

# Programme Management and Project Portfolio Management: New Competences of Project-oriented Companies

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## 1. Introduction

Project-oriented Companies perform simultaneously a number of different projects, they hold a portfolio of projects. The more projects a company performs, the more complex it becomes. In order to cope with this increasing complexity, new management competences are required.

Project-oriented companies are highly complex organizations because of their dynamic boundaries and contexts. On the one hand side the number and the sizes of the projects and programmes are constantly changing, permanent and temporary resources are employed, and cooperations are organized in virtual teams. On the other hand side varying strategic alliances are established and relationships to the different social environments of the different projects and programmes are managed.

In order to manage the dynamics of Project-oriented Companies besides intensive corporate identity activities, such as strategic planning activities, reflections of the corporate culture, and continuous organizational development, specific integrative functions, such as programme-management and managing the project portfolio, have to be performed.

Programme management and the management of project portfolios, as new management competences of Project-oriented Companies, require specific management processes and management methods.

## 2. Strategy, Structure and Culture of the Project-oriented Company

A Project-oriented Company is a company which

- defines "Management by Projects" as an organizational strategy,
- applies temporary organizations for the performance of complex processes,
- manages a project portfolio of different project types,
- has specific permanent organizations to provide integrative functions,
- applies a "New Management Paradigm",
- has an explicit project management culture, and
- perceives itself as project-oriented.

Project-oriented Companies consider projects not only as tools to perform complex processes, but as a strategic option for the organizational design of the company. By applying "Management by Projects" the following organizational objectives are pursued:

- organizational differentiation and decentralization of management responsibility,
- quality assurance by project team work and holistic project definitions,
- goal orientation and personnel development, and
- organizational learning by projects.

Project-oriented Companies perceive projects and programmes as temporary organizations for the performance of complex processes, such as contracts for external clients as well as product developments, marketing campaigns or reengineering activities for internal clients.

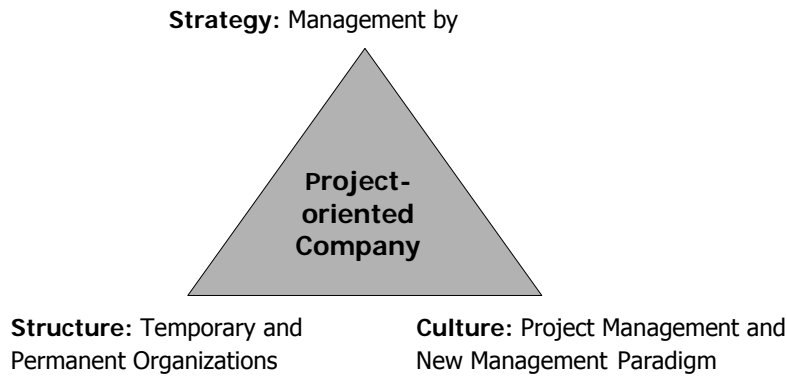
The more projects of different types a company holds in its project portfolio, the more differentiated it becomes and the higher becomes its management complexity. In order to support the successful performance of the single projects as well as to ensure the compliance of the objectives of the different projects with the overall company strategies, specific integrative structures, such as a strategic centre, expert pools, a pm-centre of competence, and a project portfolio steering committee are required. Some of these permanent organizations might be virtual.

The Project-oriented Company is characterized by the existence of an explicit pm-culture, i.e. by a set of pm-related values and norms. In the Project-oriented Company project management is considered as a business process, for which there exist specific procedures and a common understanding of the performance of this process, the project roles involved, and the project management methods, to be applied .

Further, in a Project-oriented Company the application of a "New Management Paradigm" is required. Traditional management approaches are emphasizing detailed planning methods, focusing on the assignment of clear defined work packages to individuals, relying on contractual agreements with clients and suppliers and using the hierarchy as central integration instrument.

Compared with this traditional management approach the major concepts common to "new" management approaches such as

- consideration of organization as competitive advantage,
  - empowerment of employees,
  - process-orientation,
  - team work in flat organizations,
  - continuous and discontinuous organizational change,
  - customer-orientation, and
  - networking with clients and suppliers,
- can be perceived as a "New Management Paradigm".



2.1. Figure 1: Strategy, Structure, and Culture of the Project-oriented Company

### 3. Programmes and Project Portfolios

#### 3.1 Programme Definition

For processes of different complexities different organizations are adequate. A programme is a temporary organization for the performance of processes of medium and high complexity, which are closely coupled by common overall objectives.

| Process Characteristics         |  |   |
|---------------------------------|--|---|
| • One process of low complexity | • One process of medium or high complexity | • Several processes of medium and high complexity |
| • Performed continuously        | • Performed uniquely                       | • Performed uniquely                              |
| • Short- and medium term        | • Short- and medium term                   | • Medium- and long term                           |
| ↓                               | ↓  | ↓   |
| Unit of Base Organisation       | Project                                    | Programme   |
| <b>Organisation</b>             |  |   |

Figure 2: Adequate Organizations for the Performance of Processes of different Complexity

For the realization of several processes of medium and high complexity a programme applies on the one hand side projects, as differentiation instruments, and on the other hand side a programme office, a programme steering group, process owners, etc., as integration structures. Usually some of the projects in a programme are performed sequentially and some are performed in parallel. Programmes have programme-specific strategies, organizational rules and structures.

Typical programmes are the development of a "product family" (and not of a single product), the implementation of a comprehensive IT-solution (such as SAP), the reorganization of a group of companies in a holding structure, and large investments, such as an oil platform.

### 3.2 Project Portfolio Definition

For integration purposes a set of projects might be clustered in different ways. Considering the sequence , in which projects are performed the „chain of projects“ results, by relating a set of projects to each other according to a specific criterion , such as the technology applied or the region performed for, a „network of projects“ results, and by considering all projects performed by a company at a given point in time, the „project portfolio“ results.

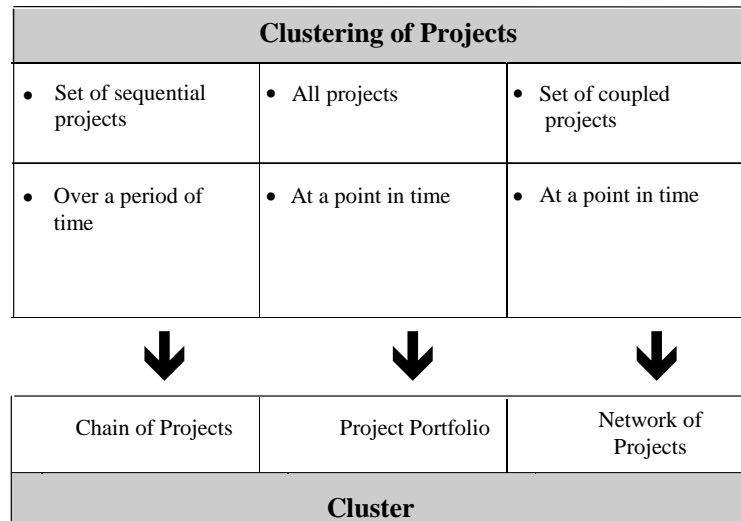


Figure 3: Clustering of Projects

In a project portfolio different project types , such as internal and external projects, unique and repetitive projects, marketing-, contracting-, organizational development projects, etc., might be included.

### 4. Programme Management

Programme management has to be performed in addition to the management of the single projects of a programme. It includes the processes of starting, coordinating, controlling and closing-down a programme. The programme-management methods are similar to the project management methods, i.e. there is a programme work breakdown structure, a programme bar chart, a programme environment analysis, etc.

In order to allow for autonomous projects on the one hand side but to assure the benefits of organizational learning, economies of scale, and networking synergies in a programme on the other hand side, a specific programme organization is required. Typical programme roles are programme owner, programme manager, and a programme coordination team, typical programme communication structures are programme owner meetings and meetings of the programme coordination team .

The advantages of designing specific programme organizations instead of defining a “Mega-Project” with several subprojects are as follows:

- a less hierarchial organization
- a clear terminology: a programme- manager and several project managers instead of one project manager and „project managers“ of the sub-projects
- empowerment of the projects of the programme by allowing for specific project cultures, specific relationships to environments, specific project organizations, etc

- differentiation between programme ownership and different ownerships for the different projects.

### 5. Project Portfolio Management

The basis for the management of the project portfolio is a database with aggregated project data, such as the project type, relations of a project to other projects, information about the project organization, information about relevant project environments, and project ratios. These data can be used for relating projects to each other, for deciding about new projects to be started, for setting project priorities, and for stopping projects.

For the management of a project portfolio a specific process and specific methods, such as the preparation of a project proposal-, and project portfolio reporting methods, are required. Typical project portfolio reporting methods are the bar chart of projects, the projects profit versus risk graph, the progress chart of projects, etc.

The objectives of the project portfolio management process are:

- Optimizing the results of the project portfolio ( and not of the single projects)
- Selection of projects to be started
- Interrupting or stopping projects
- Definition of project priorities
- Coordination of internal and external resources
- Organization of learning of and among projects .

The functions and responsibilities of the project portfolio management process are shown in Figure 4:

| Responsibility                     | Functions   |                         |                         |                                 |                |           |
|------------------------------------|---|-------------------------|-------------------------|---------------------------------|----------------|-----------|
|                                    | Project Portfolio Steering Committee                          | PM Center of Competence | Selected Project Owners | Staff Members, Project Managers | Proposal Teams | Documents |
| <b>Preparation of Coordination</b> | • Up dating database of projects                              |                         | P                       |                                 |                |           |
|                                    | • Developing lists of projects, project portfolio graphs      |                         | P                       |                                 |                | 1)        |
|                                    | • Gathering project proposals                                 |                         | P                       |                                 | A              | 2)        |
|                                    | • Gathering selected project status reports                   |                         | P                       |                                 | A              | 3)        |
|                                    | • Invitation of participants                                  | I                       | P                       |                                 | I              | 4)        |
| <b>Performance of Coordination</b> | • Distribution of information material                        | I                       | P                       | I                               |                |           |
|                                    | • Performance of Project Portfolio Steering Committee meeting | P                       | A                       | A                               |                | 5)        |
| <b>Follow-up of Coordination</b>   | • Up dating database of projects                              |                         | P                       |                                 |                | 6)        |
|                                    | • Information to employees                                    | A                       | P                       |                                 | I              | I         |

**Legend**

- P ... Performance
- A ... Assistance
- I ... Information

**Documents**

1. Project Portfolio Report
2. Current Project Proposals
3. Selected Project Status Reports
4. Invitation to the steering committee meeting
5. Minutes of the steering committee meeting
6. Updated database of projects

Figure 4: Project Portfolio-Process-Responsibility Matrix

## 6. Conclusion

For Project-oriented Companies it is not sufficient to have the competence to manage single projects efficiently, but additional competences, such as the competences for the assignment of projects and programmes, for project and programme coaching and auditing, for networking between projects, and for programme management and project portfolio management are required. For all of these processes an explicit assessment and continuous further development is necessary.

## Literature

- Gareis, R, and Huemann M, 2000, "Project Management Competences in the Project-oriented Company" The Gower Handbook of Project Management, ed JR Turner and SJ Simister, Gower, Aldershot forthcoming.