RUSS MARTINELLI · JAMES M. WADDELL · TIM RAHSCHULTE

PROGRAM MANAGEMENT

FOR IMPROVED BUSINESS RESULTS

S E C O N D E D I T I O N

WILEY

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To our dear friend Dragan Milosevic

Preface

Since the publication of the first edition of this book, many volumes of white papers, articles, and books on the subject of program management have emerged. The impact, as measured by increased knowledge about *what* program management is and *why* it is important, has been great. We feel fortunate to have been part of that change.

We also feel fortunate to have received some amazing feedback from the readers of the first edition, which was both complementary and constructive. The most rewarding feedback came from readers who felt the book helped them to become better program managers (or become first-time program managers in some cases), as well as from those who recognized that the book is "different". This book *is* different by design. The differentiator is that its foundation is based upon a *body of practice* that focuses on *how* program management has been practiced historically within companies, and *how* it is practiced today.

Our personal understanding of how program management is being practiced has been greatly enhanced by opportunities to train many practitioners in a variety of industry sectors (both for-profit and non-profit), and by opportunities to work directly with companies that are engaged in the introduction of program management into their organizations or that are working to strengthen their existing program management capabilities. This new understanding, and the associated lessons learned, are shared throughout this second edition.

The most significant changes introduced in this edition are in four areas. First, we introduce the concept of the program management continuum, which we use as an

anchor throughout the book to describe the variation of how program management is implemented within companies, and how we delineate between project-oriented and program-oriented organizations. Next, we provide a broader explanation of the relationship between systems thinking and program management, to include one of the primary roles of a program manager as the master integrator of cross-project work. Then, to strengthen one of the emerging themes of program management, we include additional information on benefits management, particularly in relation to the achievement of the business benefits that drive investment in programs. Finally, we worked to create tighter alignment and cross-reference to the program management standards and guides that have been developed to provide additional detail and depth to the program management principles.

To reinforce the practical nature of this book, we include seven new case studies. Four case studies, referred to as Program Management in Practice, are found at the end of each major section of the book, and three comprehensive case studies that focus on multiple dimensions of program management are included in the appendices. The case studies represent the application of program management in a variety of industries, including software services, automotive, academia, information technology, U.S. defense, and digital media display. We chose to use fictitious names for the companies and people presented in the case studies to ensure the good, the bad, and the ugly aspects of each case remained intact. The cases are real, however, as are the characters and the stories contained within. In our choice of tools to present, we cover those that we see utilized the most and those that provide the greatest utility. Additional tools and tool templates can be found on the Program Management Academy website: http://wiley.programmanagement-academy.com.

Finally, we maintained the modular design and flow of information contained in the first edition. This allows you, our readers, the option to read this book from cover to cover, or to focus upon the aspects of program management that are most pertinent to your needs. However you choose to read this book, we hope you enjoy your journey into the world of program management.

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Our many colleagues and co-workers who have contributed to the concepts presented in this work in many ways.

We are truly blessed to be associated with such a wonderful and supportive community of people!

Part I

It's About the Business

Part I begins by providing clarification of the program management discipline and then illustrating how program management can be implemented as a major part of an organization's business model.

The primary theme established in this first part, and then used throughout the entire book is *it's about the business*. The purpose of the introductory chapter, Program Management, is to establish the foundational elements of programs and program management as it is practiced in our organizations and many of our clients' organizations, and explain how it is used to achieve a firm's strategic business goals. The unique meaning of program management is identified and described, illuminating its raison d'être. It explains what program management is and what it is not and compares and contrasts program management with project management and portfolio management, dimension by dimension.

The foundational elements from Chapter 1 provide perspective for Chapter 2, Realizing Business Benefits. In our own careers, we have witnessed the power of program management to serve as a coalescing function that provides business benefits by delivering both business *value* and business *results*. In Chapter 2, we explore these two sides of business benefits realization through the implementation of program management within an enterprise.

Chapter 3, Aligning Programs with Business Strategy, completes Part I by detailing the systematic approach of program management through the use of an integrated management system. As we demonstrate in this chapter, the program management discipline plays a pivotal role in aligning the work output of multiple project teams to the corporate and business unit strategy of an enterprise.

Chapter 1 Program Management

A lot has changed with respect to program management since we introduced the first edition of this book. Much of the literature that existed at that time consistently confused program management with project, portfolio, or operations management. Today, multiple standards exist and many volumes of white papers, articles, and books are readily available. As a result, the general knowledge about what program management is and why it is valuable has increased markedly.

While many different aspects and approaches to program management have emerged, we have been pleased to watch a convergence on what we believe is the single most important aspect of program management: it's about achieving business results.

Even the various standards, which by nature take a broad brushstroke at the subject of program management, state that program management is all about benefits realization, and benefits directly refer to achievement of the business goals of the enterprise and the organizations within the enterprise.

The purpose of this introductory chapter is to establish the foundational elements of programs and program management as it is practiced in our organizations and many of our clients' organizations, and explain how it is used to achieve a firm's strategic business goals.

This is the foundational information needed by anyone considering the introduction of program management within their organization, or for anyone needing a better understanding of how their current use of program

management can be further matured to gain improved business results and establish a stronger link between execution and strategy.

Definitions and Context

One of the primary challenges with creating standards, and therefore standard definitions, is that they have to be broad in nature to encompass a wide range of applications, but specific enough that individuals can identify and correlate the work they do on a day-to-day basis within the standard.

Programs Defined

The two leading standards with respect to program management are of course *The Standard for Program Management* by the Project Management Institute (PMI) in the U.S., and *Managing Successful Programmes* by the Office of Government Commerce (OGC) in the U.K. From an academic and standards perspective, each of these organizations has created a useful but differing definition for a program.

PMI defines a program as "a group of related projects managed in a coordinated manner to obtain benefits and control not available from managing them individually. Programs may include elements of related work outside of the scope of the discrete projects in the program."

1

The OGC defines a program as "a temporary flexible organization created to coordinate, direct and oversee the implementation of a set of related projects and activities in order to deliver outcomes and benefits related to the organization's strategic objectives."²

From a practice standpoint, we can utilize either definition, depending on the organization we are working with and their particular view of what a program encompasses.

There are a few points of particular interest, however, that we tend to point out regarding these definitions when teaching or coaching. We particularly like the fact that the PMI standard identifies that a program includes "elements of related work outside of the scope of the discrete projects." As we explain in Chapter 4, by taking a *whole solution* or systemic approach to defining and structuring a program, one quickly realizes that a program needs to encompass more than the constituent projects within the program to be truly successful.

Additionally, the OGC standard brings out the fact that programs exist "to deliver outcomes and benefits related to the organization's strategic objectives." This is a critical distinction in practice: programs must exist to further the strategic business goals of an enterprise. Otherwise it becomes work for the sake of doing work—a result that unfortunately is all too common in many organizations.

Finally, each standard describes a program as consisting of a group or a set of "related" projects. We would rather the standards be a bit more precise regarding this point. If the projects are merely related, what distinguishes a program from a portfolio in these definitions? In practice, the projects within a program have a higher level of relationship. They are not just related, but rather highly interrelated. The distinction here is that each project is so dependent upon one or more of the other projects on the program that it cannot succeed on its own. If one of the projects on a program fails, it is highly likely that the program in its entirety will fail. This is an important distinction because it is not necessarily the case for a portfolio of related projects.

Understanding these subtleties with regard to the definitions for a program will help in the application of the term within your organizations.

Program Management Defined

While we were writing the first edition of this book, a common, universally accepted definition of program management did not exist. When we researched the definition we found many versions that were similar in some ways and quite different in other ways. Interestingly, the same is true today, only there are fewer versions available.

Although we have slightly refined our original definition of program management, we continue to find that it is most effective for people who are either implementing program management into their organizations or looking to mature their existing program management culture and practices.

Program Management Definition

Achieving a set of business goals through the coordinated management of interdependent projects over a finite period of time.

This definition describes a model of program management that exists within an organization that has a high degree of program management maturity, what we call a *program-oriented organization*. Within a program-oriented organization, program management exists as a critical element within the business operations of the enterprise. It is in this context that the maximum gain will be realized from the existence and practice of program management. For this reason, this definition contains a number of key tenets, each of which are addressed below.

Benefits Management

Benefits realization through the achievement of an organization's business goals is the overriding objective of any program, and therefore the management of a program. For this reason our definition of program management begins with this realization: "achieving a set of business goals." By way of example, in product or service development, a key program-level goal is to introduce capabilities before one's competitors. In a competitive environment, time-to-benefits is arguably the most closely tracked metric by both the program manager and senior management. We do not dispute that delivery of the right product at the right time is critical, especially since we have had plenty of personal experiences where that was the primary measure of success. However, delivery of the product is only the mechanism to realize the *true business* goals, such as capturing additional market share, increasing profit through sales and gross margin growth, and strengthening brand value by being the first to market with compelling features and usages.

Coordinated Management

Most programs require the work of many functions within an organization. Therefore they must be organized into a set of project teams that are cross-discipline and cross-functional. Using the phrase "coordinated management" of multiple projects in our definition means that the activities and outcomes of each project team are executed through a common program framework and synchronized by the program manager. Steven Wheelwright and Kim Clark properly articulated the need for effective cross-functional management many years ago:

Outstanding development requires effective action from all of the major functions in the business. From engineering one needs good design; from marketing, thoughtful product positioning, solid customer analysis, and well-thought-out product plans; and from manufacturing, capable processes. But there is more than this. Great products and processes are achieved when all of these functional activities fit well together. They not only match in consistency, but they reinforce one another.³

Interdependent Projects

For program management, cross-discipline and cross-functional coordination and integration has to be extended to include *cross-project* coordination and integration. Every program is made up of multiple projects, each of which is most likely cross-discipline in nature. This concept is described by Mary Willner, a senior manager at Intel Corporation:

With one set of desired business results for the program, coordination extends beyond just schedule coordination; it also requires coordination to ensure the stated business objectives are met. Which, if compromises are required (e.g. cost, feature, schedule), its resolution is managed as a coordinated effort across the interdependent projects.⁴

As the term implies, "interdependent projects" are those that have a mutual dependence on the output of other projects in order to achieve success. Commonly, the interdependencies come in the form of deliverables that are the tangible outputs from one project team that become the input to another project team or teams. Program management ensures that the dependencies between the multiple projects are managed in a concerted manner.

Finite Period of Time

A "finite period of time" means that a program is a temporary undertaking, having a point of beginning and a point of ending. This can be contentious as some definitions describe a program as an ongoing endeavor. From our perspective, if this is the case the program is really part of the normal *operations* of the business, therefore not a discrete program and may be better defined as an initiative. By contrast, for a program in which a new capability or organizational change is created and delivered, the program must have both a beginning and an ending in order to effectively measure business results.

This point came to the forefront when we were asked to assist a leading customer relationship management software company with the implementation of program management into their product development and IT businesses. The company historically has had an agile development and delivery culture, which caused much debate to ensue among the senior leaders of the company on whether a program should have an end, or rather should be a continuous process in the spirit of the agile methodology. The debate ended with the realization that a program did in fact have to end in order to measure whether the business goals driving the need for a program were achieved. In this case, the programs that deliver new capabilities to their software platform or into their IT infrastructure are time-bound (usually a year or six months).

Program Management Characteristics

A definition alone does not provide adequate description of the value that program management can bring to an enterprise. There are five core tenets underlying program management practices that help to describe the true value of program management as a unique business function.

Establishes Ownership and Accountability

In many organizations that do not utilize the program management model, ownership and accountability for the business results associated with the program normally falls on the functional managers of the business. Generally, in project-oriented organizations ownership and accountability of a program can pass from one functional group to another—for example, from research during the concept phase, to marketing during the feasibility phase, to engineering during the planning and execution phases, to manufacturing during the production readiness phase, and finally, back to marketing for capability release. Passing the ownership baton can work well in a perfectly conceived, planned, and executed project, but quickly breaks down when problems begin to surface and personal accountability is required on the part of one or more of the functional managers. With a program management model, there is no debate or subjectivity about who owns, and is accountable for, the business success or failure of the program; the program manager assumes this full responsibility throughout the program cycle.

Strategic in Nature

The program management discipline helps to ensure that a program is closely aligned to, and directly supports, the achievement of a business's strategic goals (Chapter 3). In effect, it is used to direct the activities involved with the *implementation* of strategy (see "Turning Strategy into Action at Intel"). Figure 1.1 illustrates the link between program management and business strategy.

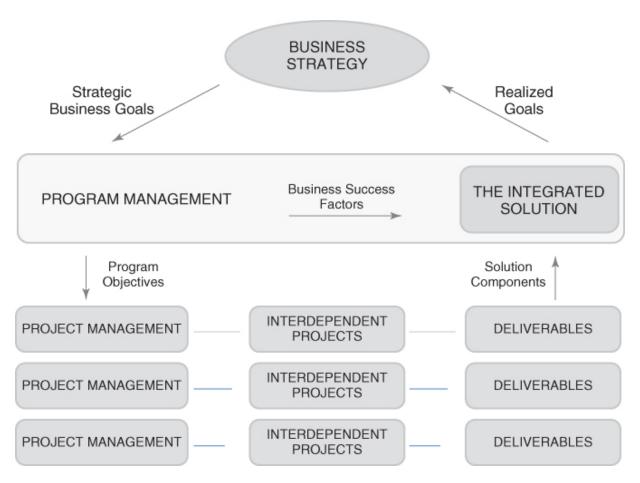


Figure 1.1 The strategic nature of program management.

Program management links execution to strategy by integrating the work flow and deliverables of multiple interdependent projects to develop and deliver an integrated solution. This integrated solution becomes the means by which the strategic goals of the business are achieved.

Turning Strategy into Action at Intel

An example from a well-known technology company provides a good illustration of how program management is used to deliver strategic business results.

Several years ago, Intel Corporation developed a strategic goal to increase the amount of revenue it received from each of its microprocessor products by providing added capabilities within the product. One of the strategies set in motion to achieve this goal was to adopt a platform approach that would serve to integrate various technologies into a single product.

One of the original platforms developed integrated both computing capabilities and wireless communications technologies into a single integrated circuit. Legacy solutions involved a microprocessor to handle computing and a separate component, or add-in card, for wireless communication for a personal laptop computer. Intel's *strategy* to achieve this technology convergence resulted in the development of a new family of microprocessors that combine the two technologies. The market now knows the resulting product as CentrinoTM.

Critical to effectively executing its strategies is Intel's use of the program management discipline to direct the activities of multiple technology-specific project teams. In this example, the program manager responsible for the development and launch of the new CentrinoTM microprocessor was responsible for the integration of the computing project, wireless project, multiple software projects, the test and validation project, the manufacturing project, and more. In short, he was