Portfolio, Program and Projects – How do they differentiate and complement each other?

As organizations become more mature in delivering projects, they look closely into implementation of programs and definition of more robust portfolios. Whereas the differentiations between these three perspectives are fairly apparent to seasoned PM practitioners, we usually come across queries on the differences – especially from organizations which are yet scaling up in PM complexity. Herein we highlight few of such questions and discuss how best they could be resolved.

a) 'I am already handling large projects. What are the key differences between project and programs?'

Projects, in spite of their complexity and scale to characterize them as 'large', primarily focus on delivering outputs. For instance, construction of a large power plant would include multiple sub-components like engineering design, components (such as fuel supply systems, turbines, cooling systems), construction site and documentation, each of them are complex endeavours by themselves. However, the overall output is the Power plant. Similar analogy can be drawn for services, when a financial institution designs a new financial product (such as an insurance scheme- consisting of multiple options), which fits more into the project realm.

A key characteristic of programs is that they focus on outcomes and benefits, which are realized during the course of operations. Thus the program lifecycle will also cover how to do transition management to operations, how do we define and measure the benefits and how to handle the evolving business case. As in the prior power plant example, a program would be most appropriately characterized by commissioning of the power plant; assessing how much power was generated and what were the revenues/ profits during the benefits management lifecycle. This involves a longer timeframe and taking mid-course corrections if the benefits are not forthcoming appropriately or the business case becoming unviable due to changing conditions.

Taking the IT systems roll-out, a program will not only involve transition management, but also assessment of outcomes (like reduced inventory levels, faster invoice processing times), and the targeted benefits (like cost savings and increased profits). And such outcomes and benefits are realized during operations, over which the program manager usually does not have administrative control. The Functional Managers (consisting of line and support functions) are the recipients of the benefits, the program manager being the facilitator.
In many cases, the program managers are not fully aware of the extent of realization of the benefits. This is mostly because benefits may take considerable time to realize and the concerned program manager might have 'moved away' to other programs or they may not have full visibility over the extent of outcomes and benefits realization.
The skill-sets and responsibilities of program manager are quite different as compared to the roles and responsibilities of the functional managers (who are also called business change managers in the context of the program). In many of the situations we have come across, these roles and responsibilities are not explicitly laid down, leading to lack of accountability , poor governance, and 'watering down of benefits'. This is more seen in external programs, when a consultant handles programs for a third party client, on whose business operations, consultants have not much authority on.   A critical differentiator between the projects and programs is the extent to which these change initiatives have interlinkage with operations concerning benefits realization.

b) "We can run a program using a project lifecycle".

  This misleading notion is linked with the earlier one. Program lifecycle is much more
  complex, including definition and launch of component projects, integrating them
  to create capability, perform transition management, overseeing of outcomes and
  benefits management. Programs are closer to strategy as compared to projects.
  And managing complexity and ambiguity is a key skillset the program managers needs
  to be comfortable with. Projects also involve complexity and ambiguity, but
  at a lesser scale as compared to programs. The sweep and diversity of stakeholders is more
  in the program management environment as compared to the project management.
  In a way, programs are the highest level of delivery mechanisms in an organization.
  And the program manager needs to interact with multifarious stakeholders (like with portfolio
  managers/ project managers/ vendors/ EPMO/ business change managers – each having a different
   perspective and interest) and therein lies the challenge of managing large programs.

 c) "I run multiple projects and manage resources across them. This can be called a program".

   Again, running of multiple concurrent projects by itself would not qualify it as a program,
   even if they share same resources or use same technology. This is one common misnomer
   we come across in many organizations, especially in companies who are more into
   product design and delivery, rather than their deployment and benefits realization.

d) "We have excellent processes, tools and systems to manage programs. So our
    programs should run successfully"

  Having good processes, tools and skill-sets are pre-requisites for successful program management.
  Since programs cut into outcomes and benefits, which are into the realm of operations
  management, stakeholder engagement and organizational change management are more
  critical here. The impacted stakeholders come from operations, who may loath to change
  and unless the change management is executed concurrently, large scale programs may not
  achieve the full value of the benefits. Thus in many consulting engagements we do and workshops
  we handle, we stress upon the value of change management. Indeed many programs have
  a separate track or a work-stream for change management, going concurrently with delivery
  management. The role of change managers is increasingly getting prominent in driving
  large scale transformational programs.

  And if the organizational governance systems are weak, putting in processes itself will
  not lead to sustainable benefits. Rigorous viability assessment during tollgates, performance of
  due diligence of components, mid-course corrections and learning from past lessons are
  key enablers for program success. We have noted in many organizations, this aspect is
  deficient. For instance, projects and programs may maintain a risk register in name, but no
  action takes place to follow them, respond to them and incorporate corrective actions.

e) "We are already running our business. So we do not require formal portfolio management systems"

We have come across this assertion from many organizations – especially the traditional ones. What we have noted in such organizations, the management control of the initiatives is generally deficient, change initiatives continue to run even when they are known to be no longer relevant or unviable and a clear linkage of benefits to the strategy is lacking.

Whereas it is true that wherever there is a business running, there is an underlying 'portfolio'. The moot question is whether it is the optimal one, are the investments being put wisely, resources (including fundings) are managed efficiently and is the organization responsive enough to change on account of external and internal forces. Good Portfolio Management also enables a tighter linkage between projects/ programs and operations in harmonizing the flow between 'running the business and changing the business'.

Deployment of a robust portfolio management system focuses on 'are we doing right things'? as against just delivery management. And portfolios (including component programs and projects) are closest to the strategy of an organization (including government and non-profit entities).

f) "We have in place a project management office (PMO) – which gives administrative support for the project managers. This can be useful for sustained project performance"

Providing administrative support is just one of the functions of the PMO. Effective PMOs operate at various levels, including at portfolio, programs and projects. The range of services they can provide include assistance in portfolio definition, benefits tracking, project coordination, dependency management, risk and issue management, vendor/resource/ finance management, institution of best practices and tools /knowledge portal management.

This range of services can be provided by a joined-up Enterprise PMO (EPMO), rather than having separate PMOs for projects and programs. The EPMOs also enable enhancement of the PM competency of organizations, which is the following discussion point.

g) " We have star project managers in our company, who can be deployed
to handle complex projects as we scale up"

This is one of the common fallacies usually we come across. Having 'star project
or program managers' is necessary but not adequate enough for an
organization to scale up to handle more complex projects and programs.

As in CMMI, the organizational project management (OPM) maturity is a key
facilitator for sustained portfolio, program and project management.
Having skilled project managers roughly translates to the 'second level' of
OPM maturity, where individualism prevails. The next level 3 of standardization
calls for centralized adoption of best practices in PM and enhancement of
PM skill-sets. Usually the movement from level 2 to level 3 maturities for a
large organization can take one to one and half year, and is deemed to be
the most difficult part of maturity evolution journey.

From level 3, organizations need to move up to level 4 (Quantitative) and
level 5 (Continuous improvement) for sustained competency in project/
program/ portfolio management and refinement in processes.

And this journey can be interesting for the organizations, as they progressively
reap the benefits of higher maturity and reduction in cost/ time overruns,
increased employee morale and better benefits/ fund management
as well as higher margins.

We from GRT Consulting provide advisory and coaching for better project,
program and portfolio management. We also undertake organizational
maturity assessments / their improvement and assist in setting up/ improve the
existing EPMOs.

We also assist the organizations in portfolio definition, PM process refinements,
and in organizational change management, based on blending of global best practices,
as suited to client specific requirements.

For organizations and professionals, we run PfMP, PgMP and PMP bootcamps
and also MoP, MSP , PRINCE2 and Change Management certification workshops.

Pl. write to info@grt-consulting.com on how we can assist organisations
and professionals for better project, program and portfolio management.