PROGRAMME MANAGING PROJECT MANAGEMENT PROCESS - PORTFOLIOS AND BUSINESS PROCESS -PORTFOLIOS IN THE ORGANISATIONAL VALUE CHAIN

Synopsis

Programme management (of cross-functional process-portfolios and project-portfolios) entails serious responsibility, trust and accountability. The bottom line is that, as stewards of substantial corporate funds, programme managers are accountable for the success of programmes in all aspects and need to have full responsibility and authority. How managers define, structure, and act regarding projects is critical to the success or failure of those projects, and consequently the success or failure of the organisation (Pennypacker, 2002).

An effective **learning culture** is essential for effective programme management. Having an effective learning culture involves more than implementing the science of project management, it also involves the art of applying project management skills and the ability to create the organisational changes that truly integrate the programme management philosophy.

In a similar vein Pennypacker (2002) states that *"culture is embodied in the organisation's policies, practices, procedures, and routines".* Pieter Steyn (2004) adds the dimension of *"strategic leadership"* that forms the catalyst to manage organisations through process/project- portfolios and programmes. This new paradigm has become the integrative implementation link between corporate strategy, business unit strategy and operations strategy.

What prompted the programme management revolution where CEO's "projectise" their work and search for faster responses to changing market conditions? Verzuh (2003, pvii) suggests that the American economy is increasingly characterised by *change,* and *change* implies *projects.* Clearly the project mind-set has moved from the "little" used industrial engineering and the IS (Information Systems) departments to the " corporate centre stage".

Senge's "Learning Organisation" suggests a strategic programme management culture that embraces an environment, quote, *"where people continually expand their capacity to create the results they truly desire, where new and expansive patterns of thinking are nurtured, where collective aspiration is set free, and where people are continually learning to see the whole together."*

Organisational **change** and **transformation** can best be achieved through the management of programmes and projects (Partington, 2000). Considering that projects are results of the organisation's mission (Pennypacker, 2002) it follows logically that the traditional organisation forms and ways of managing organisations, have become obsolete (Steyn & Schmikl, 2005). Rigid functional management structures can no longer cope with the demands of dynamic transformation while maintaining, or enhancing, competitive advantage.

4.1 PROGRAMME MANAGEMENT

4.1.1 Programme Management Defined

The art of **"programme management"** is not yet fully understood, hence there is confusion about the related terms used. *Programme Management* pre-supposes successful project and process management and a **reason** why organisations move into the creation of programme management offices.

The following definitions indicate the strategic nature of the debate around *programme management:*

i. The Central Computer & Telecomunications Agency (UK), now known as the Office of Government Commerce (OGC), definition of programme management :
The co-ordinated management of a portfolio of projects that change organisations to achieve benefits that are of strategic importance.
- Logically connected to *long-term* objectives of the organisation.
- After establishing *long-term* objectives, the organisation identifies projects that help attain these objectives, focusing on the benefits these projects are designed to bring about.
- It advises that the organisation set up assorted structures to manage the programme and keep the strategic objectives in mind.
- The *projects* are likely to change the organisation itself. The focus is on *relocation*-, *rationalisation*- and *re-organisation* projects.
- Note that the CCTA focuses on *inviting tenders* for work rather than *submitting quotations* for work.
- The CCTA approach to programme management is at its most appropriate when applied to a publicly funded body.

The UK Office of Government Commerce (OGC) supports this definition.

ii. Rodney Turner Error! Reference source not found. :
The process of co-ordinating the management support and setting of priorities across individual projects, to deliver additional benefits and to meet the changing business needs.
- Emphasis is on prioritising **benefits**, not **projects.**
- Note the **business needs** as opposed to **project** needs.

iii. The Project Management Group (PMG):
The Planning and Monitoring of Tasks and Resources across a Portfolio of Projects

iv. Project Management Institute (PMI) :
A group of related projects managed in a coordinated way. Programmes usually include an element of ongoing work.

v. Association for Project Management (APM) :
The effective management of several individual but related projects or functional activities in order to produce and overall system that works.

vi. The Interactive Project Workout, Robert Buttrick Error! Reference source not found. (Cable & Wireless UK):
Business Programmes comprise current benefit generating business activities together with a loosely coupled but tightly aligned portfolio of projects & programmes, aimed at delivering the benefits of part of a business plan or strategy.

Buttrick identifies three different configurations of *programmes:*

- PORTFOLIO: a set of related projects aimed at meeting the business plan needs
- GOAL DIRECTED: a set closely related projects aimed at creating new capability.
- HEARTBEAT: a set of activities managed around a service delivery e.g. a large IT system.

Clearly the definition of *programme management* is not exact, it depends on the organisation type (inclusive of size), the organisational strategy and the long - term business purpose of the organisation. Programme Management provides the organisational processes, organisational architecture, and organisational culture that:

- Enable linkages between the top level strategic direction of the organisation and the management activities required to achieve benefits of strategic importance
- Ensure that the strategic goals of the programme remain valid in response to changes in the internal and external environment
- Support the executives who have to plan and control activities, set priorities and allocate resources for the projects and processes in the various portfolios
- Assist in the effective communication, delegation and management of work in the organisational value chain
- Ensure all issues are identified, recognised and dealt with to maximise strategic success
- Ensure all risks are identified, monitored and controlled
- Ensure all stakeholders are informed and involved and that their interests are always considered
- Focus attention on the **realisation of strategic benefits** defined by a **Balanced Scorecard** approach to strategy formulation
- Optimise human talent utilisation.

In view of the above the following definition of Programme Management proposed by Steyn (2003) is appropriate:

PROGRAMME MANAGEMENT DEFINITION

The coordinated and integrated management of portfolios of processes and -projects,including large tasks, that brings about improvements in organisations that achieve benefits of strategic importance

4.1.2 Programme Types

There are four main types of project -based programmes:

- The Multi-Project Organisation
  The Multi-Project Organisation is characterised by having many projects for several customers that run simultaneously, sharing the same resources and generating value for the organisation. More than one project - portfolio may exist in the programme, each project-portfolio focussing on a specific market segment, for example, community development or health.
- The Mega-Project
  The Mega-Project type of programme refers to a project that is so large it has to be broken down into a series of smaller projects, each of which may be a major project in its own right. An example is staging the Olympic Games.
- Many Projects for One Client
  Consider a supplier company that works for a limited number of clients with whom it has very close working relationships. This supplier may have several projects in hand at any one time for the same client. This type of programme may also be considered as a Multi -Project case. Examples of this kind of programme can be found in the IT industry.
- The Programme Management Organisation
  The Programme Management Organisation will have many similarities with the first type, the Multi-Project Organisation, if it is a project driven organisation that derives its income from doing projects for external customers. Projects that derive income for a Multi -Project Organisation are usually carried out to satisfy the needs of external customers and are not necessarily logically linked. These projects are generally delivered through cross-functional (matrix) project management processes as shown in figure 2.

In a Programme Management Organisation, according to Steyn (2003), **project-portfolios** are aimed at bringing about strategic transformation and innovative continuous improvements to enhance the effectiveness and efficiency of the total organisational value c hain. These projects focus on the needs of internal customers and are mutually supportive and systemically linked. A Programme Management Organisation may be a non -project driven organisation, meaning it derives its income from the delivery of conventional products and services to external customers.

In addition to project-portfolios the Programme Management Organisation organises its cross-functional work into **process-portfolios** that are likewise programme managed (Steyn, 2003). Projects in a portfolio a re lead by project managers while processes in a portfolio are lead by process managers. Larger organisations are grouping cross -functional processes into one portfolio serving external customers, and another portfolio serving internal customers. Typically the Order Fulfilment-, Customer Relationship-and Customer Service Process serve external customers, while the Demand Management and Capacity Planning -, Procurement-, Manufacturing Flow Management-, and Product Development and Commercialisation Process serve internal customers (see Figure XXXXX). Note that the latter is a cross -functional (matrix) **project** management process.

In large organisations **project** managers report to **project-portfolio managers** and **process** managers report to **process-portfolio manage rs.** All portfolio managers in turn report to **Programme Managers** who are part of the executive team. In smaller organisations with limited project - and process-portfolios the project-portfolio manager and programme manager may be combined into one position performed by the same person, and likewise for the process scenario.

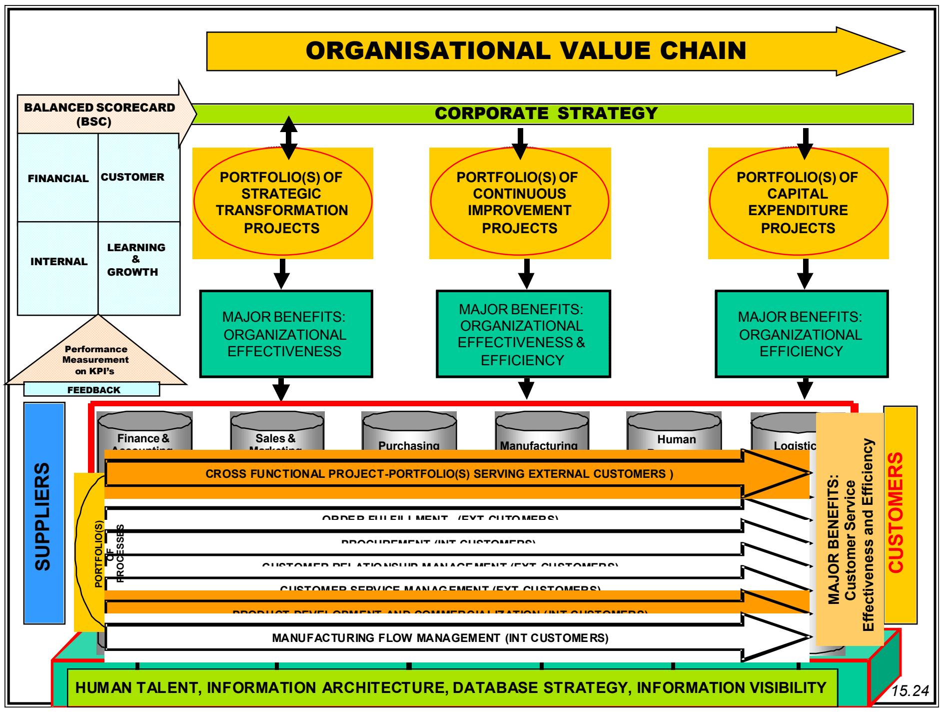
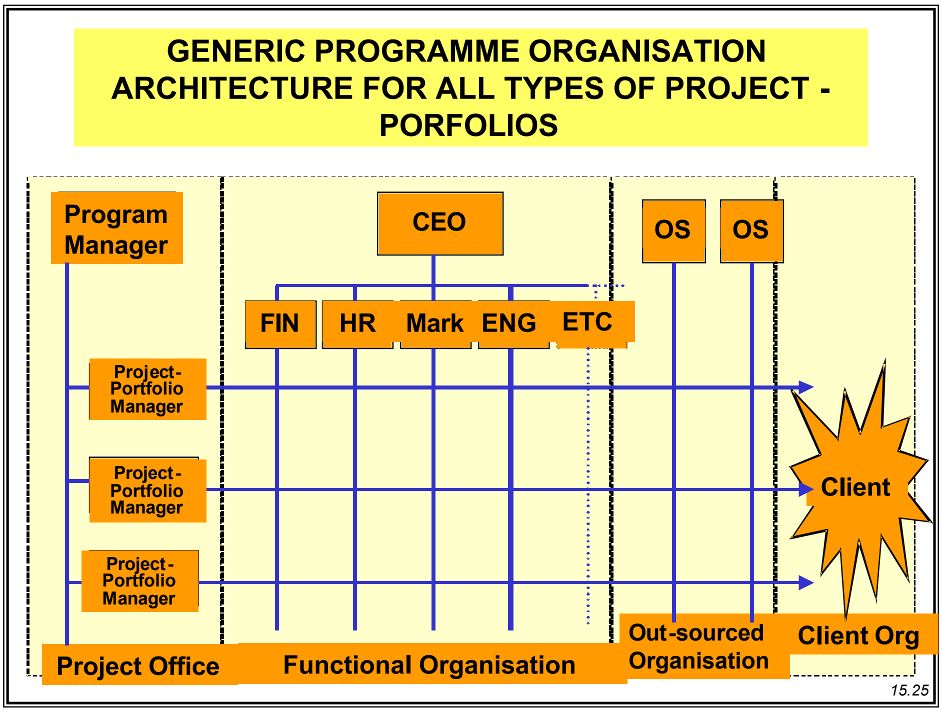


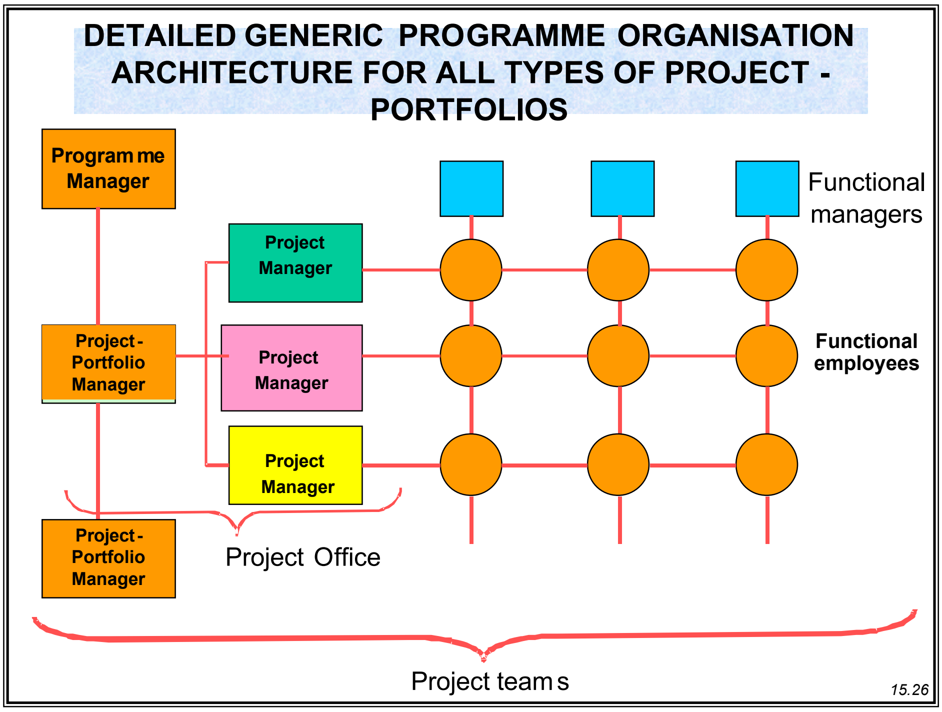
Figure 2 Project- and Process-portfolios in the Programme Managed Organisational Value Chain (Steyn & Schmikl, 2005).

4.1.3 Distinguishing between Process-portfolio Management and Project-portfolio Management Processes

In Figure 2 Steyn & Schmikl (2005) distinguish between project-portfolios and ***cross-functional*** process-portfolios that exist in the organisational value chain. Project-portfolios that serve internal customers and enhance the effectiveness and efficiency of the organisation's value chain are:

- The Strategic Transformation Project-portfolio for strategy formulation and implementation
- The Continuous Improvement Project-portfolio for implementation of innovative ideas
- The Capital Expenditure Project-portfolio for implementation of capacity expansion and renewal investments.




DETAILED GENERIC PROGRAMME ORGANISATION ARCHITECTURE FOR ALL TYPES OF PROJECT - PORTFOLIOS
Programme Manager
Project Manager
Project Manager
Project Manager
Project-Portfolio Manager
Project-Portfolio Manager
Functional managers
Functional employees
Project Office
Project teams
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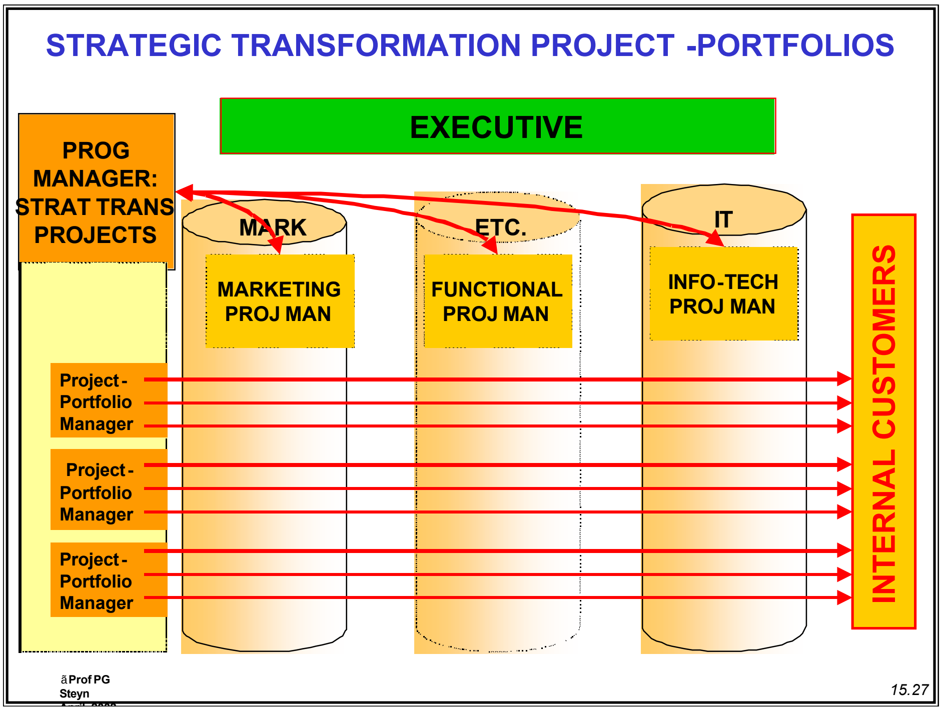
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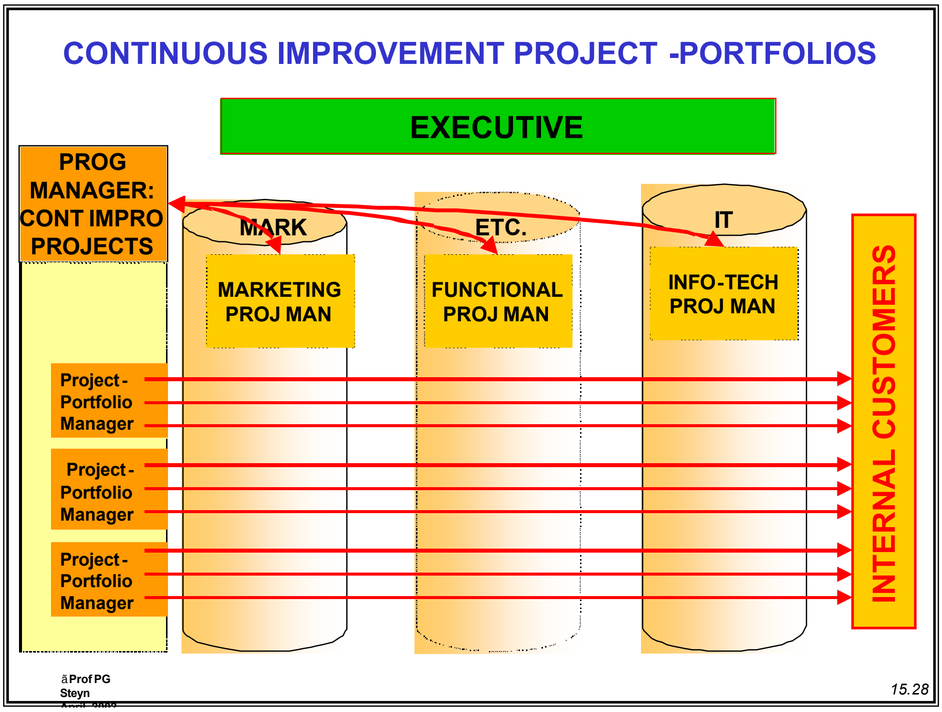
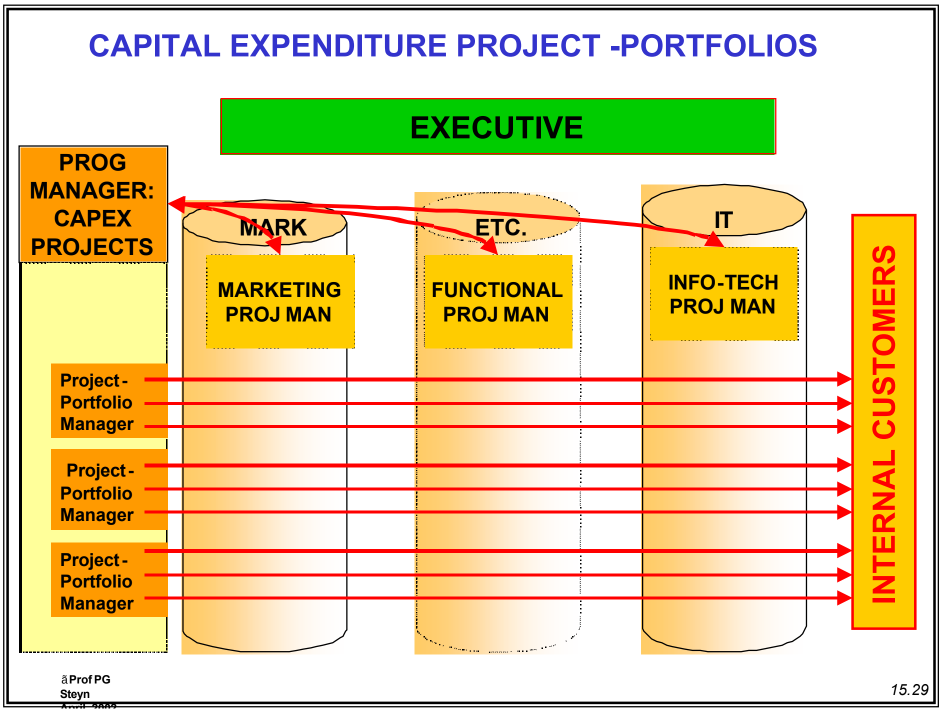
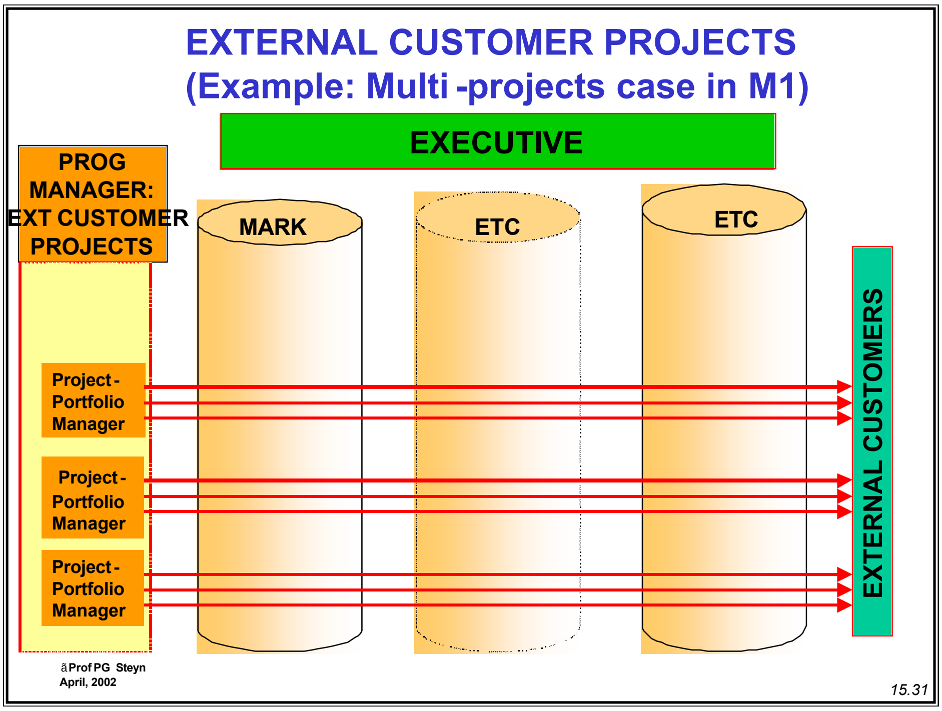
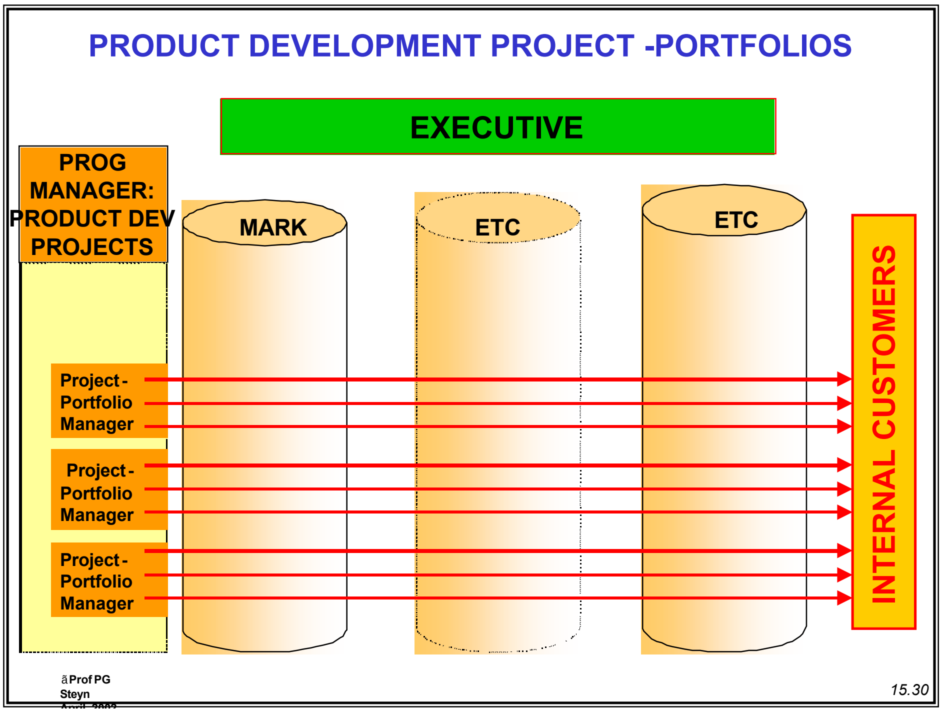




Project-portfolios that enhance internal or external customer service effectiveness and efficiency in the organisation's value chain are:

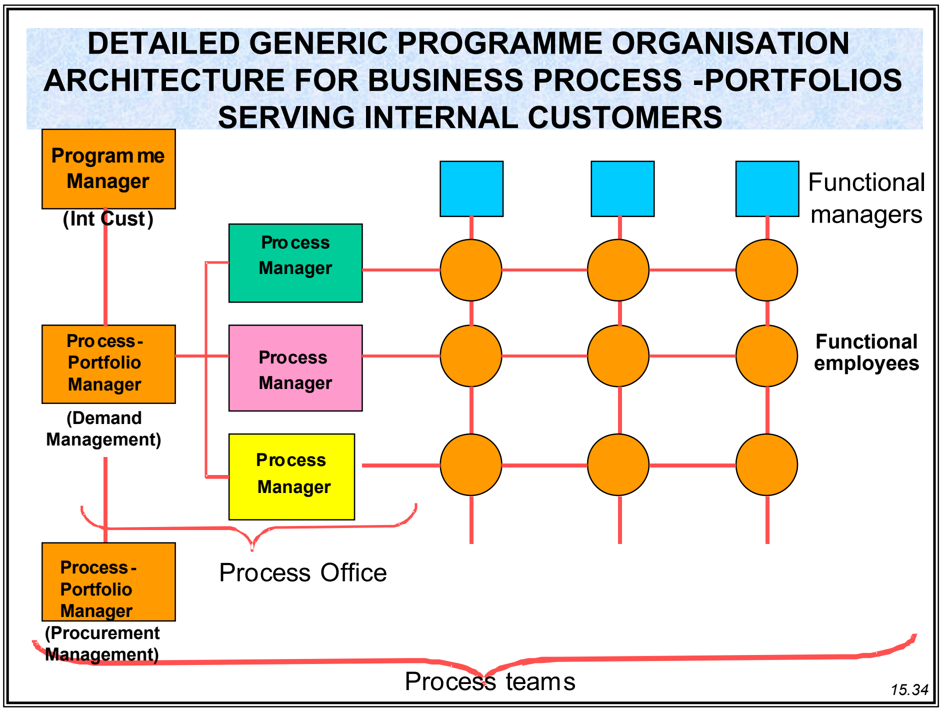
- The Multi-project Project-portfolio (exists only in project driven organisations and serves the needs of external customers)
- The Product Development and Commercialisation Project-portfolio (that is made up of product development ***projects*** and serves the needs of internal customers).





Process-portfolios that enhance internal customer service effectiveness and efficiency in the organisation's value chain are:

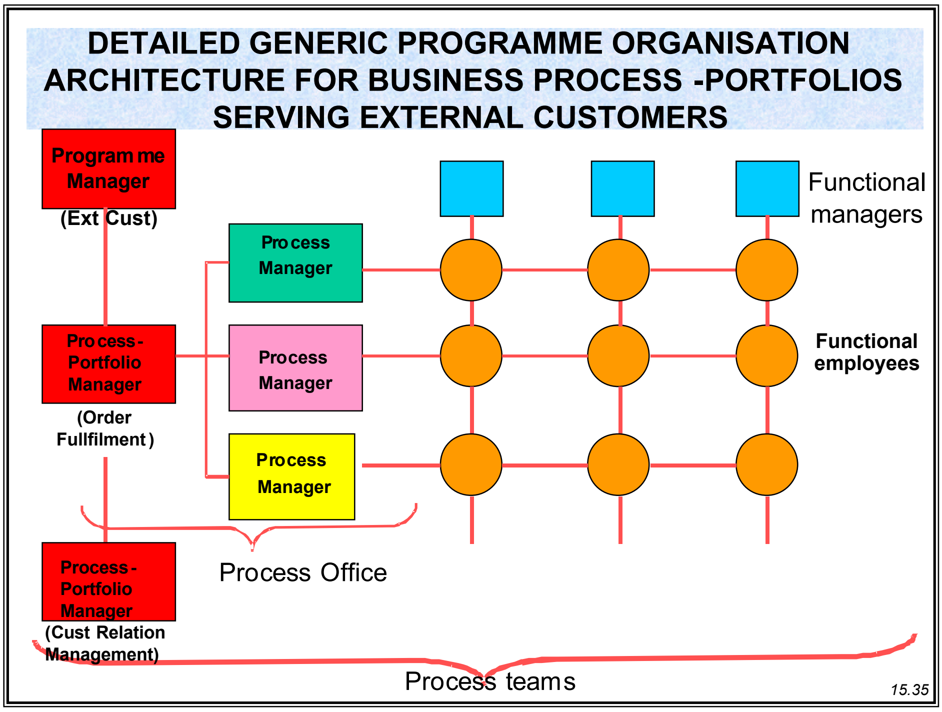
- The Procurement Process -portfolio
- The Manufacturing Flow Management Process -portfolio
- The Demand Management and Capacity Planning Process -portfolio.



Process-portfolios that enhance external customer service effectiveness and efficiency in the organisation's value chain are:

- The Customer Service Process-portfolio
- The Customer Relationship Management Process -portfolio
- The Order Fulfilment Process -portfolio.

Note that the various portfolios are not mutually exclusive but function as an integrated system. The strategic picture is linked to the operational. It is however imperative that deliverables of projects and processes are measured to determine to what degree, if any, the organisation's strategic benefits are realised. This requires that organisations utilise a balanced scorecard approach by identifying critical success factors related to their mission statements, and key performance indicators to measure them for purposes of appraisal and review.


DETAILED GENERIC PROGRAMME ORGANISATION ARCHITECTURE FOR BUSINESS PROCESS -PORTFOLIOS SERVING EXTERNAL CUSTOMERS
Programme Manager
(Ext Cust)
Process Manager
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(Order Fullfilment)
Process Manager
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Process Office
Process teams
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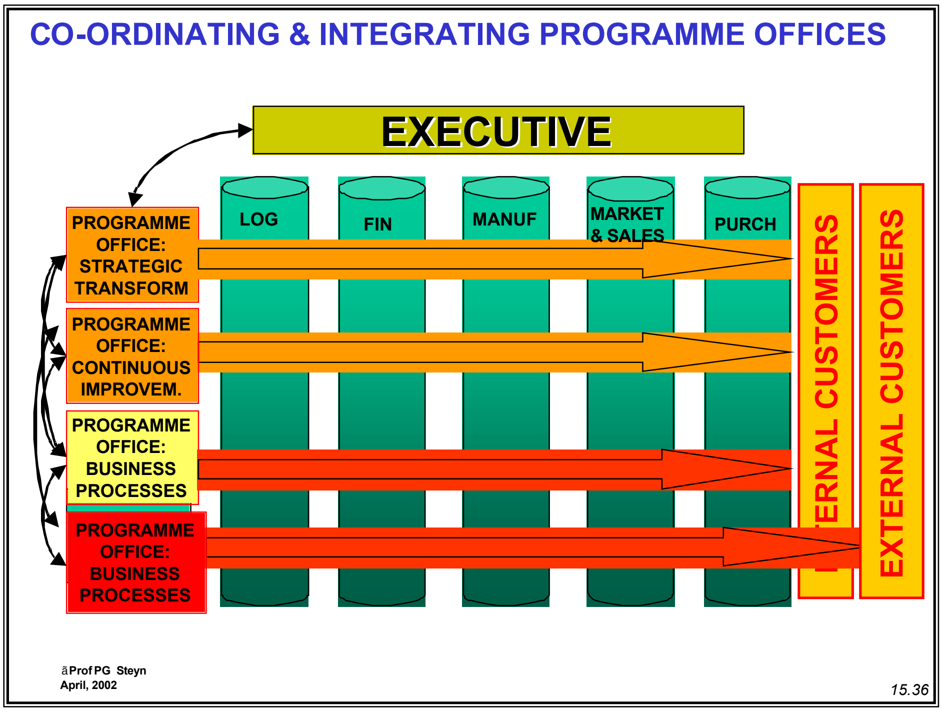
CO-ORDINATING & INTEGRATING PROGRAMME OFFICES
EXECUTIVE
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PROGRAMME OFFICE: CONTINUOUS IMPROVEM.
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PROGRAMME OFFICE: BUSINESS PROCESSES
ERNAL CUSTOMERS
EXTERNAL CUSTOMERS
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The Challenge

Traditional organization forms and ways of managing organizations are becoming obsolete. Rigid functional approaches to management can no longer cope with the demands of the new economy. Communication in traditional organizations is much too cumbersome, impeding the flow of information and managerial decision-making. Moreover, leadership in traditional organizations tends to lack strategic focus. This situation has become a real challenge, since most of what has been assumed as standard practice in the past, no longer befits current reality.

Programme Managing the Value Chain

Managing organizations through project- and process-portfolio programmes is gaining popularity. Programme management (PM) as it is generally referred to, is an implementation tool that delivers organizational benefits resulting from aligned corporate, business unit, and operations strategies. It facilitates coordinated and integrated management of portfolios of projects, tasks and processes that bring about strategic transformation, innovative continuous improvement and customer service excellence in organizations, with the aim of achieving benefits of strategic importance.

Through investigating how organizations shape their programmes, researchers and consultants, including Murray, Webster and Thiry[1)], indicate three ways in which programmes are shaped. Firstly, there are strategic or goal-oriented project-portfolio programmes that deal with strategic transformation in the organization. Secondly, innovative project-portfolio programmes that deal with continuous improvement initiatives emanating from top management as well as team members in the organization. Thirdly, capital expenditure programmes that deal with large capital investment projects such as new plant, equipment and buildings. Steyn[2)] asserts that a fourth initiative in the programme management approach can be added to the above, namely, the process-portfolio programme. Process-portfolio programmes in organizations are operational in character and focus on improved internal and external customer service, guided by strategic initiatives from executive leadership. A systems perspective of the four initiatives is illustrated in Figure 1.

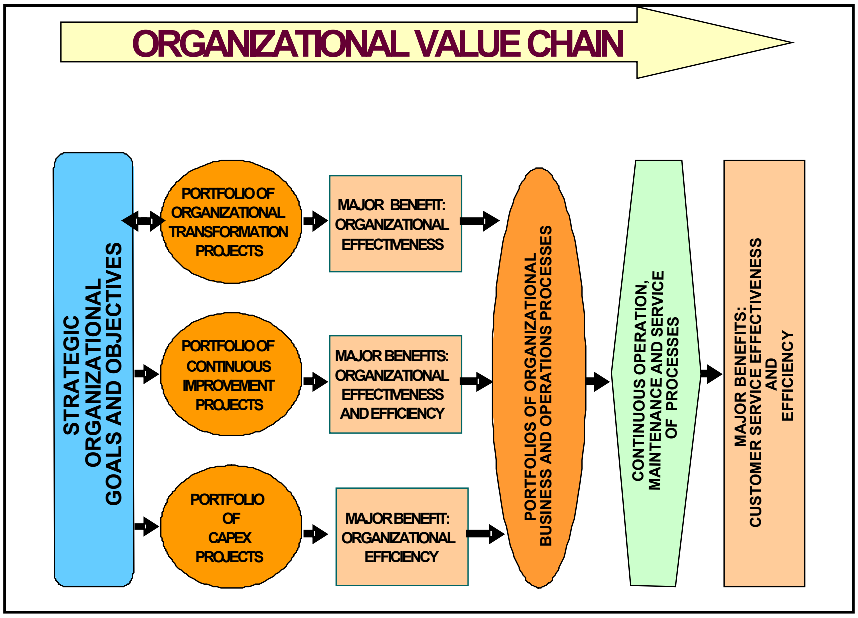


Figure 1: A systems perspective of project -portfolios and process-portfolios in the organizational value chain (Steyn)[2)]

Strategic or goal-oriented programmes arise as a result of development and implementation of both prescriptive and emergent strategies. According to Murray, Webster and Thiry [2)], strategic programmes are grouped around a common frame or purpose, such as a strategic objective where uncertainty exists about the final outcome, strategic scope changes may occur, and projects and large tasks are added or removed from the portfolio accordingly. Major benefits that accrue from the outcomes of projects in a strategic portfolio are: firstly, strategies are tra nslated into tangible actions; secondly, emergent changes to strategies during implementation are dealt with efficiently within the structures of programme management; thirdly, risk and uncertainty are reduced through iterative programme development; finally, the deliverable of each project which constitutes an implementation of strategy, is subject to integrated review and approval based on measurement of key performance indicators. The main gain achieved through the strategic transformation programme app roach is organizational effectiveness. (doing the right thing).

Innovative continuous improvement programmes are grouped around a common platform, such as an operation, business process, information technology, knowledge and skills, or infrastructure that needs continuous enhancement. Major benefits that accrue from this approach are multiple. Innovative top-down and bottom-up initiatives can be effectively dealt with in a systemic way. As suggested by Murray, Webster and Thiry [1)], multiple initiatives are grouped to create actions that are coherent and efficient, while short-term actions can be fitted into a long-term strategy. Appraisal of derived benefits, based on key performance indicators, can be made with clear perspective. The innovative continuous improvement programme approach enables coordination and integration of continuous improvement initiatives across the whole organizational value chain. The main gains are organizational effectiveness and efficiency (doing the right things and doing them right the first time).

Strategic transformation programmes concentrate mainly on doing the right things, such as making certain that the right strategies to best achieve the organization's vision and mission are implemented. Innovative continuous improvement programmes, on the other hand, focus on taking the right steps regarding organizational improvement initiatives *inter alia* enhancing the operational capability of a system, process or infrastructure being investigated.

Capital expenditure proje ct portfolios are highly prescriptive or specified programmes, and are grouped around common themes such a business unit, specific groups of resources, or knowledge areas. Murray, Webster and Thiry [1)] allude to the fact that their benefits include better p rioritization of and control over multiple projects, better allocation and utilization of resources, and appropriate identification and management of dependencies between projects. The main gain of the capital expenditure programme approach is improved organizational efficiency.

According to Steyn [2)], process-portfolio programmes are operational in character and focus on improved customer service, based on executive leaderships' strategic objectives. For this reason, these programmes are generally groupe d around initiatives pertaining to operations and business processes serving internal customers and external customers in different market segments where the organization operates. Major benefits derived from this approach are delivery of multiple interna l and external customer service initiatives aligned with corporate strategic objectives. The main gains are organizational effectiveness and efficiency in respect of internal and external customer service. The major difference here is that programme man agement coordinates and integrates operations activities in continuous processes of the value chain, as opposed to finite projects and large tasks that enhance the productivity of the organizational value chain (see illustrated in Figure 2).

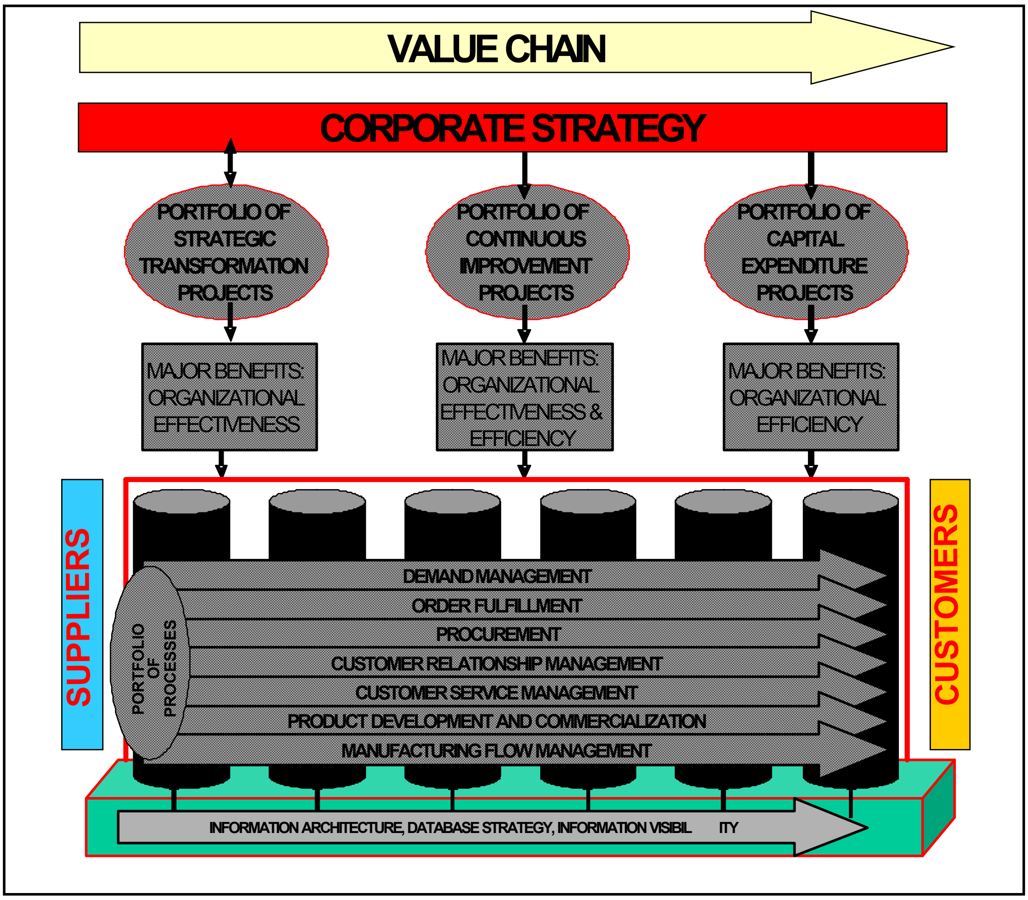


Figure 2: The value chain illustrated as an integrated system of project and process programmes.

The four programme configurations are not mutually exclusive. They support each other integratively in the organizational environment and have the further advantage that the organization's strategic vision and mission are systemically linked to operations activities serving internal and external customers. Moreover, it is important to note that the integrated system of project and process programmes applies to the value chains of both public and private sector organizations. Arranging projects and processes as described above, lead to the creation of portfolios of projects and processes in the value chain, the outcomes of which executive leadership have a responsibility to align with the strategic objectives of the organization.

The programme manager has the task of aligning the outcomes of each project - or process-portfolio with the strategic intent of the organization, prioritizing projects in a portfolio in order of importance, ensuring that suitable resources are available for each project or process in designated time periods, and, most importantly, to appraise the outcomes of projects or processes (together with executive leadership) to determine to what degree important strategic organizational benefits are realized. It is also the programme manager's task to review the programme, based on the results of the appraisal.

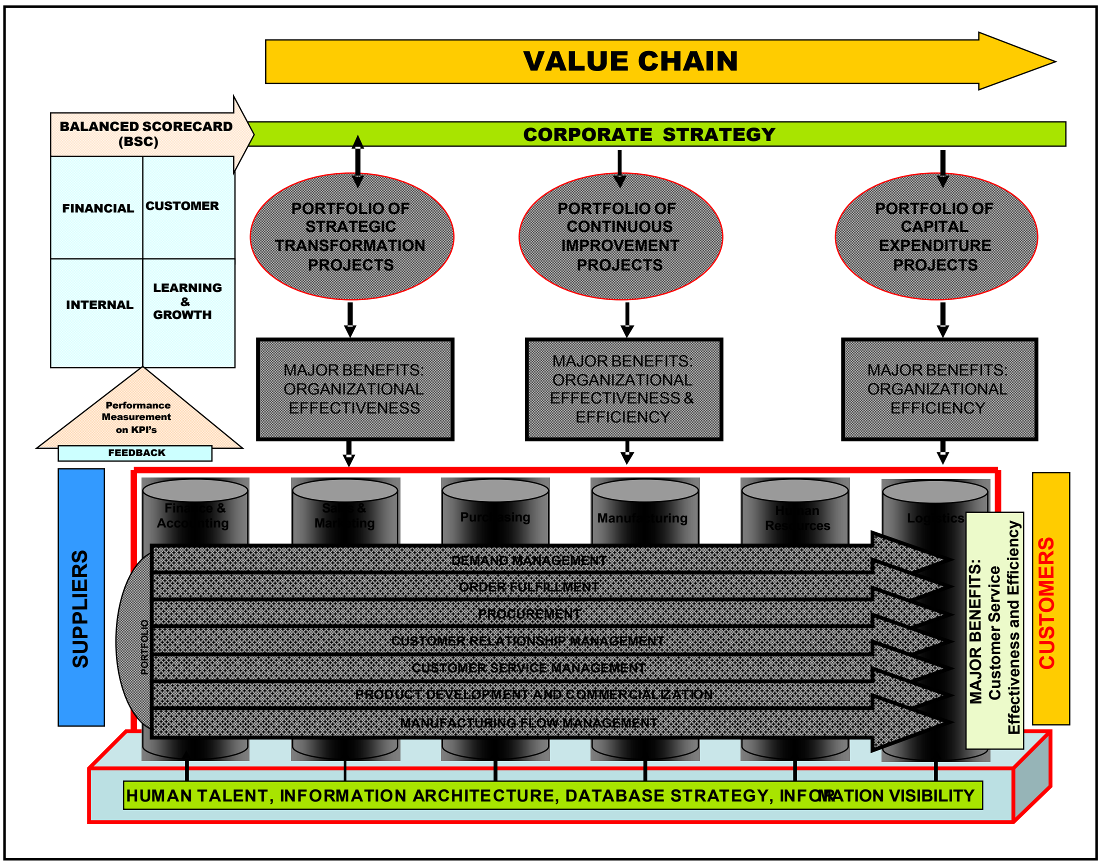
Leading Strategic Transformation, Innovative Improvement and Customer Service Excellence.

The current author's practical experience in South African organizations where strategic transformation and improvement were guided by formal programme management (PM), confirmed the usefulness of following Kotter's[3] eight steps for leading organizational change. It also confirmed Harvey and Brown's [4] view that organizational transformation and improvement should be an inclusive effort, which addresses the creation of improved attitudes (values), building new relationships, and creating improved internal processes. To succeed, all of the above must be strongly supported by leadership, executives in particular. Executives should also create a strategy budget separate from the operational budget for implementing portfolios o f strategic transformation and innovative continuous improvement projects.

The balanced scorecard (BS), created by Harvard professors Kaplan and Norton[5], is an ideal tool for describing corporate strategy in uncomplicated terms so that the vision and mis sion are easily communicated to and understood by all people in the organization. It assists in identifying key organizational success factors and associated key performance indicators that can be utilized for measuring the degree to which strategic organ izational benefits are achieved. The balanced scorecard enables an organization to link its long -term strategy with short -term actions and moves away from relying solely on short -term financial measures as indicators of performance. It complements the financial perspective by adding three additional ones; the customer, learning and growth, and internal business process perspectives. All four are indicators of performance. However, the financial perspective is a lagging-indicator, since organizational im provements may take some time to manifest in financial rewards. The other three are adjudged leading -indicators of performance, since potential organizational improvements are immediately evident.

The BSPM System

When balanced scorecard (BS) guided formul ation and strategy description as well as criteria for measuring organizational benefits are coupled with programme management (PM), a Balanced Scorecard/Programme Management (BSPM) system is created – a system which enables integrated and coordinated mana gement of the organization's value chain processes from suppliers to external customers, including implementation of project -portfolios that enhance the effectiveness and efficiency of the value chain (see Figure 3).



The BSPM system utilizes Total Quality Management (TQM) principles *inter alia* having a focus on internal and external customer needs; involving management and staff at all levels of the organization in team work; decentralizing managerial decision-making; focusing on continuously improving the products, services, systems and processes of the organization; and creating a learning organization that stimulates human creativity and knowledge management. The progress reviews adopted in the BSPM system approach provides maximum flexibility, agility, innovation, monitoring and control. Coupled with leadership excellence it assures strategic organizational success.

Central to the BSPM system is creating high-performance integrated project and process teams that operate in a coordinated manner across functional boundaries within the organization. Specialized outsourced teams that enhance the organization's capacity, form an integral part of these high-performance teams. The actions of teams are co-ordinated and integrated by project and process managers, who maintain continuous focus on customers' needs, irrespective of whether these customers are external or internal to the organization. Double-loop learning in team context promotes innovative continuous improvement actions so critical for success in corporate and operations strategy implementation. Moreover, in strategy implementation double-loop learning within high-performance teams enables quick response handling of emergent strategies. Programme managers in collaboration with executive and functional management, align project and process outcomes with the strategic intent of the organization, prioritising actions, ensuring that suitable resources are available, and appraising the project and process deliverables to determine whether strategic organizational benefits accrue. Further improvements then follow from results of the appraisals.

Organizational benefits of strategic importance achieved through the BSPM system are tangible or intangible *inter alia* improved internal and external customer service, competitiveness and market perceptions; improved business processes, information systems, products and services; improved knowledge, skills and attitudes of people in the organization; improved organizational climate and learning; and ultimately improved shareholder value. The BSPM system enables strategy-focussed leadership and management of the organizational value chain. Strategic management of the organization is becoming progressively more project and programme driven, demanding a highly communicative leadership style at the corporate, business unit and operational levels of the organization.

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