Create PMOs that work by Dominick Grillas

Part 1: The Core Difference between Projects, Programs and Portfolios

The science of project and program management has been going through a spectacular growth since its inception in the late 90's. The "Programme Management" material developed in the UK took hold across the world just in time for the Y2K wave, followed by countless articles, books and webinars; PMOs and Portfolios have now become mainstream.

Project Management

The discipline of **Project Management** is as old as people working in teams to achieve something together with specialized skills, dedicated resources, a clear view of the end goal and someone leading the effort to overcome execution hurdles.

Examples include the Great Pyramids at Giza in 2560 BC (20 years long project for a pyramid, with a crew of about 5,000 people), Stonehenge in 3,100 BC (estimated under construction until 1600 BC, or 1,500 years duration) or the Cathedral Notre-Dame in Paris in 1163 (a 100 years duration). It would be hard to imagine such long efforts, spanning multiple generations, without a plan and a solid definition of the end result!

Your latest Big Data effort is probably a project too, so you are in good company and chances are, you will be done faster than these historical milestones…

A common denominator for projects is that they create something tangible as the result of a structured, deliberate effort. Sometimes they are so complex that they must be broken down into a Master-Project-Subproject structure. Regardless, they are characterized by the effort undertaken, the time this effort runs and by the delivery of an acceptable work product. All project management methodologies or tools are based on these fundamentals.

Program Management

The achievements of a **Programs** are not just a series of artifacts, but a specific, declared value. Most of the time, business value is created, but it can also be strategic, transformational or any other measurable value.

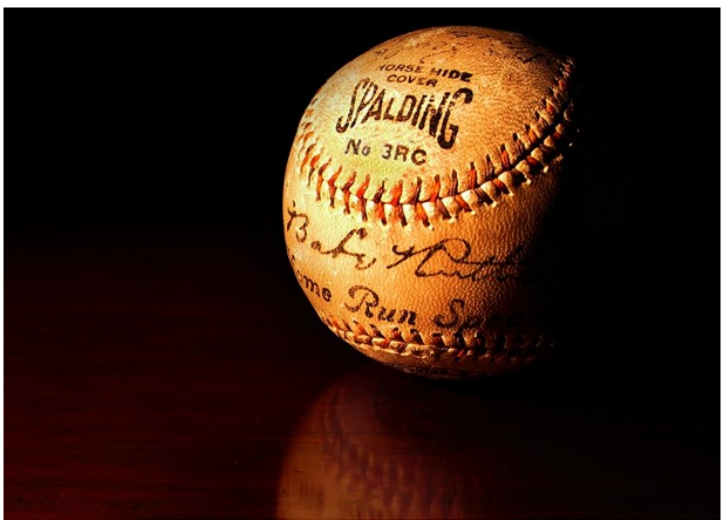
There lies a key difference between projects and programs: the business value delivered by a Program usually takes time (e.g.: increase of profitability of a product) post the technical execution of the "build" phase, and depends on external factors and resources (e.g.: customers, market dynamics). The declared end date for a Program can therefore be fuzzier that a typical project deadline. This statement alone can make a project manager shiver…

Back to the Big Data project mentioned earlier, could it be a Program, then? First we would need to determine what the expected business value I, which would be created out of the compound efforts. Then we would add a phase upon the end, to measure the returns of this value and their possible accrual into the financials. The pre- and post- phases here represent an Encapsulation, as they wrap the project into an incremental layer stating and measuring the business value.

The Encapsulation means that the Program can only be declared successful once the targeted amount of value has been realized, ideally upon reaching the target date. In practical terms, what was built through the Program remains active (e.g.: an enhanced purchasing process for materials) after the completion date, continuing to accrue value (why stop something that produces positive results) even though the Program Management phase (the building effort) is technically closed.

Portfolio Management

Multiple projects or programs that are being defined, launched and executed in a coordinated fashion can define a **Portfolio**. The charter of a portfolio is the overall management of assets, with a declared purpose or direction. Assets in a portfolio are mainly related to each other by their characteristics and attributes, not by a dependency or other link (which would just be an operating constraint).



A portfolio can be seen as a collection of valuable items of similar nature that are actively managed as a whole, such as projects, programs, autographed baseballs, stocks or artwork.

The ultimate goal of a portfolio is often summarized by their managers as “to maximize the value” of the assets under management. This downplays the real power of a portfolio, which is the selection of the assets with high potential to create the ultimate value.

Let’s take the example of a 401 retirement portfolio. One dimension will be the good performance of each asset (stock, bond or mutual fund) under management. The portfolio holder cannot do much about this performance besides monitoring it and deciding to keep, sell it or buy more of the asset. In most cases, the growing value of the asset is not determined by the will or actions of the portfolio holder, but by the natural life cycle of the asset (age, market value, fashion appeal, history, etc.).The real value of a portfolio resides in the smart selecting, holding or terminating of assets within the class (portfolio). Selling a painting by a famous artist, and using the funds to purchase three emerging artists’ work is both a bet on the future (life cycle of the asset) and a demonstration of how the power of the portfolio owner resides in the collection management, exclusively.

The charter for a portfolio is therefore not so much on the realization on individual assets’ value (the job of the Funds Manager for a 401K) but into selecting the assets with the highest likelihood to generate the value targeted. A 401K plan, at the inception stage, might focus on high risk / high equity growth, as there is time to recover is something goes wrong. As time goes, the Plan will likely shift to a more conservative stand, eventually moving to a selection that maximizes liquidities and reduces risk. The criteria to select, recognize the value and discard (sell) or increase (buy) ownership of assets changed with the ongoing performance of the collection (the funds, bonds or stocks), and were adjusted dynamically. A non-performing asset might certainly get dumped in the process, but an asset with good performance might also be discarded if it no longer aligns with the new returns targeted (e.g.: shift from high growth small cap stocks to bonds and mutual funds).

The irony is that while projects goals and objectives are often detailed to the smallest details, program goals remain generally vague regarding their expected value contribution; most portfolios simply aggregate the individual value off the assets and ignore the actual direction or goal of the portfolio management system.

In summary, the choice of project versus program versus portfolio is fundamentally driven by the expected outcome. Fancy terminology and shiny methodologies are just smoke and mirrors, distracting from the real choices.

Discipline	Expected Outcome
Project	A set of activities and tasks performed by a team to achieve one or multiple artifacts or work products. The requirements and specifications of the work products are provided into the Requirements and Design phases. Some projects life cycle are more linear, others cyclical and some are iterative. The choice of a project life cycle is based on which one offers the most chances of success.
Program	A set of projects and efforts which, together, aim at achieving a specific business value in a given timeframe. Some of the projects are often inter-dependent, as they are building blocks of a larger ensemble. The Program is declared completed when the specific value has been achieved.
Portfolio	Ongoing selection, launch, execution and monitoring of projects and programs, until a targeted benefit or value has been realized. The time of completion is in general a horizon that can be expanded or recast as new goals emerge. A variant can be a Strategic Roadmap.

A good practice to achieve a goal is to name it and describe it before starting.

What are the goals attached your latest or current Program or Portfolio efforts?