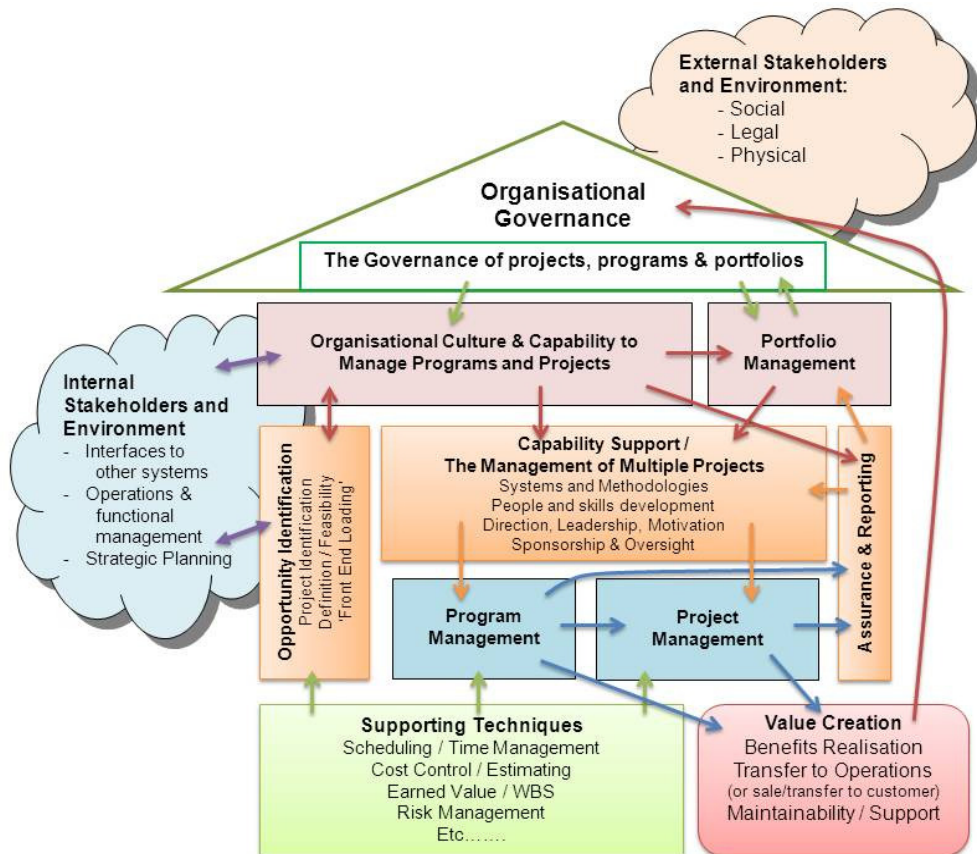


# PDC Taxonomy

This White Paper is designed to provide some clarity in the terms used to describe Portfolio, Program and Project management (a PPP Taxonomy) and their key governance, support and oversight processes within an overall Enterprise Project Management Capability focused on an effective Project Delivery Capability (PDC) framework to support the *strategic management of projects*<sup>1</sup>.

## The Overall PCD Framework



The overall Project Delivery Capability<sup>1</sup> Architecture

The key Terms included in this paper are:

- Projects and Project Management.
- Programs and Program Management.
- Portfolios and Portfolio Management.
- Project Sponsorship and Project Boards.
- Project and Program Governance (the sub-set of corporate and organisational governance focused on assisting projects and programs in the delivery of maximum value to the organisation).
- Organisational Capability including ‘the management of project management’; the organisational support and enablers that facilitate the effective identification and delivery of projects and programs to generate value.
- PMOs (Project/Program Management Offices).

<sup>1</sup> For more on *strategic management of projects* see: [http://www.mosaicprojects.com.au/WhitePapers/WP1079\\_PDC.pdf](http://www.mosaicprojects.com.au/WhitePapers/WP1079_PDC.pdf)



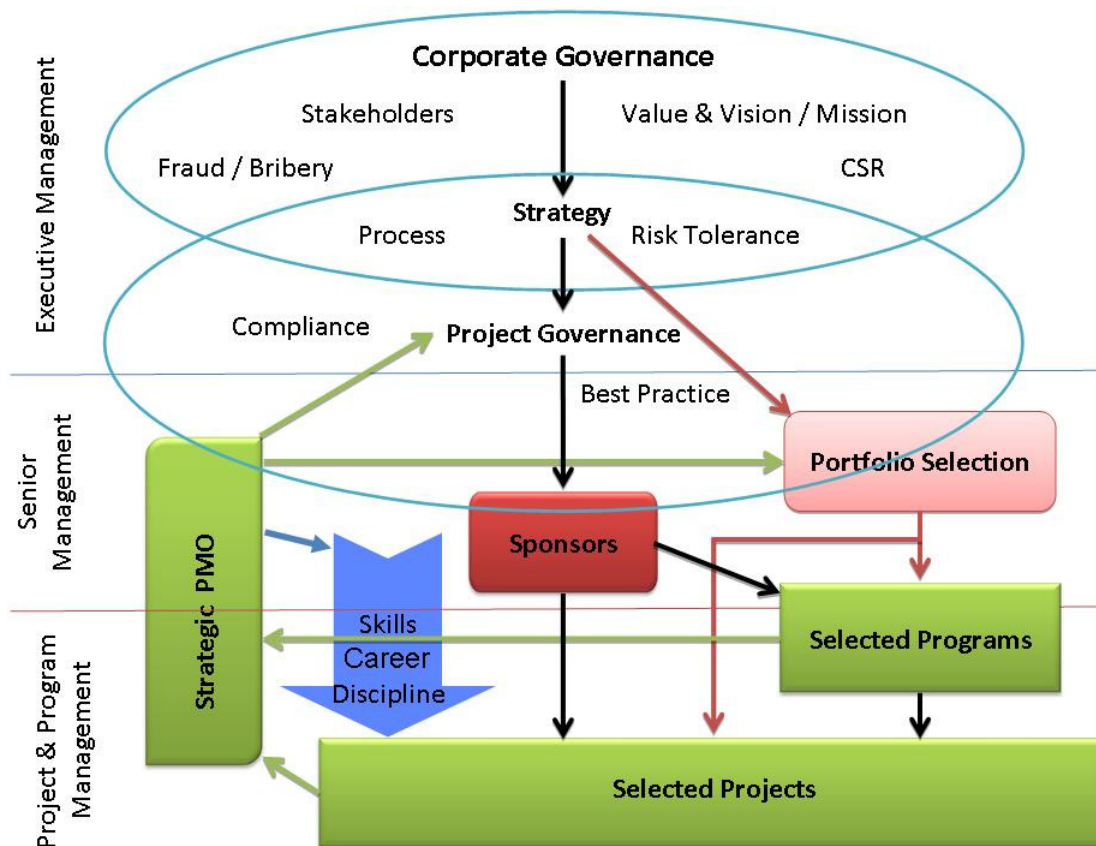
## Organisational Governance<sup>2</sup>:

The aspects of project governance, support and control that are the responsibility of the most senior executives within an organisation, typically a ‘Board of Directors’ or similar.

## Governance<sup>3</sup>:

Organisational policies, practices and systems responsible for ensuring the organisation’s resources are utilised effectively, the work of the organisation is aligned with its strategy and objectives, and the interests of the organisation, its internal and external stakeholders and society as a whole are aligned as closely as is possible. This is the primary function of the governing board of the organisation, in commercial organisations the Board of Directors; in others the ‘governing council’ in whatever form that body is constituted. The governing process frames the organisations culture, capabilities and strategy<sup>4</sup>.

## P3 Governance<sup>5</sup>:



The Elements of Project Governance

<sup>2</sup> Mosaic has a library of papers and reports focused on governance that are available for downloading from: [http://www.mosaicprojects.com.au/Resources\\_Papers.html#Governance](http://www.mosaicprojects.com.au/Resources_Papers.html#Governance)

<sup>3</sup> For more on **Corporate Governance** see: [http://www.mosaicprojects.com.au/WhitePapers/WP1033\\_Governance.pdf](http://www.mosaicprojects.com.au/WhitePapers/WP1033_Governance.pdf)

<sup>4</sup> To understand the difference between **governance systems and management systems** see: [http://www.mosaicprojects.com.au/WhitePapers/WP1084\\_Governance\\_Systems.pdf](http://www.mosaicprojects.com.au/WhitePapers/WP1084_Governance_Systems.pdf)

<sup>5</sup> For more on **P3 Governance** (ie, the governance of projects, programs and portfolios) see: [http://www.mosaicprojects.com.au/WhitePapers/WP1073\\_Project\\_Governance.pdf](http://www.mosaicprojects.com.au/WhitePapers/WP1073_Project_Governance.pdf)



P3 governance is the sub-set of organisational governance focused on obtaining the best value from the projects and programs undertaken by the organisation in support of its strategic objectives by balancing the risk of doing each project or program with the expected 'rewards'. It encompasses project, program and portfolio governance and is focused on overseeing the systems that ensure the right projects and programs are selected by the organisation to support its strategic vision, and that the selected 'few' are accomplished as efficiently as possible to maximise the value created for the organisation as a whole.

There are three primary elements in project governance:

- Ensuring an effective strategic plan is developed, and then the right projects and programs are selected to 'do' for the right reasons – Portfolio Management
- Ensuring the organisational capability to support the efficient delivery of the projects and programs is in place supported by a culture of accountability and a focus on delivering value (benefits realised).
- Reviewing and overseeing the on-going work of the projects and programs and ensuring the information is used effectively to support the overall governance of the organisation.

## Organisational Capability to Manage Portfolios Programs and Projects:

The organisation's Executive Management team are responsible for all aspects of project, program and portfolio management and should ensure the organisation develops the capabilities needed to support effective project governance. These are the systems, processes and procedures that deliver effective outcomes and provide assurances to the organisations governing body that the work being undertaken is aligned with the organisation's strategy, is being accomplished efficiently and is generating the best value for the organisation as a whole.

This facet of Executive Management may be assigned to a 'Chief Project Officer (CPO) and directly supports the governance functions undertaken by the 'Board'. The management capabilities to be developed, enhanced, and continually improved include:

- Systems to develop and maintain an effective strategic plan for the whole organisation and extract the relevant sections that require projects and programs.
- Robust and rigorous opportunity identification and assessment processes.
- Effective project and program support mechanisms including methodologies, staff development, oversight and risk management processes.
- Processes to effectively engage with other parts of the overall organisation and generate the maximum value from the selected the project and programs<sup>6</sup>.
- Effective oversight and reporting processes to accurately assess the status of all current projects and programs.
- The framework for this and the 'questions' the 'governing board' needs to ask, and the organisation's Senior Executives needs to be capable of answering effectively, are defined in *Directing Change, a guide to governance of project management*<sup>7</sup>, published by the Association for Project Management (UK).

<sup>6</sup> For more on the processes involved in **organisational change management** see: [http://www.mosaicprojects.com.au/WhitePapers/WP1078\\_Change\\_Management.pdf](http://www.mosaicprojects.com.au/WhitePapers/WP1078_Change_Management.pdf)

<sup>7</sup> To download **Directing Change, a guide to governance of project management**: <http://www.mosaicprojects.com.au/PDF/APM%20GoPM%20booklet.pdf>



## Portfolio Management<sup>8</sup>:

Portfolio management is the Executive Management function focused on selecting the right projects and programs (components) for the organisation to undertake to optimise the implementation of the strategic plan within the organisations current capacity and capability constraints, and then monitoring and reviewing the on-going work of the selected components to maximise their value to the organisation in the long, medium and shorter term. Components that no longer contribute to value should be terminated to free up resources for more valuable work. Some of the inputs and processes used in Portfolio management may include:

- The organisations strategic plan and risk tolerance.
- Business Cases<sup>9</sup>: To establish the business need for the project.
- The organisation's capabilities
- The organisation's resource constraints (including funding)
- Project/Program selection processes<sup>10</sup>: To determine which projects/programs to start or continue and which to reject or terminate.
- Project Charter<sup>11</sup>: Created to formally initiate a project

## Organisational Systems to Manage Programs and Projects:

### The Management of Project Management - Organisation Enablers:

The term 'organisation enablers' is used within the PMI OPM3 Standard to define the structures and management processes within an organisation that provide executive oversight and help the organisations leadership team to manage the management of programs and projects, so that the organisation is able to undertake projects and programs effectively. This includes the organisations ability to develop and enhance its overall project management capabilities, develop project and program managers and project team members, implement appropriate methodologies and achieve the benefits and value the projects and programs were set up to facilitate.

Consequently the 'management of project management' covers a very wide spectrum of interlinked capabilities that can be accomplished through a variety of different structures that are in part dependent of the overall culture of the organisation. Some of the key elements and capabilities that need to be developed by an organisation include:

- **Opportunity Identification and Assessment:**
  - Effective processes for defining opportunities and moving an 'idea' through the pre-project phases needed to ensure the idea is viable and appropriate for inclusion in the portfolio selection process<sup>12</sup>. This process is interlinked with the organisations strategic planning processes that define the intended future direction of the organisation.
- **Capability Support / Multi Project Management:**
  - A culture of openness and accountability that facilitates the effective transfer of information within the organisation.

<sup>8</sup> For more on **Portfolio Management** see: [http://www.mosaicprojects.com.au/WhitePapers/WP1017\\_Portfolios.pdf](http://www.mosaicprojects.com.au/WhitePapers/WP1017_Portfolios.pdf)

<sup>9</sup> For more on **Business Cases** see: [http://www.mosaicprojects.com.au/WhitePapers/WP1018\\_Business\\_Case.pdf](http://www.mosaicprojects.com.au/WhitePapers/WP1018_Business_Case.pdf)

<sup>10</sup> For more on '**selection**' see: [http://www.mosaicprojects.com.au/WhitePapers/WP1062\\_Ranking-Requirements.pdf](http://www.mosaicprojects.com.au/WhitePapers/WP1062_Ranking-Requirements.pdf)

<sup>11</sup> For more on the **Project Charter** see: [http://www.mosaicprojects.com.au/WhitePapers/WP1019\\_Charter.pdf](http://www.mosaicprojects.com.au/WhitePapers/WP1019_Charter.pdf)

<sup>12</sup> The process of identifying appropriate opportunities for projects and programs, understanding the potential value of the concept to the organisation and its overall strategic plan and then developing estimates of cost, risk and benefits/value, to a level of reliability appropriate for moving through the portfolio selection process is critically important. For the purposes of these White Papers this function is labelled as 'Feasibility Studies', many other terms are used in industry including 'Front End Loading'. For more on this whole process see our WP **Feasibility Studies**: [http://www.mosaicprojects.com.au/WhitePapers/WP1027\\_Feasibility\\_Studies.pdf](http://www.mosaicprojects.com.au/WhitePapers/WP1027_Feasibility_Studies.pdf)



- Developing appropriate methodologies<sup>13</sup>, best practices and a culture of continuous improvement<sup>14</sup>: The PMI OPM3<sup>15</sup> framework provides a rigorous tool for assessing the current state of an organisation against a best practice framework and planning improvements. Other frameworks and assessment models include the OGC suite including PRINCE2, P3M3, etc.
- Effective and supportive project sponsorship: The sponsor champions the project and is the key link between the organisation's executive and the project, or program manager<sup>16</sup>.
- Effective change management processes to support the implementation of the outputs created by projects<sup>17</sup>.
- Effective benefits realisation processes to ensure the full value of the change initiative supported by the project or program's outputs are captured by the organisation<sup>18</sup>.
- An efficient knowledge management capability to retain and benefit from the 'lessons learned' from current and former projects and programs<sup>19</sup>.
- Clearly defined roles for the managers of project managers, the senior managers that oversee the work of project and program managers<sup>20</sup>.
- An internal capability to develop skilled staff at all levels of the project and program hierarchy. This may include encouraging communities of practice to develop.
- **Management of Multiple Projects<sup>21</sup>**: Multi-Project Management focuses on the management of a number of projects, programs and other work, within a designated area of management responsibility such as an IT Department or a fabrication facility. Typically the role of a Project Director, this management function focuses on resource optimisation, minimising conflicts and process clashes, and developing the project/program delivery capability of the department/facility.
- **Assurance & Reporting<sup>22</sup>**:
  - Systems to gather and report progress and performance information to management on a regular basis.
  - Systems to assure management the project/program team are working effectively, in accordance with organisational policies and are capable of achieving the objective defined for their project/program.

<sup>13</sup> For more on **methodologies** see: [http://www.mosaicprojects.com.au/WhitePapers/WP1045\\_Methodologies.pdf](http://www.mosaicprojects.com.au/WhitePapers/WP1045_Methodologies.pdf)

<sup>14</sup> For more on process improvement see:

[http://www.mosaicprojects.com.au/WhitePapers/WP1046\\_Process\\_Improvement.pdf](http://www.mosaicprojects.com.au/WhitePapers/WP1046_Process_Improvement.pdf)

<sup>15</sup> For more on **OPM3** see: <http://www.mosaicprojects.com.au/OPM3.html>

<sup>16</sup> For more on the **role of the Sponsor** see:

[http://www.mosaicprojects.com.au/WhitePapers/WP1031\\_Project\\_Sponsorship.pdf](http://www.mosaicprojects.com.au/WhitePapers/WP1031_Project_Sponsorship.pdf)

<sup>17</sup> For more on **Organisational Change Management** see:

[http://www.mosaicprojects.com.au/WhitePapers/WP1078\\_Change\\_Management.pdf](http://www.mosaicprojects.com.au/WhitePapers/WP1078_Change_Management.pdf)

<sup>18</sup> For more on **benefits realisation** see:

- Terminology, Outputs, Deliverables, Outcomes, Objectives, Goals and Benefits:

[http://www.mosaicprojects.com.au/WhitePapers/WP1042\\_Outputs\\_OutcomesBenefits.pdf](http://www.mosaicprojects.com.au/WhitePapers/WP1042_Outputs_OutcomesBenefits.pdf)

- Benefits and Value: [http://www.mosaicprojects.com.au/WhitePapers/WP1023\\_Benefits\\_and\\_Value.pdf](http://www.mosaicprojects.com.au/WhitePapers/WP1023_Benefits_and_Value.pdf)

<sup>19</sup> For more on **Lessons Learned**, see: [http://www.mosaicprojects.com.au/WhitePapers/WP1004\\_Lessons\\_Learned.pdf](http://www.mosaicprojects.com.au/WhitePapers/WP1004_Lessons_Learned.pdf)

<sup>20</sup> For more on the roles of the **managers of project managers** see:

[http://www.mosaicprojects.com.au/WhitePapers/WP1055\\_The\\_Managers\\_of\\_PM.pdf](http://www.mosaicprojects.com.au/WhitePapers/WP1055_The_Managers_of_PM.pdf)

<sup>21</sup> For more on **Multi-Project Management** see:

[http://www.mosaicprojects.com.au/WhitePapers/WP1077\\_Multi-Project\\_Management.pdf](http://www.mosaicprojects.com.au/WhitePapers/WP1077_Multi-Project_Management.pdf)

<sup>22</sup> For more on Project Assurance see: [http://www.mosaicprojects.com.au/WhitePapers/WP1080\\_Project\\_Reviews.pdf](http://www.mosaicprojects.com.au/WhitePapers/WP1080_Project_Reviews.pdf)





- **PMOs (Project or Program Management Offices)<sup>23</sup>:**

- A PMO is an organisational entity responsible for aspects of the support and monitoring of projects and programs within its area of responsibility. The purpose, structure, staffing and authority/responsibility of each PMO is defined by the organisation's management.
- The PMO/Reporting function is a key link back to the executive management and governance layers of the organisation that involves collecting, assessing and validating information about each project and program, to provide useful and relevant information to all levels of management and other stakeholders.

The information should be far more sophisticated than simply reporting 'time and cost' variances! Time and cost information are only two parameters affecting the organisation's ability to realise the intended value from each of its projects and programs. Other important parameters include changes in risk exposure, forecasts and trends, changes in the environment, etc. Computation of the current 'Net Present Value (NPV)', 'Return on Investment' (ROI) and updating the 'Balanced Score Card' for each of the current projects and programs helps provide the information needed by the executive to make informed decisions.

- Additionally, reporting includes conducting Audits, Lessons Learned and PIRs to provide the information needed to facilitate the continuous improvement of the organisations overall project and program delivery capability.
- The PMO may also be responsible for many of the other capability support functions including methodology and staff development.

Developing, enabling and supporting these functions and systems is the responsibility of senior management within the organisation. The strategic framework and culture needed to enable these capabilities to develop has to be set by the organisations executive before people with effective project and program management skills can contribute the technical knowledge and capabilities. Depending on the way the framework is developed, some aspects can be assigned to the management team in a 'strategic PMO', some to the Portfolio Management function<sup>24</sup>, and/or some to a departmental or facility management team, whilst other aspects remain the responsibility of Senior Management.

## Project and Program Management:

The effective management of the projects and programs authorised by the organisation's governance processes to deliver the objectives defined in each project/program's Charter.

### Program Management<sup>25</sup>:

Program management is the management of a number of projects and other work in a coordinated way so as to achieve efficiencies and benefits that may otherwise not be achieved, and are focused on achieving outcomes and beneficial change.

<sup>23</sup> For more on **PMOs** see: [http://www.mosaicprojects.com.au/WhitePapers/WP1034\\_PMOs.pdf](http://www.mosaicprojects.com.au/WhitePapers/WP1034_PMOs.pdf)

<sup>24</sup> The OGC framework places many of these functions within the ambit of 'portfolio management', see: [http://www.mosaicprojects.com.au/WhitePapers/WP1017\\_Portfolios.pdf](http://www.mosaicprojects.com.au/WhitePapers/WP1017_Portfolios.pdf). PMI limits portfolio management to the selection and oversight processes referenced above. Our view is the 'management of project management' should be a separate organisational entity under the direction of a 'Project Director' or 'Chief Project Officer'. Separating the management function from the oversight function is likely to deliver better focus and better overall governance of the projects and programs,

<sup>25</sup> For more on **Program Management**, see: [http://www.mosaicprojects.com.au/WhitePapers/WP1076\\_Program\\_Management.pdf](http://www.mosaicprojects.com.au/WhitePapers/WP1076_Program_Management.pdf)



Programs may be created for a number of different purposes<sup>26</sup>, but always involve the coordinated initiation, management and closure of a number of projects to achieve a unified purpose. Program management is an executive function; the program manager manages other managers, primarily project managers.

### **Project Management:**

The efficient management of a project to achieve the outputs and goals defined in the project Charter through the application of processes defined in standards such as ISO 21500 and the *PMBOK® Guide*.

## **Technical practices that support Project & Program Management:**

Some practices are skills focused disciplines such as Scheduling, Earned Value Management, Configuration Management, etc. These competencies are either the direct responsibility of the project/program manager or technical experts supporting the project/program manager and are used to help develop the initial concept prior to project selection/approval (Portfolio Management) as well as during the implementation of the project/program.

Others such as Risk Management, Quality Management and Financial Management are core organisational competencies with a strong cultural component that influence the way the organisation 'does business' including the business of managing its projects and programs. These overarching competencies need to be attuned to the needs of, and support the work of the projects and programs.

### **Value Creation:**

Value is created when the intended benefits are realised either through the sale of the project deliverable to an external client or through the efficient use of the deliverables within the organisation. Where the deliverables (outputs) are to be used within the organisation, effective organisational change management is crucial<sup>27</sup>; this change requires the Sponsor (and possible the Program Manager) to work efficiently with the organisations line management to ensure the maximum possible level benefits are realised in a sustainable way.

One of the key functions of governance is to ensure the organisation's management realise the benefits identified in the business case that was proposed by the organisation, and accepted as part of the Portfolio Management process that initiated the project or program in the first place.

## **Summary**

The framework for most of the technical aspects of portfolio, program and project management is well understood and increasingly standardised. The areas needing further definition and development are the way an organisation defines, initiates, supports and governs its projects and programs.

Governance is the ultimate responsibility of the Board, or equivalent top executive level of an organisation. The role of executive management, supported by senior management is to have systems in place to ensure they can properly support the work of project and program managers, support the organisations governance systems and identify issues, problems and opportunities for improvement.

---

<sup>26</sup> For more on the different types of program see:  
[http://www.mosaicprojects.com.au/WhitePapers/WP1022\\_Program\\_Typology.pdf](http://www.mosaicprojects.com.au/WhitePapers/WP1022_Program_Typology.pdf)

<sup>27</sup> For more on **organisational change management** see:  
[http://www.mosaicprojects.com.au/WhitePapers/WP1078\\_Change\\_Management.pdf](http://www.mosaicprojects.com.au/WhitePapers/WP1078_Change_Management.pdf)



This White Paper is part of Mosaic's ***Project Knowledge Index*** to view and download a wide range of published papers and articles see: [http://www.mosaicprojects.com.au/PM-Knowledge\\_Index.html](http://www.mosaicprojects.com.au/PM-Knowledge_Index.html)

