Introduction

Distinguishing between a project portfolio, a programme and a project presents a dilemma, because the terms are often confused with one another. Many authors still describe a programme as a portfolio of projects. This certainly does not help to clear up the confusion. However, it is important to know the difference between project portfolios, programmes and projects, because each has a special role to play. They need to be managed differently if the organisation's strategy is to be successfully transformed into reality.

A Pyramid Hierarchy

A good way to avoid confusion is to think in terms of a pyramid hierarchy. Before focusing on project portfolios, programmes and projects it is necessary to start with the strategy of an enterprise. The enterprise strategy presents a vision of where the organisation wants to be in future. Therefore the enterprise strategy is placed at the top of the pyramid. In organisations comprising multiple business units, the enterprise strategy has to be interpreted and incorporated in the business unit strategies. The top two layers of the pyramid thus purely focus on the strategic management component of the organisation. The pyramid structure is shown in Figure 1.
Figure 1: Putting project portfolios, programmes and projects in context

The business unit strategies will give rise to strategic management plans, which in turn will generate a portfolio of programmes and/or projects to be implemented per business unit, prioritised according to business objectives and needs and within the resource constraints. As you go up the pyramid from the bottom (project to programme to portfolio) then the budget, life expectancy, complexity and interdependencies all become greater. Programmes can also reach across several or all the business units in the enterprise.

Some Definitions

Projects:

We now need to consider the definitions of a project, a programme and a project portfolio to highlight the differences. Definitions from the US Project Management Institute (PMI) and the UK Office of Government Commerce (OGC) will be used for this discussion.

At the lowest level of the pyramid there are projects. These projects can form part of a programme, or not. A project is:

- a temporary endeavour undertaken to create a unique product, service, or result (PMI, 2013a), or alternatively;
- a unique set of coordinated activities, with definite starting and finishing points, undertaken by an individual or team to meet specific objectives within defined time, cost and performance parameters as specified in the business case (OGC, 2010).

Programmes:
Some projects form part of programmes, whilst others do not. This is reflected in the second level from the bottom of the pyramid. A programme is:

- a group of related projects managed in a coordinated way to obtain benefits and control not available from managing them individually (PMI, 2013b), or alternatively;
- a collection of projects that are linked together by a business need and clearly defined benefits. (OGC, 2010).

Programmes thus consist of multiple projects. During the lifespan of a programme, projects can be added to the programme or removed as the overall strategy becomes clearer. Overall expenditure on programmes is typically significantly greater than that for projects. These efforts will also consume significant amounts of funding which can translate into hard choices about whether to continue or discontinue programmes or certain aspects of them. An example of a programme is an IT programme, designed to improve customer service, that contains an internet upgrade project, invoicing and customer complaints projects. A programme is therefore likely to involve a number of different departments or functions within the organisation and can span several years.

Project portfolios:

Programmes and individual projects (that do not form part of programmes) roll up into portfolios as shown in the third level from the bottom of the pyramid. The correct term to use is 'project portfolio', so as not to confuse it with financial investment portfolios. A project portfolio is:

- a collection of projects and / or programmes and other work that is grouped together to facilitate the effective management of that work to meet strategic business objectives (PMI, 2013c), or alternatively;
- a collection of programmes or projects that define the totality of the organisation's investment in change to facilitate strategic business objectives (OGC, 2010).

The programmes and projects in an enterprise or business unit project portfolio may not be related except to the extent that they are identified, prioritised and authorised with a view towards achieving a set of strategic business objectives. For the effective management of projects and optimal use of joint resources, several projects may be grouped into sensible categories (e.g. location, business area, types of projects) under a specific project manager.

These definitions are all succinct and to the point. Although the emphasis may be slightly different between the PMI and OGC definitions, the interpretation thereof is very similar. Other definitions can be found in the literature, but the ones presented here have wide support in the project environment.

Enterprise-wide Initiatives

The way in which Figure 1 is presented, reflects an enterprise comprising three business units, each with its own strategic business unit objectives and project portfolios. In such a case, how will corporate or enterprise-wide initiatives or programmes be handled and should there be an enterprise project portfolio? The answer is yes, but it need not be a permanent organisation structure. Programme and project specialists can be seconded from other business units for the duration of the enterprise-wide programmes.

We will consider three enterprise-wide initiatives or programmes. Each of the three enterprise
programmes consists of a number of projects as detailed in Figure 2. However, whereas enterprise programmes 1 and 3 impact on all the existing business units and structures in the organisation, programme 2 does not. The focus of programme 2 is to establish a new business unit with a totally new operating facility and product marketing department in an undeveloped area. Enterprise programmes thus do not only impact existing business units, but may actually establish new business units for organisation growth.

![Enterprise-wide project portfolios and programmes](image)

Figure 2: Enterprise-wide project portfolios and programmes

Three examples of enterprise-wide initiatives or programmes are given in Figure 2, namely the roll-out of new business management software to the entire organisation; the establishment of a new manufacturing company, and; the roll-out of a business ethics initiative for the organisation. An enterprise project portfolio is also shown for managing, coordinating and prioritising enterprise-wide programmes.

**Closing Remarks**

It is essential for anyone involved in projects and those in senior management positions to have a clear understanding of the terminology used in project portfolio management. Hopefully this brief overview of projects, programmes and project portfolios will help to firmly establish the concepts.

**References**

Look out for the March Insight Article where the future of GTL and CTL projects is considered in the light of the current low oil price.