

Portfolio Management Professional (PfMP®)

vis-à-vis

Management of Portfolios (MoP®) Certifications - A comparative note

1. What is the gist of this document?

As companies execute more change initiatives (including programs and projects) - the queries which are being posed by their senior management include:

- Why are we doing the change initiatives which are ongoing? Are we doing the right things?
- Is there a better way of selecting the initiatives to achieve the organizational strategic objectives?
- How to allocate funds to the change initiatives optimally - within our resource capability and capacity constraints?
- Are we getting the benefits which we are supposed to get - balancing the risks?

Portfolio management clarifies the above queries for senior management decision making. Portfolio Management is the highest level of decision making in an organization to select, balance, fund and oversee the execution of the change initiatives.

As per PMI - 'A portfolio is a collection of programs, projects and/or operations managed as a group. The components of a portfolio may not necessarily be interdependent or even related—but they are managed together as a group to achieve the strategic objectives.'

One critical success factor for the portfolio is the realization of the business value it brings to the organization. If the targeted business value is not forthcoming, the organization's top management, its board of directors and other senior stakeholders (and shareholders in a publicly listed company) can legitimately question as to if the right mix of initiatives are being undertaken.

The current note provides a high level comparison between two portfolio management frameworks/certifications:

- Portfolio Management Professional (PfMP®) – propagated by the Project Management Institute (PMI), USA and
- Management of Portfolios (MoP®) – from AXELOS Limited.

The objective of this note is not to infer if one certification/ model is superior to the other – but to bring out the salient distinctive points – which can complement each other.

2. What is MoP®?

Management of Portfolios (MoP®) is the registered trademark of AXELOS Limited (earlier the trademark ownership was with APMG). Coming from a British background, this framework is more popular in UK, few countries of mainland Europe and in the Commonwealth countries of Australia, South Africa etc. It is more aligned with the other AXELOS best management practice models - i.e. PRINCE2® for Project Management and MSP® for Program Management etc.

3. What is the outline of the MoP® model?

MoP® defines a portfolio as ‘The totality of an organization’s investment (or segment thereof) in the changes required to achieve its strategic objectives’. The basic philosophy of the MSP® framework is to strike a balance between ‘Running the business’ as per Business As Usual (BAU) and ‘Changing the business’, to address the change.

Programs and projects as change initiatives are primarily focused on delivery of outcomes/benefits and outputs/products respectively. However, portfolio management focuses on the overall contribution of these change initiatives to the achievement of strategic objectives.

4. What is the flow of the MoP® framework?

MoP® framework includes two cycles and 12 practices which support these cycles.

The two cycles are - Portfolio definition and Portfolio delivery. At an overview level, the Portfolio definition cycle includes the five practices - ‘Understand’, ‘Categorize’, ‘Prioritize’, ‘Balance’ and ‘Plan’.

The Portfolio Delivery cycle includes seven practices - covering Management control, Benefits Management, Financial Management, Risk Management, Stakeholder engagement, Organizational governance and Resource management.

Whereas the practices within the Portfolio Definition cycle usually occur in a sequential flow, those within the portfolio delivery cycle happen concurrently and iteratively.

The portfolio management needs to coordinate with multifarious functions/initiatives within the organization - covering the BAU, Strategic Planning, Budget and resource allocation/ Finance, Corporate performance management, Corporate governance and Programs/projects running in the organization.

Couple of principles have been stated in the MoP® framework to facilitate the success of the portfolio. These include - Senior Management commitment, Governance alignment, Strategy alignment, an energized change culture and use of a Portfolio Office.

The last principle is appealing, as no large scale transformational change is possible without the support of an Enterprise-wide PMO (EPMO) - which can include tools deployment support and knowledge management. An energized change culture is also critical, as how an organization can absorb change depends on the PM maturity/its change readiness.

The MoP® framework gives extensive guidance on how to address ongoing initiatives while designing (or refreshing) a new portfolio, which types of tools and techniques can be used for risk management and getting the stakeholder buy-in etc.

5. Which are the benefits of robust portfolio management?

Since portfolio management decisions are taken at a senior managerial level, they can structurally alter where the organization is 'going'. At a macro level, the benefits of robust portfolio management model include (as per the MSP® framework):

- 'More of right programs and projects are undertaken to achieve the strategic objectives
- Redundant and non-contributing initiatives are weeded out for better focus and resource re-allocation
- More effective implementation of programs and projects - ensuring their success
- Better resource utilization and greater benefits delivery
- Enhanced transparency, accountability and risk management
- Improved stakeholder engagement and communications management
- Increased collaboration across the organization for achievement of shared goals
- Enhancing the PM maturity of the organization for consistent and repeatable robust delivery'

6. Strengths of the MoP® framework

MoP® An integrated framework giving a clear route-map for designing and delivering the portfolio. There is a focus on alignment with strategic planning and Corporate performance management and especially on gaining the support of top management.

Another strong point lies in its guidance regarding application of various tools/ techniques like Balanced Scorecard, Decision conferencing, Reference class forecasting, ROI estimation etc, to enable successful portfolio management.

7. Overview of the Standard for Portfolio Management (SPfM) - v3 from PMI

SPfM v3 was brought out in 2013 by the PMI and is the current reference model for the PfMP® examination - alongwith an Examination Content Outline (ECO).

The Standard covers the entire portfolio management lifecycle- covering three portfolio management process groups - Defining, Aligning, Authorizing and Controlling process groups. PMI have also defined five knowledge areas - including Portfolio Strategic Management, Portfolio Governance management, Portfolio Performance management, Portfolio Communication Management and Portfolio Risk Management. Sixteen processes have been defined across these process groups and knowledge areas - giving guidelines on how to implement the portfolio.

These process groups interact across the portfolio management and delivery.

PMI also stresses on use of Enterprise Environmental Factors and Organizational Process Assets to enhance portfolio definition and delivery.

8. Which are the distinctive advantages of the SPfM - v3?

- Specific focus on managing Strategic change (after definition of the portfolio)
- Detailed guidance on engaging stakeholders, managing the communication flows and managing risks
- Detailed guidance on application of tools for weighted ranking and scoring techniques, different types of scoring models, business case preparation, portfolio value tracking etc

9. What is the structure of PfMP® examination? Which are the pre-requisites?

What are the fees?

PfMP® certification is targeted at business oriented portfolio managers. Thus the candidates need to have requisite educational qualifications and documented /verifiable portfolio management experience to become eligible to appear in the examination.

For professional four year degree+ holders - the required experience is a minimum of 6000 hours and 48 months of portfolio management experience and a minimum 96 months of professional business experience. All the above experience should have accrued in the prior 15 years of the date of application.

There are two steps in the application process. In step 1 - the application goes through a panel review, where the application is scrutinised to ascertain if the candidates have managed portfolios under very limited supervision and have been responsible for the coordinated management of one or more portfolios, which aim to align the investment in projects and programs with the organizational strategy.

In Step -2, an objective examination to be taken at Prometric center (170 questions - out of which 20 are trial questions and the rest 150 or non-trial questions), to be completed in four hours. On completing this exam successfully, the candidates awarded the PfMP® credential, which needs to be maintained by accruing Professional Development Units (PDUs).

The PfMP® exam fee for PMI members is USD 800 (for Prometric on-line exams). Initial PMI membership fees are USD 139.

10. What is the structure of the MoP® examination?

As contrasted to PMI, APMG/AXELOS do not ask for explicit portfolio management experience verification to appear in the MoP® examination. However, the complexity of the examination pre-supposes candidates to have prior hands-on experience in practical portfolio management.

The MoP® accreditation consists of two examinations - Foundation examination (which is a closed book examination for one hour) and the Practitioner examination (running for three hours, based on a live case study). Candidates need to score 50% or more marks to clear these exams, which are integral part of the MoP® workshop , which typically runs for five days.



11. Summing up

In a nutshell, both the frameworks are complementary. The PfMP® examination is more popular in USA/Canada/ India etc - whereas the MoP® framework is more popular in UK, mainland Europe and few other Commonwealth countries.

From the knowledge perspective for handling real-life portfolio management, MoP® manual is a key reference, in addition to the Standard for Portfolio Management.

For further queries or clarifications - pl write to info@grt-consulting.com .

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