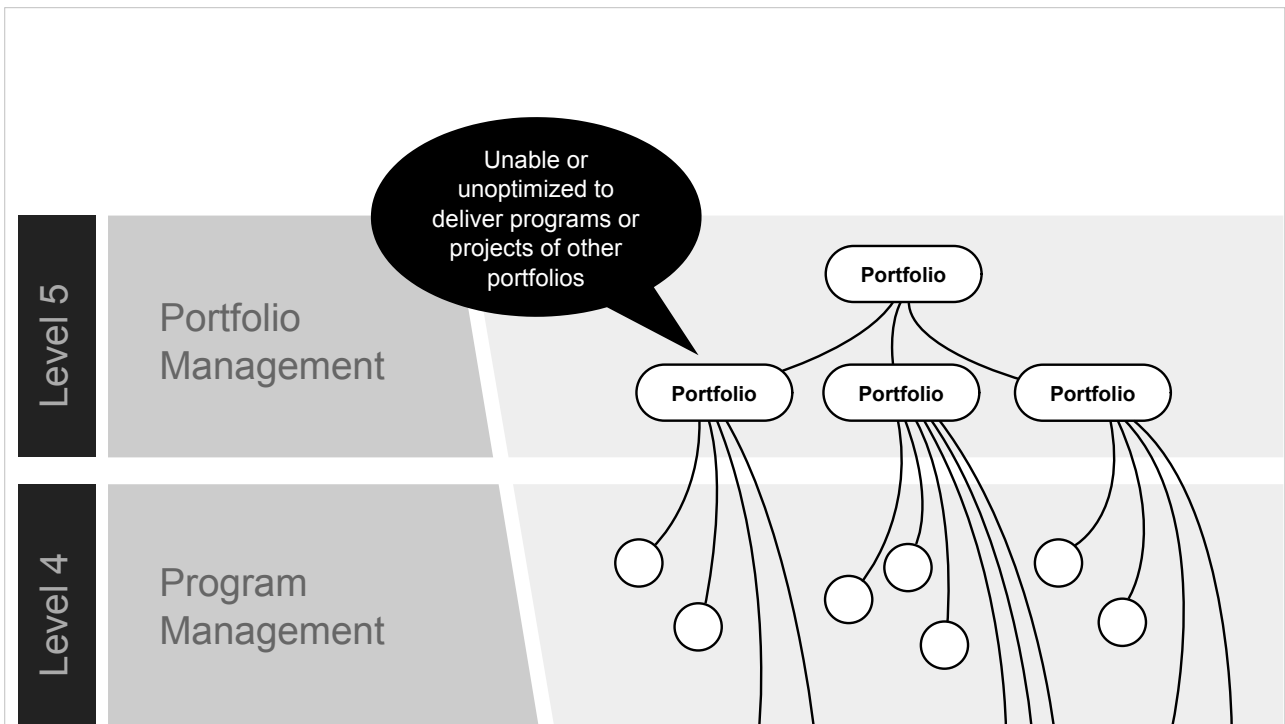
Level 5

Portfolio Management

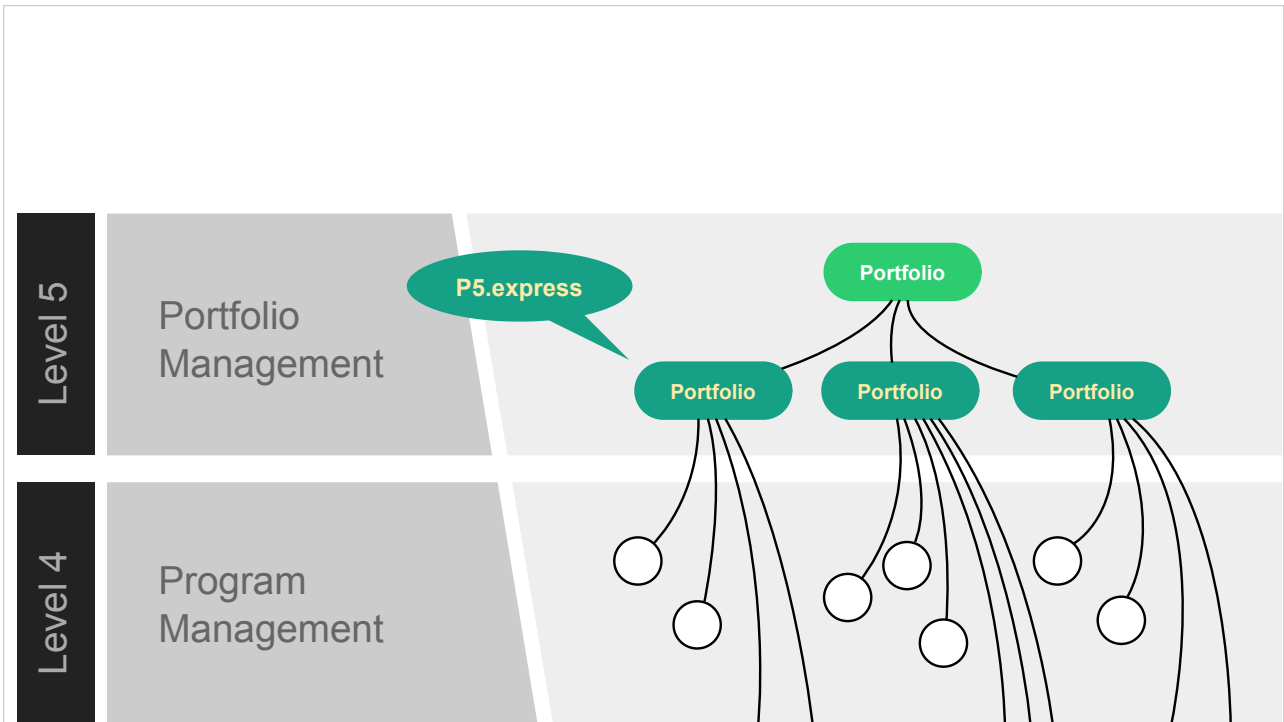
Level 4

Program Management

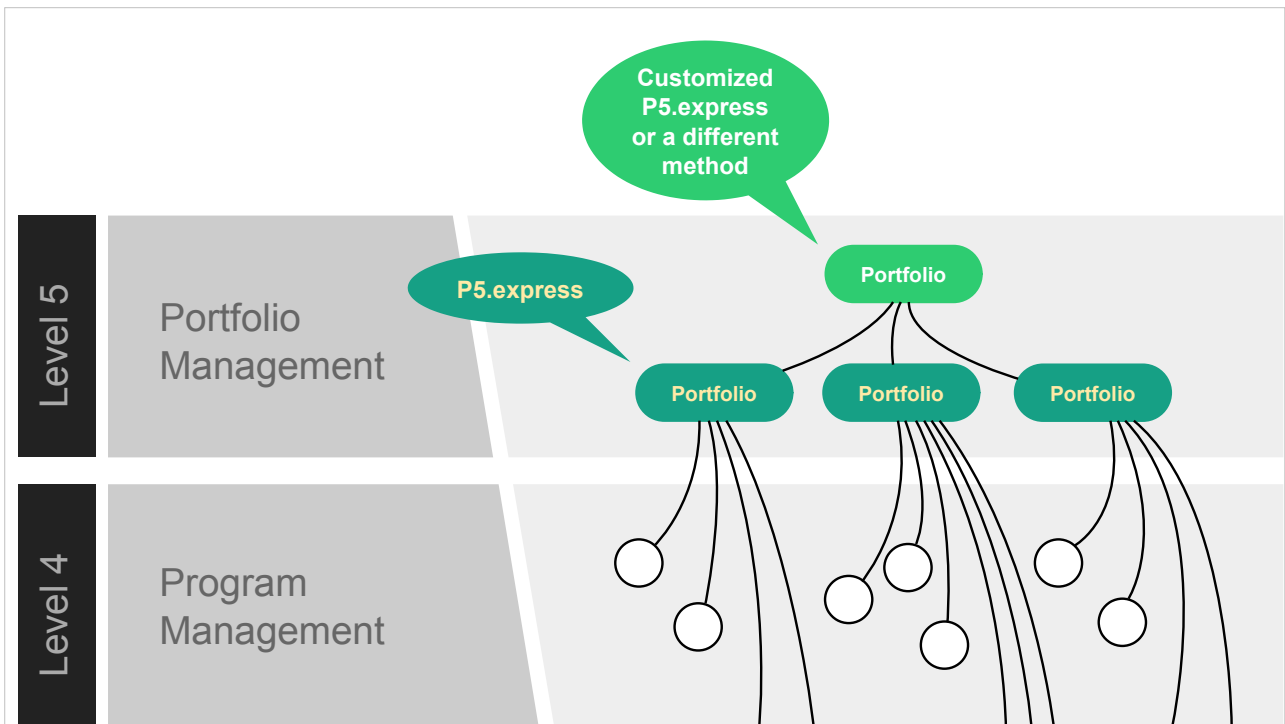




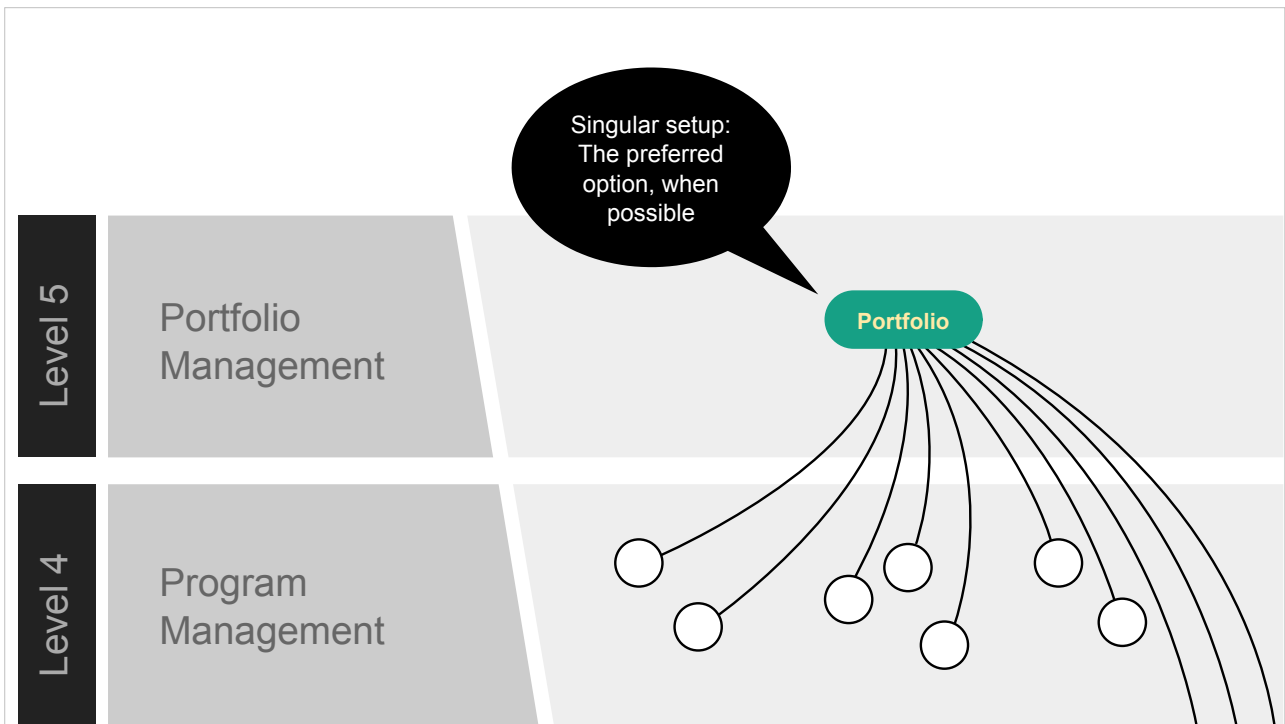
Some organizations have multiple sections with resources that can't be shared, and each section can only work on a subset of the programs and projects in that organization. If that's really the case, they can have a hierarchy of portfolios in two or more layers.



When so, P5.express is the system they can use in the lowest level of portfolios.



For the higher levels of portfolio, they would need to use a highly customized version of P5.express or a different method.



Regardless, when possible, we prefer to have only one portfolio.

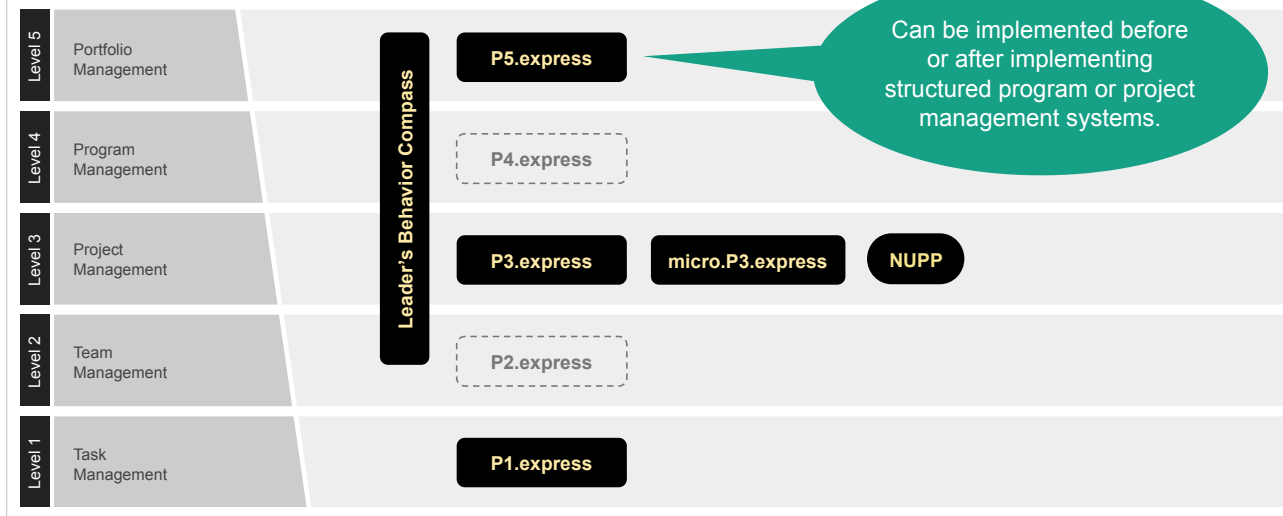
What are the advantages and disadvantages of having a **singular** portfolio instead of multiple portfolios?



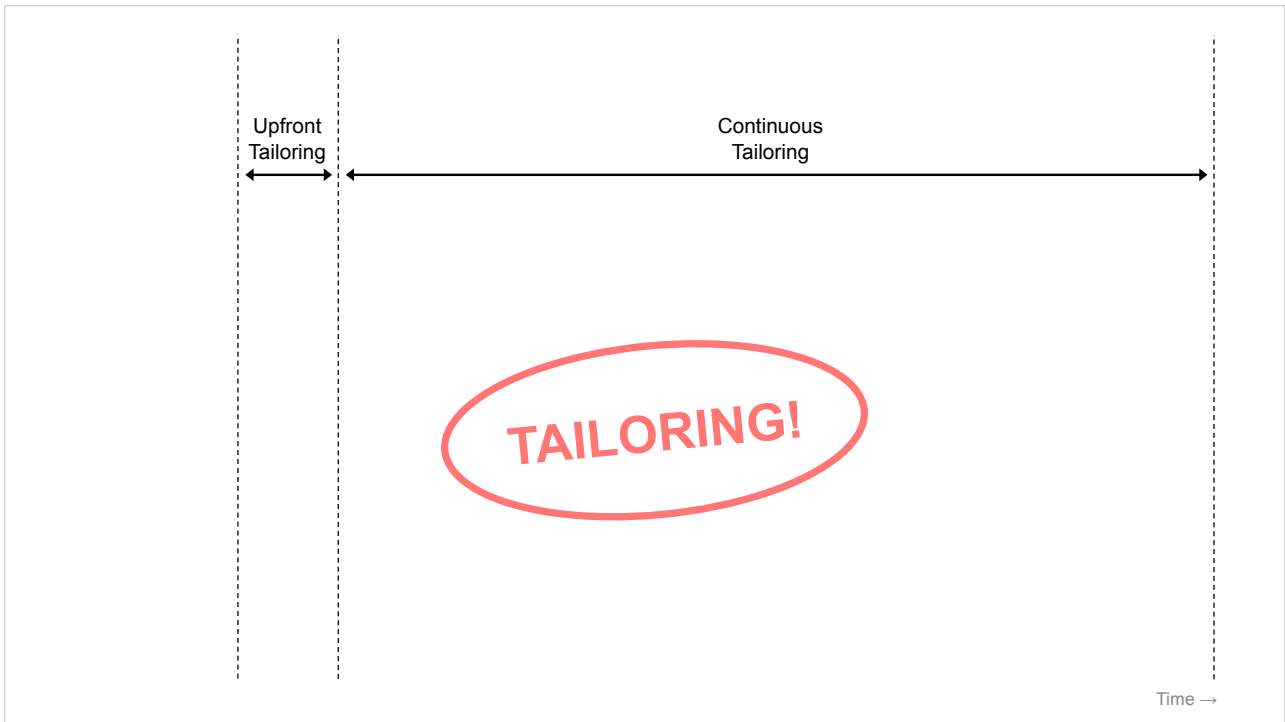
Having a singular portfolio means that everything will be optimized together. Where there are multiple portfolios, each of them would be optimized locally, which might not be the most optimized whole. The same goes for consistencies: portfolio management is also our way to make sure everything is consistent in our organization and there are not many surprises. When we have multiple portfolios, our consistency will be reduced, and we will have to add extra elements to fix it.

On the other hand, having multiple portfolios partitions the decision-making and optimizing process, and instead of working on a set of many programs or portfolios, people would be focused on smaller ones. This is also an opportunity to refine strategies differently in each portfolio. Although this reduced complexity comes with a cost as well: We would need a parent portfolio for them, which increases complexity differently.

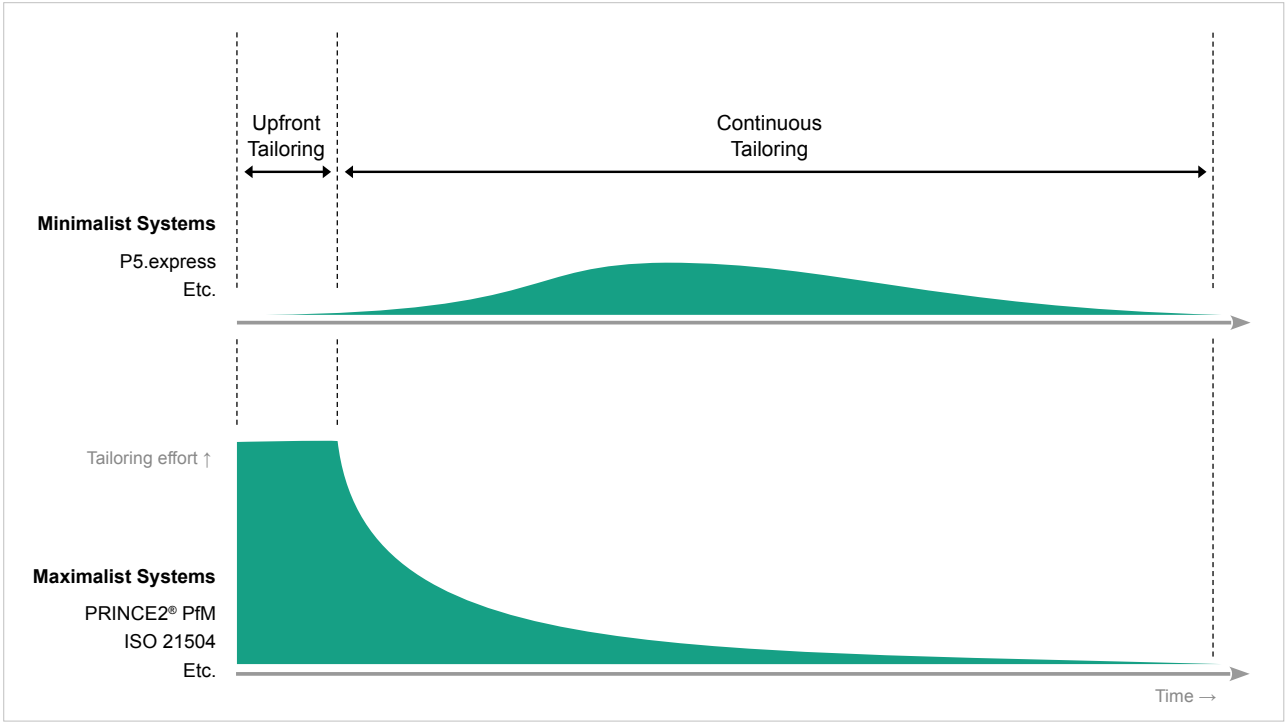
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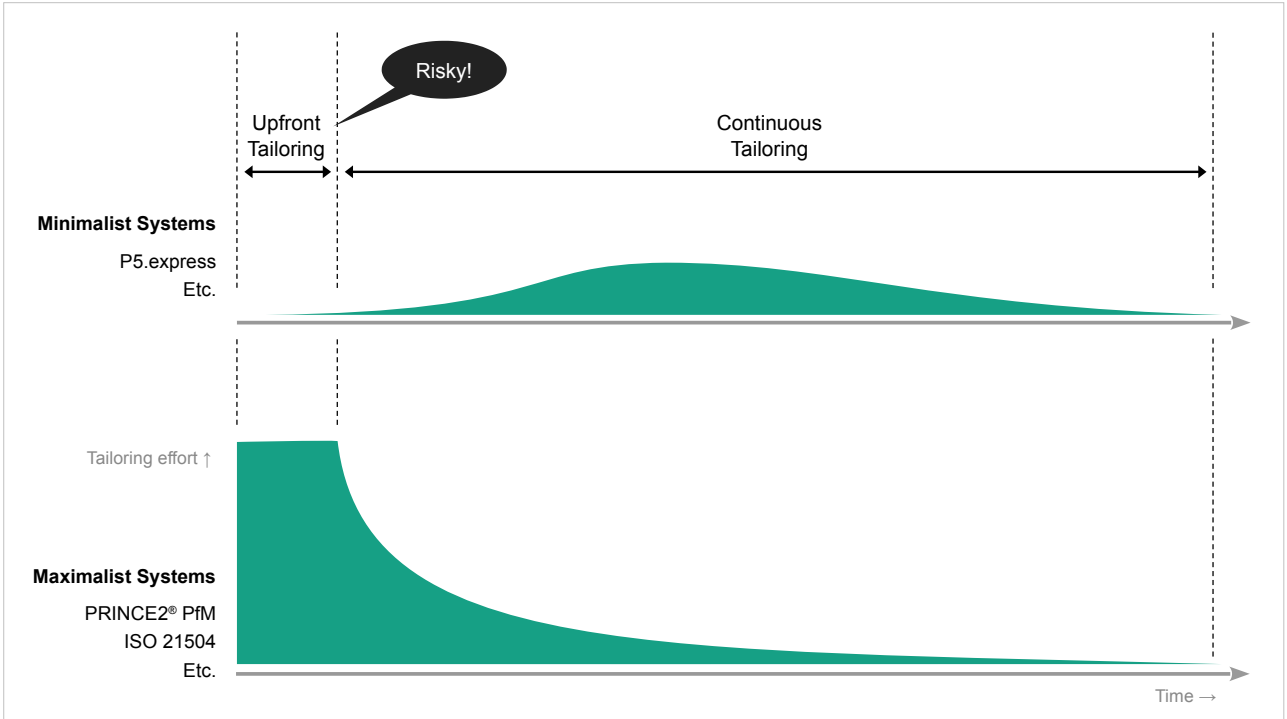


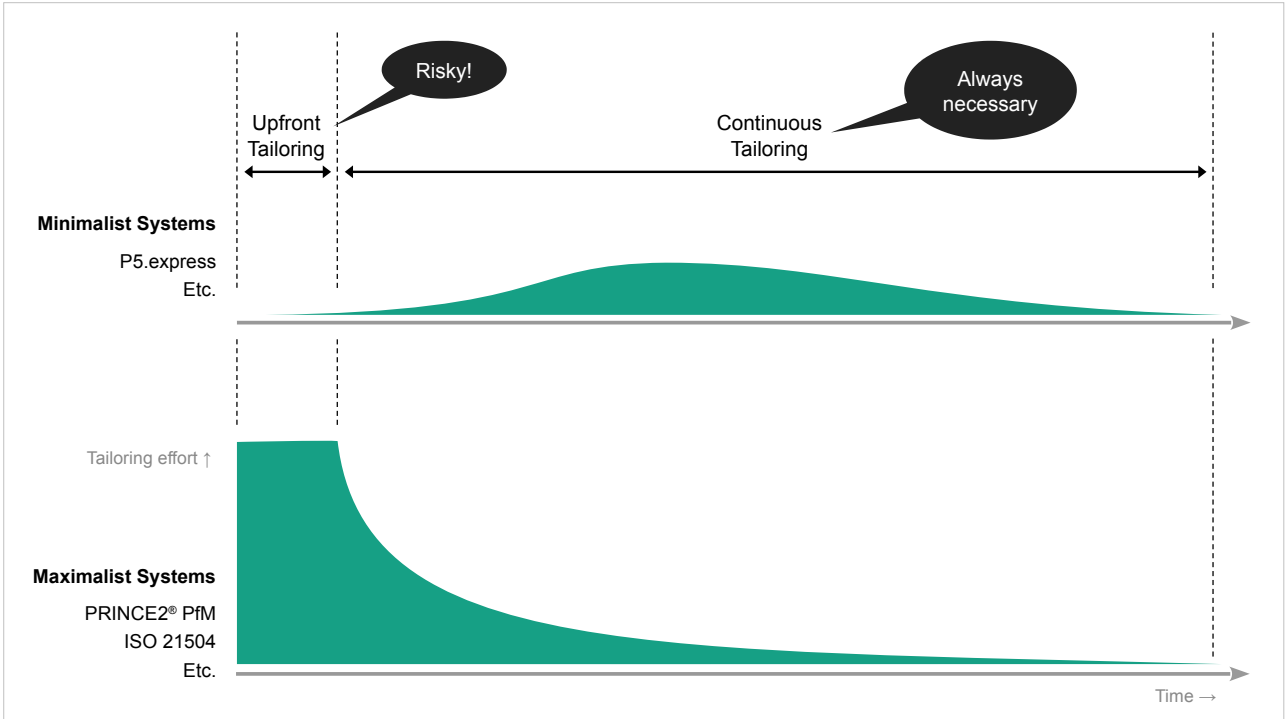
Some people think they must implement structured project management first, then move to program management, and finally, to portfolio management. In reality, they can be implemented in any order, and it's best to start with the one that can give you the most benefits. Usually, the lack of structured portfolio management is the biggest problem in most companies, and it's a good idea to start with that.

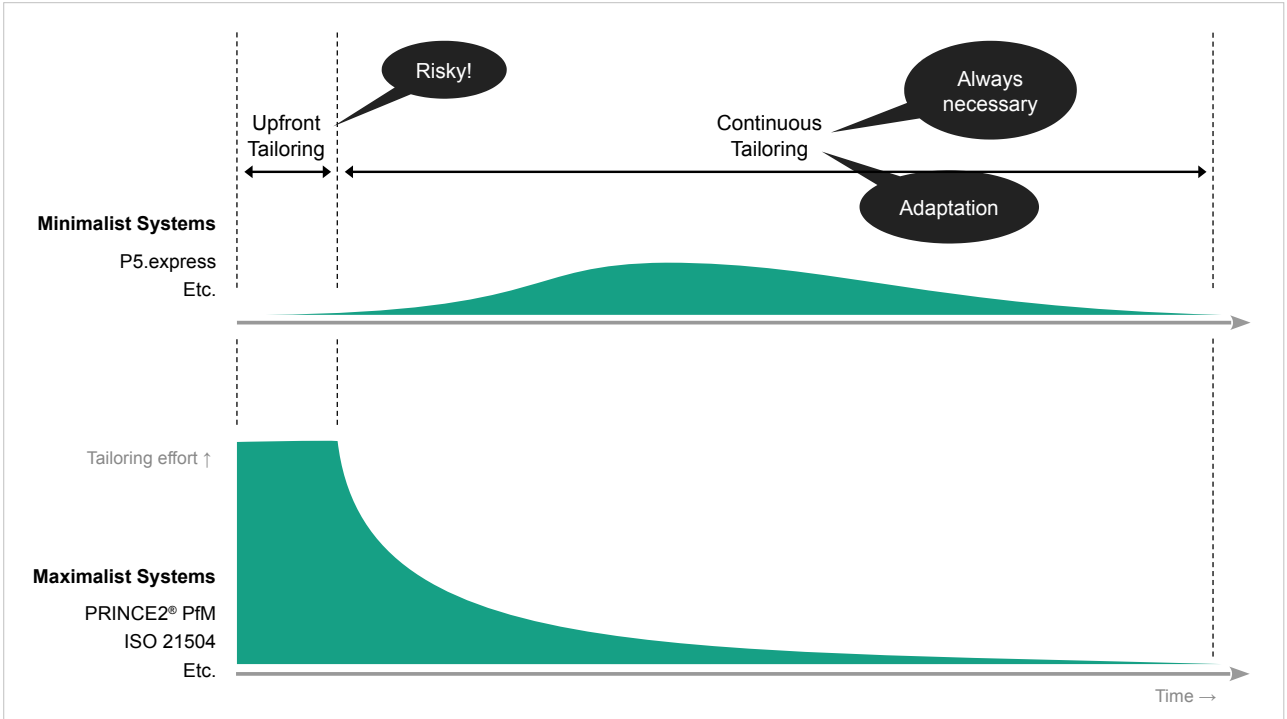


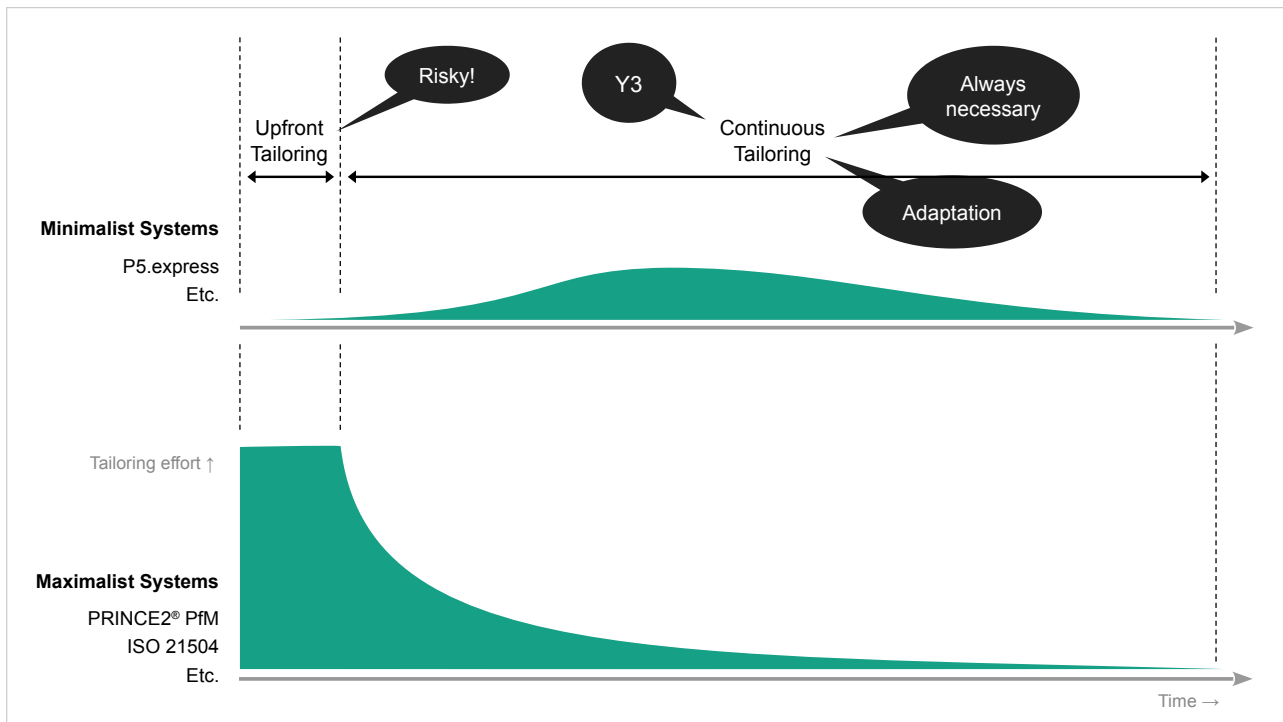
“Tailoring” is when you make “changes” to the system to match it to your environment. So, take the roles in P5.express, for example. If you add two new roles to the team, that would be a change, and you can call it tailoring. However, P5.express expects you to define your own specific categories of Value. When you do that, that’s not considered changing the system because you’re actually following the system’s advice; that’s not tailoring.







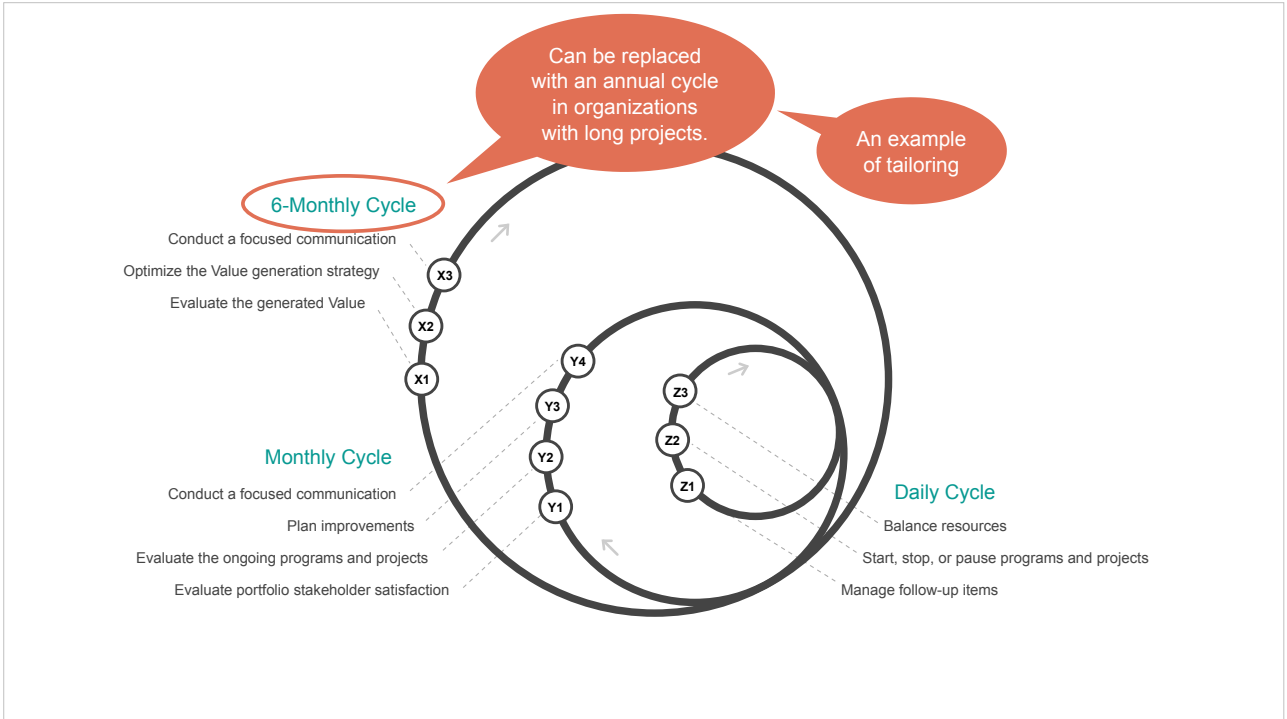




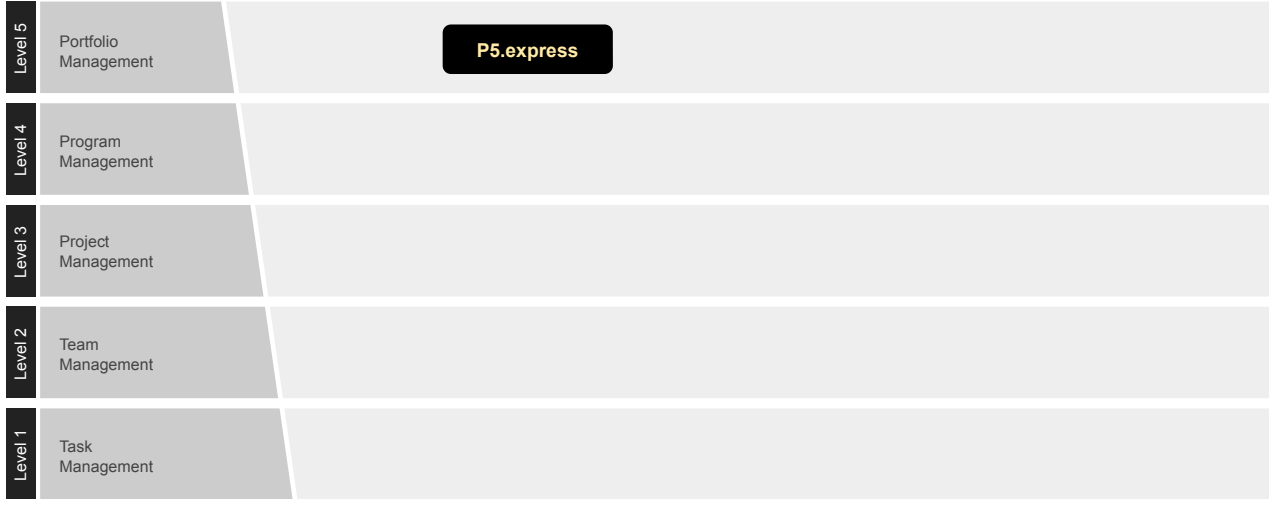
This concept is really important in OMIMO:

1. Most people forget about continuous tailoring and only focus on upfront tailoring. Upfront tailoring is not enough.
2. Upfront tailoring is necessary in maximalist systems, but not needed in minimalist systems. It's in fact better not to have upfront tailoring in a minimalist system and just focus on continuous tailoring.

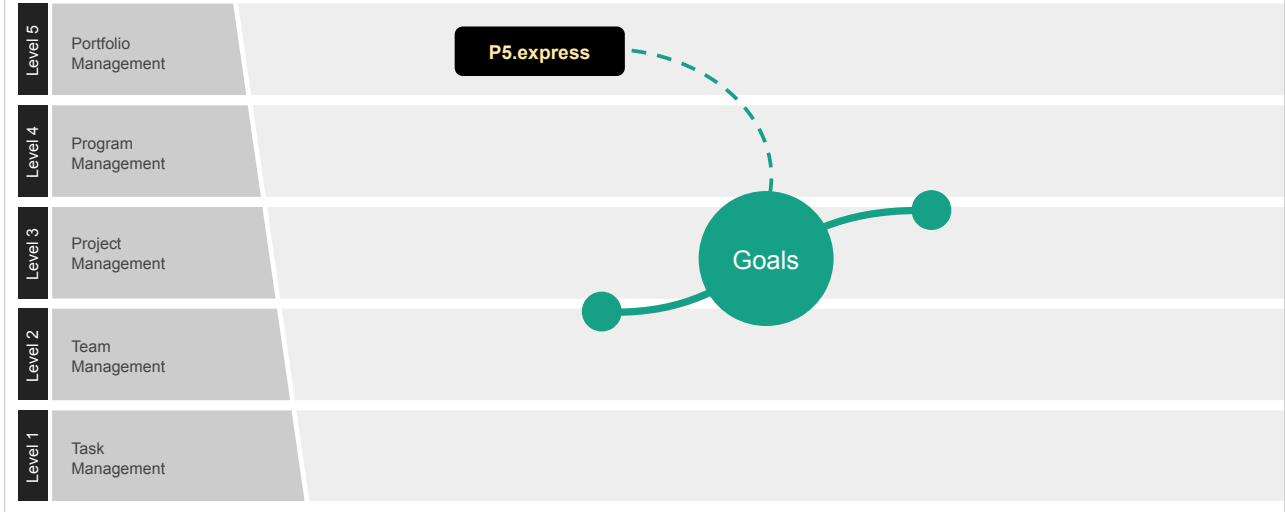
So, if you decide to use P5.express, instead of spending weeks or months changing it to something you believe fits your organization most, start using it exactly as it is. Then, each time you reach the Y3 activity, make a small tailoring based on feedback. Remember that when we tailor the system upfront, we usually obsess too much about edge cases and create a system so complicated that we can't use it in practice.



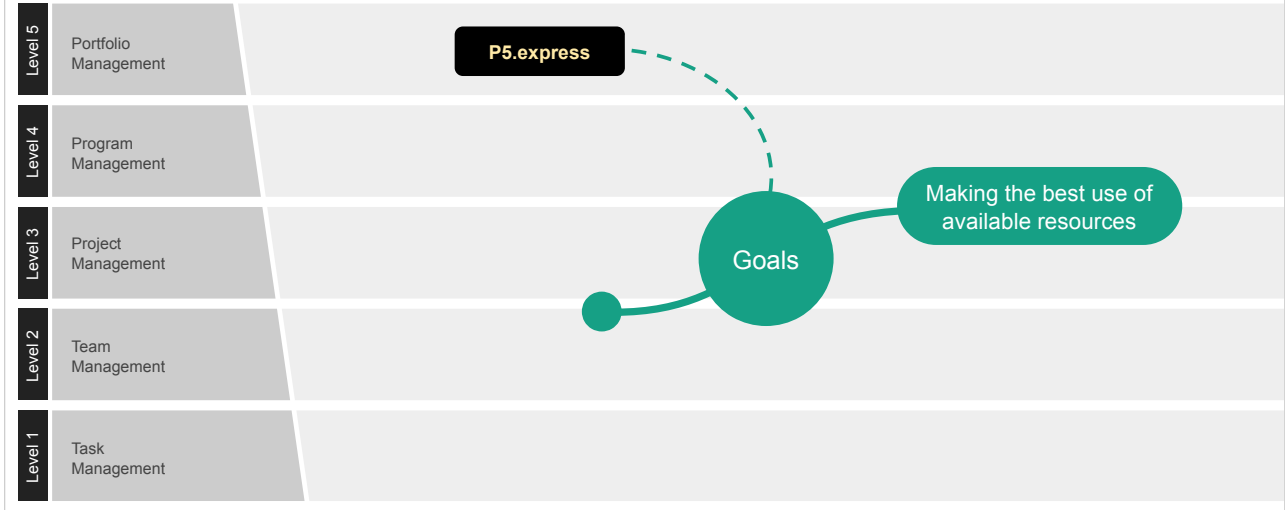
Project Ecosystem



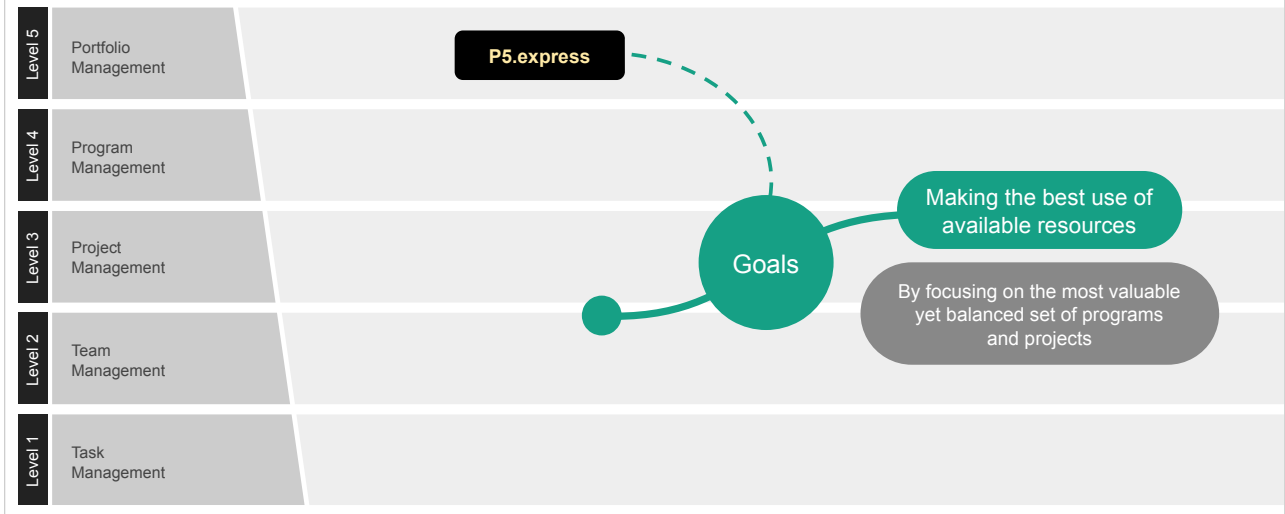
Project Ecosystem



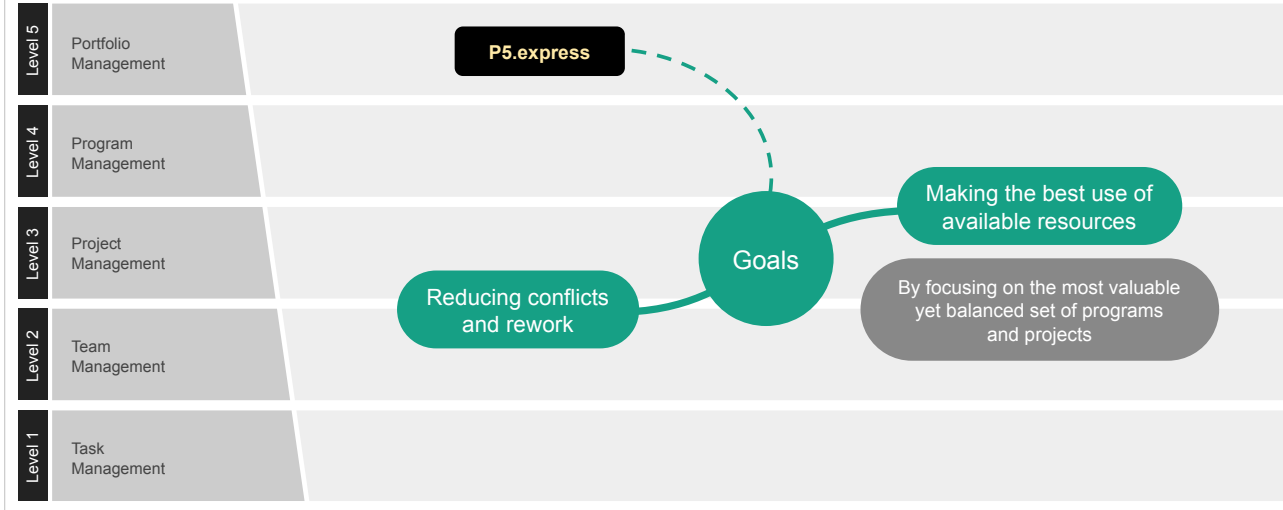
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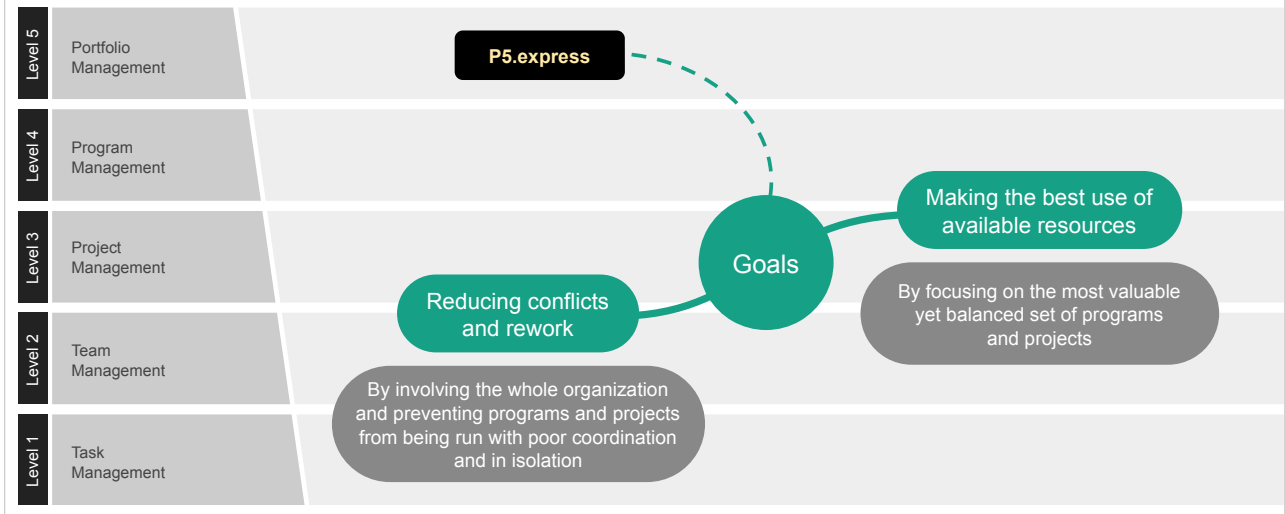
Project Ecosystem



Project Ecosystem



Project Ecosystem



① Why portfolio management?

② Process overview

③ Roles overview

④ 6-Monthly Cycle

⑤ Monthly Cycle

⑥ Daily Cycle

⑦ Range of use

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The End

Good luck :)