Chapter 13

Program and Portfolio Management Relationship and Support

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ABSTRACT

Ideally, the portfolio is at the highest level of an organization as it shows the organization’s truest intent, direction, and priorities. But, portfolios can exist at various levels such as business units, departments, divisions, and even at the program level. At the program level, the program manager can be considered a mini portfolio manager. The objective is at any time to ensure the portfolio represents a view of its selected components and reflects the organizational strategy and objectives regardless if the programs or projects have interdependencies, as the portfolio represents all the work under way in the organization. This means portfolio management includes all the activities to identify and align organizational priorities, determine governance and performance frameworks, measure the value/benefit of what is being done, make investment decisions, foster communication, and manage resource allocation. This chapter illustrates the various interrelations between program and portfolio management to show how programs can support portfolio in delivering business value.

INTRODUCTION

Once upon a time in Egypt, pharaohs expected to become Gods in their afterlife. To prepare for the next world they built temples to the Gods and massive pyramid tombs for themselves. The Giza Pyramids complex was built following this main purpose. Pharaoh Khufu began the first Giza pyramid project, the largest of the complex, circa 2550 B.C. His son, Pharaoh Khafre, built the second pyramid at Giza together with the Sphinx, a sort of sentinel for the pharaoh’s tomb. The third of the Giza Pyramids was built by Pharaoh Menkaure circa 2490 B.C. Each of the pyramids is but a part of the larger complex.
which includes a palace, temples, and other features. They are an excellent way to explain the differences in a project, a program, and a portfolio.

The portfolio represents the organization’s truest intent so, in relating it to the Pyramids, assume someone in ancient Egypt determined that the large complex of the Pyramids would be one of many initiatives to be pursued – the portfolio consists of all the work under way including projects, programs, and sub-portfolios.

The Pyramids then are a program, with projects and operational work, and represent a group of projects that when managed together as a program will have more benefits than if the projects were undertaken in a standalone way. The projects are the individual pyramids – a temporary and unique undertaking to provide a product, as in this example, a service, or a result. While projects provide benefits, a single pyramid would not have the lasting sustainable benefits provided by the program of all the pyramids.

The purpose of this chapter is to highlight the interrelations between portfolio management and program management and to explain how programs can support effective portfolio management.

BACKGROUND

The literature on project management is quite rich and increases over time around the landmark of the Project Management Institute (PMI’s) *A Guide to the Project Management Body of Knowledge (PMBOK)* published for the first time in 1982, and now at its Fifth Edition in 2013. No doubt that it has come to a certain degree of consensus in giving definitions of the basic concept of “project”, which definitely is building block for any other theory in the field of project, program and portfolio management. Thus, as most everyone working in the field of project management knows, projects are widely recognized as time—limited, discrete endeavors undertaken to create a unique product, service or result.

When two or more projects are managed as one, the basis for a program may be in place. In 2006, PMI fulfilled the need for a standard in this filed with the publication of *The Standard for Program Management*, now at its Third Edition (2013), in which a program is defined as “a group of related projects, subprograms, and program activities that are managed in a coordinated way to obtain benefits and control not available from managing them individually.” (PMI, 2013a, p.4).

Programs mostly include individual projects. In some cases, large programs may also have sub-programs in them. They also may include some operational work, such as ongoing operations or program activities with training or maintenance as examples. Some programs have non-project components, such as the infrastructure needed to manage the program or having a core team or a Program Management Office (PMO) to support the program.

The key point is that programs are established to deliver more benefits than if the sub-programs, projects, and operational work were managed as standalone activities. The purpose of benefits is to generate business value, enhance current capabilities, facilitate business change, maintain an asset base, offer new products and services to the market, or develop new capabilities for the company, to list a few. Benefits are the key rather than deliverables as with a focus on benefits, there is an emphasis on sustaining the business value a program can bring to its end users, customers, suppliers, and operational and support groups. As an example programs provide a consulting company with the ability to deliver benefits to the stakeholders/customers, while at the same time delivering business value to the sponsoring organization.

Programs then are a means to execute corporate strategies and achieve business or organizational goals and objectives. Some programs deliver benefits incrementally, while others deliver them at the
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