

Programs and the Future of Project Management

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Increasing globalization has resulted in widespread competition in what used to be domestic markets. Vendors and service providers who once had to compete against nearby competitors now routinely bid against companies from every corner of the globe, even when trying to win local business. The problem can become even more acute for large corporations forced to compete with foreign producers with different wage and labor standards that drive down the cost of goods. In order to remain competitive, businesses are re-examining their management processes, looking for ways to ensure that all operations demonstrably serve the business goals of the organization.

In the 1990s there was a significant shift in the use of project management to help organizations stay afloat in a recession by creating products and services customers wanted. Corporate and public sectors embraced project management theory and practice like never before, as evidenced by the dramatic worldwide growth in membership of the Project Management Institute (PMI), whose ranks swelled by 350% from 1997 to 2002. (ASME, 2002)

Although project management has now become a mainstream management practice, there have been growth issues. Increasingly, organizations are finding that many projects within a corporate project mix are managed differently and use PM tools in different, sometimes incompatible, ways. The inability of enterprises to harness project management for objective corporate reporting of capital and production projects has led to a growing emphasis not on *project* management, but on *program* management.

Projects, Programs, and Portfolios

For years, “project” and “program” have been used interchangeably by practitioners. In *Project Management: A Systems Approach to Planning, Scheduling, and Controlling*, a hallmark project management reference book, Kerzner (2009) writes “whether we call our undertaking project management or program management is inconsequential,” (pg. 55) and uses the terms interchangeably throughout the text. While these terms are deeply related to one another, they are in fact distinct disciplines. Though Kerzner and other writers on project management disciplines may be slow to recognize it, the growing awareness of this distinction is evidenced not only by trends in practical business applications in the public and private sectors, but also by the Project Management Institute’s (2006) publication of *The Standard for Program Management*.

Milosevic, Martinelli, and Waddell (2007) have written the first definitive textbook dedicated to program management, and define program management as “*the coordinated management of interdependent projects over a finite period of time to achieve a set of business goals.*” (p. 6) Significantly, in this definition the desired end of

a program is the achievement of a discrete business goal, not a deliverable or set of deliverables (the desired end result of projects). This describes only one type of program, however. In practice, program offices may also manage projects that are united by a similar nature, rather than by a shared, discrete business goal. Organizations can also gear programs toward gaining a capability, product, or service, and incorporate process management techniques into the production methodology during deployment.

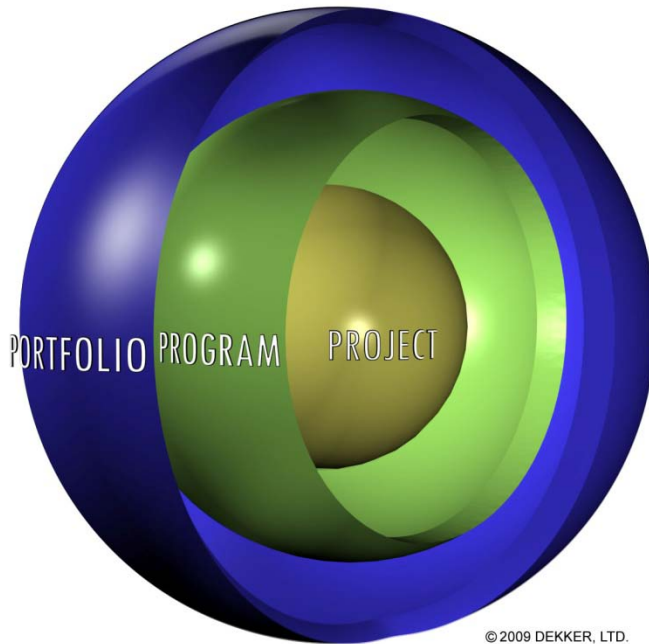


Figure 1: The relationship between Portfolio, Program, and Project Management from a strategic organizational standpoint

Ultimately, it is correct to say that programs can manage similar projects, interrelated projects that roadmap towards long-term goals, and serial projects whereby the deliverables of one project continuously enhances the next revision of a product and service. The “finite period of time” Milosevic et al. include in their definition is open to interpretation. As evidenced by civilian and military government agencies, programs can last for a very long time, their longevity contingent only on continued funding. Program management creates a bridge between senior management and customers, both interested in monitoring and controlling program progress, and the line personnel performing the

actual work of the program through project and process management. (Milosevic et al, 2007, pgs. 170-192).

Portfolio management occupies the highest organization-wide position in the hierarchy, programs exist one level below that, where many programs can serve the varied strategic goals and objectives of the organization, and projects exist at the operations level, each program encompassing many interrelated or similar projects. Milosevic et al. (2007) define portfolio management as a “decision-making process,” (p. 19) rather than a true management function; it is the point where determinations are made about which ideas, activities, or investments are most aligned with organization-wide strategic goals. Portfolio management pertains to a strategic business unit controlling its own resources as a profit center. This strategic business unit monitors its financial statements and is responsible for managing its assets to increase the organizational equity status. As in all business units, the investments it makes should be conceptualized in terms of creating a capability that increases revenue, market share, or capacity, provides cost reduction, facilitates regulatory compliance, or supports



administrative objectives. These are considered capital projects supporting programs aligned with strategic goals. Project Portfolio Management aligns all projects to programs that in turn support the strategic guidance of senior management.

Despite having roots in the Cold War defense industry, these are still emerging distinctions in the modern business landscape. For instance, the term *program and portfolio management* has become common parlance, despite the significant distinctions between programs and portfolios. *Portfolio management* is separate from the idea of an organization's *project portfolio*, which refers to the entire slate of projects the organization is undertaking. The components of this project portfolio can be grouped into programs or not, depending on the particular management structures in place. The industry uses the terms in different connotations, but is evolving to embrace the underlying management disciplines to enhance organizational efficiencies.

Achieving Strategic Business Goals

When management can get past the decades-long muddle surrounding the terminology, what emerges from the actual concepts behind the words, whatever those words may be in a given organization, is a focus on profitable and well financed business goals. Organizations are realizing that to be successful, every project, every pursuit, and every allocation must be fundamentally linked to the achievement of a clearly defined set of goals. If a car company is rushing a new, fuel-efficient vehicle through R&D in an effort to get to market before a competitor, the goal is most likely to stake out or reclaim market share in economy vehicles. That makes sense as a strategic goal. But if the same company is pouring resources into developing chemicals to make upholstery more stain resistant, that might not align with the broader goals of the company to increase owner or sponsor equity.

Over time, it is natural for large corporations and government agencies to accrue programs and projects that get started as an exploration into possible future business areas or even as someone's pet project. But without proper oversight capabilities, it is easy for these operations to keep funding poorer performing programs and their affiliated projects as a matter of habit, even if the organization's circumstances or strategic objectives change. Business operations that made sense during periods of economic growth stop making sense quickly when economies and markets sour. However, making the appropriate changes to resource allocations often takes much longer, if it ever happens at all. As Milosevic, et al. observe, "a project management-only approach...often leads to a misalignment between a company's strategic management process and its output."(2007, pg 39)

Businesses that employ effective program management gain a window into which departments or divisions are performing adequately and which are not in relation to organization-wide goals. These businesses also gain the related advantage of life-cycle project ownership, where a Program Manager is consistently accountable for a project even as it moves from one department to the next. In a project management-only

approach, as projects move from division to division, often their ownership gets handed off, as well. If one team makes a mistake in their iteration of a project, teams taking ownership of the project further down the line become responsible for reconciling the problems, or introducing project rework cycles that could be avoided if a single guiding hand were keeping tabs on the entire, strategically-oriented program (Milosevic, et al, 2007, pg. 17).

Influences from the White House Office of Management and Budget over the past decade have caused federal program management approaches to evolve considerably. In the same way that program management techniques originated in the public sector and then spread outward into the larger landscape of private business management, program management metrics are now trickling out into the public record and changing the ways in which laypeople can evaluate federal spending.

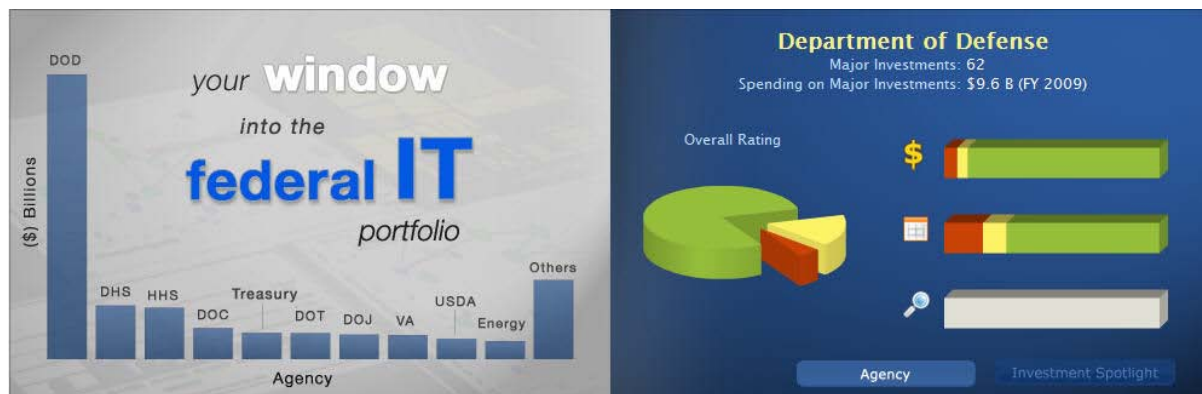


Figure 2: Federal IT Dashboard (OMB, 2009)

Anyone can now access the OMB's Federal Information Technology Dashboard (OMB, 2009), where interactive program and project dashboards report how effectively tax dollars are being spent. With programs like the Federal IT Dashboard fueling the growing awareness of program management – what it really is and the advantages it can provide – a greater literacy in its techniques has begun to emerge, and the decades-long confusion in terminology will start to drop away.

Program management implementation offers businesses a clear competitive advantage over companies relying on project management-only approaches. In order to effectively implement such a management style, companies will need expert guidance and tools able to effectively track and report on the several interrelated projects that constitute programs. Dekker, Ltd., a program and project management software, training, and consulting company, is committed to providing continuing analysis of this ongoing management shift. Check back at www.DekkerLtd.com for more articles on the topic as they become available.



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