Distinguishing Portfolio Management, Programme Management and Project Management

By John Reiling

There is often a misunderstanding, and hence a mixed and overlapping use of terms, when it comes to programme management. Sometimes a programme is called a project. Sometimes a project is called a programme. In addition, sometimes project portfolio and programme are mistakenly used interchangeably. This article is intended to clarify the main differences and to distinguish the unique aspects of project portfolios, programmes, and projects.

A great way to start to think about these is to think in terms of a pyramid hierarchy. At the top of the pyramid is portfolio management, which contains all of the projects and programmes that are prioritised by business objectives. Below that is programme management, which contains numerous projects that are interrelated, since they support a particular business objective. Programmes consist of multiple projects, but projects can be independent and simply part of the portfolio. Projects differ from programmes in that they are strictly tactical in nature.

Here is a more detailed look at each:

Portfolio Management

One of the key distinguishing features about Project Portfolio Management is that it is a process that is clearly characterised by business leadership alignment. Priorities are set through an appropriate value optimisation process for the organisation. Risk and reward are considered and balanced, and programmes are selected based on their alignment with organisational strategy. Feedback is provided from programme and project implementation so that portfolio adjustment can occur, if necessary. Strategic changes can also require portfolio adjustments.

Programme Management

A key distinguishing feature of Programme Management is business sponsorship. Almost by definition, based on decisions made at the Portfolio Management level, programmes are sponsored by business needs. The programme takes on the ownership of benefits and is measured primarily based upon achievement of those benefits. Programmes can also sometimes have "benefits streams," or sets of interrelated benefits, such as increased R&D capabilities combined with increased market penetration, that cut across functions in the organisation. Because programmes, naturally consisting of multiple projects, span functions within an organisation, they have all elements of a business system, and hence are general management oriented.

Project Management

Project Management is most concerned with delivery of capabilities, typically as defined within a programme. Projects need to be strategy-driven, but do not own the strategic initiative as does a programme. Rather, the project takes inputs and develops and implements a tactical plan. Monitoring along the way and final measurement of success is typically based more on the tactical considerations such as budget and schedule than upon achievement of a strategic business objective.

Now, with the basic distinctions among Project Portfolio Management, Programme Management, and Project Management defined, each organisation must "personalise" its implementation of these three processes. Some key factors and how they affect choices made about implementing each are as follows:

- **Industry**: Industry provides insights into the stability and consistency of operations. Some industries, like pharmaceuticals, are be very driven by product lifecycles, albeit fairly long ones that include a major regulatory process. Consumer electronics companies are driven by much shorter project lifecycles and rapidly evolving technology, with little regulation. Construction firms are highly porjectized and deal with very stable technologies and products.
- **Organisation Size**: Generally, greater size requires more formal organisation. Without structure, the relationships between strategy, portfolio management, programmes, and projects can become blurred and disjointed. The two points of focus here are to have well-considered organisational frameworks for each of portfolio, programme, and project management, and then to pay special attention to building strong ties among them for communication, collaboration, and information flow.
- **Operational Breadth**: A more narrowly defined operational capability, such as found in a sales-focused or production focused organisation, will tend to require less formality, and information will flow more freely among portfolio, programme, and project management processes. In organisations that are well-integrated horizontally, containing well-developed core competencies in R&D, marketing, production, distribution, and the like, there will be natural separations that need to be managed. This will make programme management especially challenging, since it is likely to cross those boundaries.
- **Strategy**: Like the various operational considerations, the strategy will effect organisation of portfolio, programme, and project management based on how complex it is. One key consideration not mentioned above is

strategic alliances, which can greatly effect how tightly managed and how structured these processes need to be.

Standards for Project Portfolio Management, Programme Management, and Project Management do exist, and clear definitions can be found within. The worldwide Project Management Institute (PMI) has developed and published the following standards (free for members):

- The Standard for Portfolio Management
- The Standard for Programme Management
- A Guide to the Project Management Body of Knowledge (PMBOK Guide) Fifth Edition

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John Reiling, PMP, has experienced portfolio, programme and project management in organisations of all sizes. John's web site Project Management Training Online, www.pmtrainingonline.com., provides numerous courses on these topics for PDUs, PMP Prep, and PgMP Prep. See John's related article on Programme Management at www.pmcrunch.com.