



Managing Successful Projects with PRINCE2™





Published by TSO (The Stationery Office) and available from:

Online

www.tsoshop.co.uk

Mail, Telephone, Fax & E-mail

TSO

PO Box 29, Norwich, NR3 1GN

Telephone orders/General enquiries: 0870 600 5522

Fax orders: 0870 600 5533

E-mail: customer.services@tso.co.uk

Textphone 0870 240 3701

TSO@Blackwell and other Accredited Agents

Customers can also order publications from:

TSO Ireland

16 Arthur Street, Belfast BT1 4GD

Tel 028 9023 8451 Fax 028 9023 5401

© Crown Copyright 2009

Published on behalf of the Office of Government Commerce

This is a Crown copyright value added product, reuse of which requires a Licence from OGC.

Applications to reuse, reproduce or republish material in this publication should be sent to OGC,
The OGC Service Desk, Rosebery Court, St Andrews Business Park, Norwich, Norfolk, NR7 0HS.

Tel No: (+44) (0)845 000 4999, E-mail: servicedesk@ogc.gsi.gov.uk, or complete the application
form on the OGC website, Licensing section.

Copyright in the typographical arrangement and design is vested in The Stationery Office Limited.

Applications for reproduction should be made in writing to The Stationery Office Limited,
St Crispins, Duke Street, Norwich NR3 1PD

The Swirl logo™ is a Trade Mark of the Office of Government Commerce

The OGC logo® is a Registered Trade Mark of the Office of Government Commerce in the United Kingdom

PRINCE® is a Registered Trade Mark of the Office of Government Commerce in the United Kingdom and
other countries

PRINCE2™ is a Trade Mark of the Office of Government Commerce in the United Kingdom and other
countries

ITIL® is a Registered Trade Mark of the Office of Government Commerce in the United Kingdom and other
countries

M_o_R® is a Registered Trade Mark of the Office of Government Commerce in the United Kingdom and
other countries

MSPTM is a Trade Mark of the Office of Government Commerce

P3O® is a Registered Trade Mark of the Office of Government Commerce

P3M3™ is a Trade Mark of the Office of Government Commerce

First edition Crown Copyright 1996

Second edition Crown Copyright 1998

Third edition Crown Copyright 2002

Fourth edition Crown Copyright 2005

Fifth edition Crown Copyright 2009

First published 2009

ISBN 978 0 11 331059 3

Printed in the United Kingdom for The Stationery Office

N6012442 c240 05/09

Contents

List of figures	vi	5 Organization	29
List of tables	viii	5.1 Purpose	31
Foreword	x	5.2 Organization defined	31
Acknowledgements	xi	5.3 The PRINCE2 approach to organization	32
Conventions used in this manual	xiii	5.4 Responsibilities	43
1 Introduction	1	6 Quality	45
1.1 The purpose of this manual	3	6.1 Purpose	47
1.2 The importance of projects	3	6.2 Quality defined	47
1.3 What makes projects different?	3	6.3 The PRINCE2 approach to quality	49
1.4 Why have a project management method?	4	6.4 Responsibilities	57
1.5 Introducing PRINCE2	4	7 Plans	59
1.6 Related OGC guidance	6	7.1 Purpose	61
1.7 Benefits of PRINCE2	7	7.2 Plans defined	61
2 Principles	9	7.3 The PRINCE2 approach to plans	64
2.1 Continued business justification	11	7.4 Responsibilities	72
2.2 Learn from experience	12	8 Risk	75
2.3 Defined roles and responsibilities	12	8.1 Purpose	77
2.4 Manage by stages	13	8.2 Risk defined	77
2.5 Manage by exception	13	8.3 The PRINCE2 approach to risk	78
2.6 Focus on products	14	8.4 Responsibilities	88
2.7 Tailor to suit the project environment	14	9 Change	89
3 Introduction to PRINCE2 themes	15	9.1 Purpose	91
3.1 What are the themes?	17	9.2 Change defined	91
3.2 Applying the themes	18	9.3 The PRINCE2 approach to change	92
3.3 Format of the themes	18	9.4 Responsibilities	96
4 Business Case	19	10 Progress	99
4.1 Purpose	21	10.1 Purpose	101
4.2 Business Case defined	21	10.2 Progress defined	101
4.3 The PRINCE2 approach to the Business Case	22	10.3 The PRINCE2 approach to progress	102
4.4 Responsibilities	27	10.4 Responsibilities	109

11 Introduction to processes	111	18 Closing a Project	203
11.1 The PRINCE2 processes	113	18.1 Purpose	205
11.2 The PRINCE2 journey	113	18.2 Objective	205
11.3 The PRINCE2 process model	114	18.3 Context	205
11.4 Structure of the process chapters	114	18.4 Activities	205
12 Starting up a Project	119	19 Tailoring PRINCE2 to the project environment	213
12.1 Purpose	121	19.1 What is tailoring?	215
12.2 Objective	121	19.2 General approach to tailoring	215
12.3 Context	122	19.3 Examples of tailoring PRINCE2	217
12.4 Activities	122	19.4 Projects in a programme environment	217
13 Directing a Project	133	19.5 Project scale	221
13.1 Purpose	135	19.6 Commercial customer/supplier environment	224
13.2 Objective	135	19.7 Multi-organization projects	227
13.3 Context	135	19.8 Project type	228
13.4 Activities	136	19.9 Sector differences	229
14 Initiating a Project	147	19.10 Project management Bodies of Knowledge	230
14.1 Purpose	149		
14.2 Objective	149		
14.3 Context	150	Appendix A: Product Description outlines	233
14.4 Activities	150	A.1 Benefits Review Plan	235
15 Controlling a Stage	165	A.2 Business Case	237
15.1 Purpose	167	A.3 Checkpoint Report	238
15.2 Objective	167	A.4 Communication Management Strategy	239
15.3 Context	168	A.5 Configuration Item Record	240
15.4 Activities	168	A.6 Configuration Management Strategy	241
16 Managing Product Delivery	183	A.7 Daily Log	242
16.1 Purpose	185	A.8 End Project Report	243
16.2 Objective	185	A.9 End Stage Report	244
16.3 Context	185	A.10 Exception Report	245
16.4 Activities	186	A.11 Highlight Report	245
17 Managing a Stage Boundary	191	A.12 Issue Register	246
17.1 Purpose	193	A.13 Issue Report	247
17.2 Objective	194	A.14 Lessons Log	248
17.3 Context	194	A.15 Lessons Report	249
17.4 Activities	194		

A.16 Plan	250	E.6 Managing a Stage Boundary	292
A.17 Product Description	251	E.7 Closing a Project	293
A.18 Product Status Account	253	Further information	295
A.19 Project Brief	253	Glossary	301
A.20 Project Initiation Documentation	254	Index	315
A.21 Project Product Description	256		
A.22 Quality Management Strategy	257		
A.23 Quality Register	258		
A.24 Risk Management Strategy	259		
A.25 Risk Register	260		
A.26 Work Package	261		
Appendix B: Governance	263		
Appendix C: Roles and responsibilities	267		
C.1 Project Board	269		
C.2 Executive	270		
C.3 Senior User	270		
C.4 Senior Supplier	271		
C.5 Project Manager	271		
C.6 Team Manager	272		
C.7 Project Assurance	273		
C.8 Change Authority	274		
C.9 Project Support	274		
Appendix D: Product-based planning example	277		
D.1 Scenario	279		
D.2 Example of a Project Product Description	279		
D.3 Examples of a product breakdown structure	281		
D.4 Example of a Product Description	282		
D.5 Product flow diagram	283		
Appendix E: Health check	285		
E.1 Starting up a Project	287		
E.2 Directing a Project	288		
E.3 Initiating a Project	291		
E.4 Controlling a Stage	291		
E.5 Managing Product Delivery	292		

List of figures

- | | |
|---|--|
| Figure 1.1 Project management | Figure 10.4 Specialist work aligned to management stages |
| Figure 1.2 The structure of PRINCE2 | Figure 11.1 The PRINCE2 processes |
| Figure 1.3 OGC best-practice guidance | Figure 11.2 PRINCE2 process model |
| Figure 4.1 Relationship between outputs, outcomes and benefits | Figure 11.3 Relationship between processes, activities and actions |
| Figure 4.2 The development path of the Business Case | Figure 12.1 Overview of Starting up a Project |
| Figure 5.1 The three project interests | Figure 12.2 Appoint the Executive and the Project Manager: activity summary |
| Figure 5.2 The four levels of management within the project management team | Figure 12.3 Capture previous lessons: activity summary |
| Figure 5.3 Project management team structure | Figure 12.4 Design and appoint the project management team: activity summary |
| Figure 5.4 Possible reporting structure using user and supplier groups | Figure 12.5 Prepare the outline Business Case: activity summary |
| Figure 5.5 The many facets of the Project Manager role | Figure 12.6 Select the project approach and assemble the Project Brief: activity summary |
| Figure 6.1 The quality audit trail | Figure 12.7 Plan the initiation stage: activity summary |
| Figure 7.1 PRINCE2's planning levels | Figure 13.1 Overview of Directing a Project |
| Figure 7.2 The PRINCE2 approach to plans | Figure 13.2 Authorize initiation: activity summary |
| Figure 7.3 Product-based planning technique | Figure 13.3 Authorize the project: activity summary |
| Figure 7.4 Simple activity-on-node diagram | Figure 13.4 Authorize a Stage or Exception Plan: activity summary |
| Figure 8.1 Organizational perspectives | Figure 13.5 Give ad hoc direction: activity summary |
| Figure 8.2 The risk management procedure | Figure 13.6 Authorize project closure: activity summary |
| Figure 8.3 Example of a risk breakdown structure | Figure 14.1 Overview of Initiating a Project |
| Figure 8.4 Risk cause, event and effect | Figure 14.2 Prepare the Risk Management Strategy: activity summary |
| Figure 8.5 Probability impact grid | Figure 14.3 Prepare the Configuration Management Strategy: activity summary |
| Figure 8.6 Summary risk profile | Figure 14.4 Prepare the Quality Management Strategy: activity summary |
| Figure 8.7 Threat and opportunity responses | |
| Figure 9.1 Issue and change control procedure | |
| Figure 9.2 Options analysis | |
| Figure 10.1 Delegating tolerance and reporting actual and forecast progress | |
| Figure 10.2 Specialist work defined in technical stages | |
| Figure 10.3 Specialist work crossing management stage boundaries | |

- Figure 14.5 Prepare the Communication Management Strategy: activity summary
- Figure 14.6 Set up the project controls: activity summary
- Figure 14.7 Create the Project Plan: activity summary
- Figure 14.8 Refine the Business Case: activity summary
- Figure 14.9 Assemble the Project Initiation Documentation: activity summary
- Figure 15.1 Overview of Controlling a Stage
- Figure 15.2 Authorize a Work Package: activity summary
- Figure 15.3 Review Work Package status: activity summary
- Figure 15.4 Receive completed Work Packages: activity summary
- Figure 15.5 Review the stage status: activity summary
- Figure 15.6 Report highlights: activity summary
- Figure 15.7 Capture and examine issues and risks: activity summary
- Figure 15.8 Escalate issues and risks: activity summary
- Figure 15.9 Take corrective action: activity summary
- Figure 16.1 Overview of Managing Product Delivery
- Figure 16.2 Accept a Work Package: activity summary
- Figure 16.3 Execute a Work Package: activity summary
- Figure 16.4 Deliver a Work Package: activity summary
- Figure 17.1 Overview of Managing a Stage Boundary
- Figure 17.2 Plan the next stage: activity summary
- Figure 17.3 Update the Project Plan: activity summary
- Figure 17.4 Update the Business Case: activity summary
- Figure 17.5 Report stage end: activity summary
- Figure 17.6 Produce an Exception Plan: activity summary
- Figure 18.1 Overview of Closing a Project
- Figure 18.2 Prepare planned closure: activity summary
- Figure 18.3 Prepare premature closure: activity summary
- Figure 18.4 Hand over products: activity summary
- Figure 18.5 Evaluate the project: activity summary
- Figure 18.6 Recommend project closure: activity summary
- Figure 19.1 Influences on the tailoring requirement
- Figure 19.2 Comparison between projects and programmes
- Figure 19.3 Organization structure with the Executive being a member of the programme board and the Senior User being nominated by the relevant business change manager
- Figure 19.4 Organization structure with the programme manager as the project Executive and the Senior User role on the project being undertaken by the relevant business change manager
- Figure 19.5 An example of a feasibility lifecycle
- Figure A.1 Evolution of baseline management products
- Figure D.1 Product breakdown structure in the form of a hierarchy chart
- Figure D.2 Product breakdown structure in the form of a mindmap
- Figure D.3 Example of a product flow diagram for the conference project

List of tables

Table 3.1	The PRINCE2 themes	Table 12.6	Plan the initiation stage: responsibilities
Table 4.1	Responsibilities relevant to the Business Case	Table 13.1	Authorize initiation: responsibilities
Table 5.1	Responsibilities relevant to the Organization theme	Table 13.2	Authorize the project: responsibilities
Table 6.1	The relationship between Project Assurance and quality assurance	Table 13.3	Authorize a Stage or Exception Plan: responsibilities
Table 6.2	Example of a Quality Register	Table 13.4	Give ad hoc direction: responsibilities
Table 6.3	Responsibilities relevant to the Quality theme	Table 13.5	Authorize project closure: responsibilities
Table 7.1	Responsibilities relevant to the Plans theme	Table 14.1	Prepare the Risk Management Strategy: responsibilities
Table 8.1	Example of the expected monetary value technique	Table 14.2	Prepare the Configuration Management Strategy: responsibilities
Table 8.2	Risk responses	Table 14.3	Prepare the Quality Management Strategy: responsibilities
Table 8.3	Responsibilities relevant to the Risk theme	Table 14.4	Prepare the Communication Management Strategy: responsibilities
Table 9.1	Types of issue	Table 14.5	Set up the project controls: responsibilities
Table 9.2	Project Board decisions	Table 14.6	Create the Project Plan: responsibilities
Table 9.3	Responsibilities relevant to the Change theme	Table 14.7	Refine the Business Case: responsibilities
Table 10.1	The six tolerance areas by level	Table 14.8	Assemble the Project Initiation Documentation: responsibilities
Table 10.2	Responsibilities relevant to the Progress theme	Table 15.1	Authorize a Work Package: responsibilities
Table 11.1	An example of a table of responsibilities	Table 15.2	Review Work Package status: responsibilities
Table 11.2	Key to process diagrams	Table 15.3	Receive completed Work Packages: responsibilities
Table 12.1	Appoint the Executive and the Project Manager: responsibilities	Table 15.4	Review the stage status: responsibilities
Table 12.2	Capture previous lessons: responsibilities	Table 15.5	Report highlights: responsibilities
Table 12.3	Design and appoint the project management team: responsibilities	Table 15.6	Capture and examine issues and risks: responsibilities
Table 12.4	Prepare the outline Business Case: responsibilities		
Table 12.5	Select the project approach and assemble the Project Brief: responsibilities		

- Table 15.7 Escalate issues and risks:
responsibilities
- Table 15.8 Take corrective action:
responsibilities
- Table 16.1 Accept a Work Package:
responsibilities
- Table 16.2 Execute a Work Package:
responsibilities
- Table 16.3 Deliver a Work Package:
responsibilities
- Table 17.1 Plan the next stage: responsibilities
- Table 17.2 Update the Project Plan:
responsibilities
- Table 17.3 Update the Business Case:
responsibilities
- Table 17.4 Report stage end: responsibilities
- Table 17.5 Produce an Exception Plan:
responsibilities
- Table 18.1 Prepare planned closure:
responsibilities
- Table 18.2 Prepare premature closure:
responsibilities
- Table 18.3 Hand over products: responsibilities
- Table 18.4 Evaluate the project: responsibilities
- Table 18.5 Recommend project closure:
responsibilities
- Table 19.1 Embedding and tailoring
- Table 19.2 Examples of projects of different
scales
- Table 19.3 Comparison between PRINCE2 and a
Body of Knowledge
- Table A.1 Example of a product checklist
- Table B.1 The Association for Project
Management's governance of project
management principles
- Table D.1 Example of a Project Product
Description for an annual conference

Foreword

PRINCE2™ is extensively used in more than 150 countries around the world, and its take-up grows daily. It is widely considered as the leading method in project management, with in excess of 20,000 organizations already benefiting from its pioneering and trusted approach.

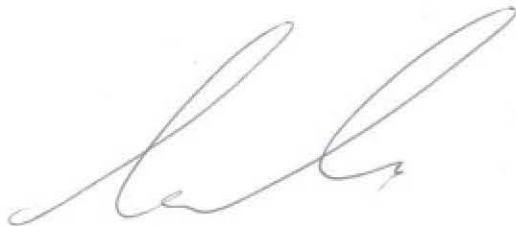
This updated guidance will help those running projects of any size and in any environment to effectively deliver what is required by appropriately managing the costs, timescales, quality, scope, risks and benefits. Its development has followed widespread consultation and draws upon real-life experiences in both public and private sector organizations.

Today, complex projects often involve several organizations working together in partnership or through contractual arrangements to achieve the objectives. PRINCE2 provides a common language between organizations and with external suppliers. It also allows a focus on the Business Case, providing a mechanism to define what the project is trying to achieve, and the rationale and business justification for it.

This latest version of *Managing Successful Projects with PRINCE2* represents an evolution of the previous manuals. The basic methodology remains, but by building on comments from users, this new manual aims to be more accessible and easier to tailor for specific individual needs.

This new edition covers the principles of PRINCE2, reinforcing the good practices of successful projects. The themes describe aspects of project management that require specific treatment, and the processes describe the progress through a project lifecycle from start-up to closure. It is recommended that you use this manual in conjunction with the companion volume, *Directing Successful Projects with PRINCE2* (TSO, 2009).

The number of people taking PRINCE2 qualifications increases by around 20% year on year, and it remains a key contributor to the successful delivery of projects. It is a vital method for any organization wishing to secure efficient and effective operational outcomes.



Nigel Smith
Chief Executive
Office of Government Commerce

Acknowledgements

The Office of Government Commerce (OGC) has continued to develop and improve the definition and presentation of PRINCE2 within this reference manual. The authoring team are acknowledged for their significant contribution, under contract, to the design and development of this guidance.

Lead author

Andy Murray Outperform UK Ltd

Authoring team

Nigel Bennett
John Edmonds
Bob Patterson
Sue Taylor
Graham Williams

Sun Microsystems Ltd
pearcemayfield
Fujitsu Services
APMG PRINCE2 examiner
GSW Consultancy Ltd

Lead reviewer and mentor

Colin Bentley PRINCE2 Chief Examiner 1998-2008

Further contributions

In order to ensure that OGC's *Managing Successful Projects with PRINCE2* (2009) remains a true reflection of current and future trends in the international field of project management best practice, and to produce guidance with lasting value, OGC consulted widely with key stakeholders and experts at every stage in the process. OGC would like to thank the following individuals and their organizations for their contributions to this new guidance:

PRINCE2 reference group

Rob Brace, Department of Work & Pensions;
Andrew Bragg, Chief Executive, APM; Prof.
Christophe Bredillet, ESC Lille; Terry Cooke Davis,
Human Systems; Lynne Crawford, University
of Sydney; John Cutting, MOD (DPA – DE&S);
Prof. Darren Dalcher, Middlesex University,
National Centre for Project Management; Steve
Falkenkrog, PMI; Ruth Little, DTI Projects Centre;
Dusty Miller, Sun Microsystems Ltd; Bob Patterson,
Fujitsu; Philip Rushbrook, Cabinet Office; Beverley
Webb, BSI Project Management standard
committee; Jens Wandel, Director, UNDP

PRINCE2:2009 project governance

Mike Acaster, OGC, Project Executive; Eddie Borup, BPUG, Senior User; Anne-Marie Byrne, TSO, Project Manager; Janine Eves, TSO, Senior Supplier; Sandra Lomax, BPUG, Senior User; Richard Pharro, APMG, Senior Supplier

Change control panel

Coos Groot, Best Practice User Group (PRINCE2 Italy); Peter Johnson, Peter Johnson PJ Ltd; Sheila Roberts, Cupe Ltd; Martin Rother, Best Practice User Group (PRINCE2 Germany); David Watson, ADT Partnership

Reviewers

Robert Allen, PRS for Music; Adalcir da Silva Angelo, Elumini IT & Business Consulting; Paul Askew, Housing Corporation; Richard Aspden, Pathfinder Project Management; Gareth Atwood, Foster Wheeler Energy; Marc Baetens, Pronohau Ltd; Andrew Ball, Audit Commission; Jim Barker, Curtis & Cartwright Consulting Ltd; Keith Batchelor, Foster Wheeler Energy; Dick Bennett, APMG Chief Assessor; Kate Blackall, APMG PRINCE2 examiner; Johan Bleeker, Standard Bank; Eddie Borup, Ibps solutions; Chris Braithwaite, Wellstream; George Brooke, Oak Lodge Consulting Ltd; Mark Canning, North West Regional Development Agency; Tim Carroll, Standard Chartered Bank; Jacqueline Chadwick, VOSA; Sue Childs, APMG PRINCE2 examiner; Alison Clack, Sean Alison Ltd; Jim Clinch, Clinch Consulting; Brian Coombes, The Projects Group; Arthur Coppens, Getronics Consulting Educational Services; Bjarne Corvinius, Rovsing Management; Anthony Dailey, MWH; Terry Dailey, Deliverables Management Consultants; Bill Duncan, APMG PRINCE2 examiner; Hassan El Meligy, IEEE; Darilyn Evans, Adaptive Frameworks; Alan Ferguson, AFA; Chris Ferguson, Novare Consulting Ltd; Ray Frew, Aspen Management Training; Alvin Gardiner, PR-02 (Scotland) Ltd; Emmanuel Gianquitto, APMG (International); Colin Graham, Aylesbury Vale DC; John Greenwood, CSC; Angelika Hamilton, APMG (Germany); Gary R O Haran Doyle, Swiss Life; Simon Harris, Logical Model

Ltd; Wietse Heidema, Opmaat Consultancy & Training; Luis Herrera, Consultant; Terry Hewins, Land Registry; Emma Jones, APMG PRINCE2 Chief Examiner; Nigel Jones, AJS; Howard Joseph, Home Office; Ravi Joshi, Action For Children; Hans Kemper, APMG (Netherlands); Eddie Kilkelly, ILX Group plc; Lawrie Kirk, Tanner James Management Consultants (Australia); Wieslaw Kosieradzki, P2Ware; Eddie Lamont, Lothian & Borders Police; Tony Levene, Quality Projects; Martin Lewis, Lucid IT; David Lillicrap, London Borough of Ealing; Steve Livingstone, BNFL; Tim Lulham, Network Rail; Maria Maltby, Charnwood Borough Council; Dusty Miller, Sun Microsystems Ltd; Trevor Mirams, Parity; Adrian Newton, Quorum ICT; Bruce Nicholls, Bryan Cave; Helen Nicoll, NHS; Chris Price, Highways Agency; G. Raghunandan, Satyam Computer Services Ltd; Geoff Rankins, Goal Professional Services Pty Ltd; Lizz Robb, Yellowhouse.net pty Ltd; Graham Robertson, Serco; Eileen Roden, PM Professional Learning; Philip Rushbrook, Cabinet Office; Ian Santry, Home Office; Andrew Schuster, Department of Health; Noel Scott, Symantec; John Sherwood, Highways Agency; Joy Shewring, APMG (USA); Jay M. Siegelaub, Impact Strategies LLC; Raed M. Skaf, Oger Systems Ltd; Tim Sneller, Southend-on-Sea Borough Council; Rod Sowden, Aspire Europe Ltd; Phil Stephensen-Payne, Remarc Group; Rob Sucher, Armstrong Webb; Mark Sutton, SCOLL Methods Ltd; Ian Thomas, Liberty Network Consultancy; Dot Tudor, TCC; Bram de Vuyst, Getronics Consulting Management Services; Jens Wandel, United Nations Development Programme; Geoff Ward, APMG PRINCE2 examiner; Sheryl Ward, Skandia; Peter Weaver, Corte-grande; David Whelbourn, Xwave solutions inc; Stephen Wierzbicki, Bristol Management Centre; Jorn Wigh, APMG (Denmark); Gerald Williams, Projectlabs; Philip Wilson, Cabinet Office

Managing Successful Projects with PRINCE2 pilot group

The British Council; Capital Coast District Health Board; Department of Labour (New Zealand); Fishserve; Metropolitan Police; Ministry of Economic Development (New Zealand); Ministry of Education (New Zealand); Staffordshire Metropolitan Borough Council; Standard Bank; Suffolk County Council; Sun Microsystems Ltd; Vietnamese Academy of Social Sciences.

Conventions used in this manual

Throughout this manual, the following terms use title case:

- PRINCE2 themes
- PRINCE2 processes
- PRINCE2 roles
- Defined management products

Activities within PRINCE2 processes will always be referred to using the same key words or phrases, and are not otherwise distinguished, as they should be evident from their context.

For example, ‘The Project Board will give ad hoc direction in these circumstances.’

Abbreviations and acronyms have largely been avoided; however, where they are used, they will be spelt out in full on first use.

Key points are illustrated like this:

A PRINCE2 project has continued business justification.

Example techniques are illustrated like this:

Example of a prioritization technique – MoSCoW

Each acceptance criterion is rated as either Must have, Should have, Could have or Won’t have for now (MoSCoW).

All the ‘Must have’ and ‘Should have’ acceptance criteria should be mutually achievable.

1 Introduction

1.1 THE PURPOSE OF THIS MANUAL

PRINCE2 (Projects in a Controlled Environment) is a structured project management method based on experience drawn from thousands of projects – and from the contributions of countless project sponsors, Project Managers, project teams, academics, trainers and consultants. This manual is designed:

- For entry-level project management personnel wishing to learn about project management generally and the PRINCE2 method in particular
- For experienced Project Managers and personnel who wish to learn about the PRINCE2 method
- As a detailed reference source for PRINCE2 practitioners
- As a source of information on PRINCE2 for managers considering whether to adopt the method.

The manual covers the questions frequently asked by people involved in project management and support roles. These questions include:

- What's expected of me?
- What does the Project Manager do?
- What do I do if things don't go to plan?
- What decisions am I expected to make?
- What information do I need or must I supply?
- Who should I look to for support? For direction?
- How can I tailor the use of PRINCE2 for my project?

1.2 THE IMPORTANCE OF PROJECTS

A key challenge for organizations in today's world is to succeed in balancing two parallel, competing imperatives:

- To maintain current business operations – profitability, service quality, customer relationships, brand loyalty, productivity, market confidence etc. What we term 'business as usual'
- To transform business operations in order to survive and compete in the future – looking forward and deciding how business change

can be introduced to best effect for the organization.

As the pace of change (technology, business, social, regulatory etc.) accelerates, and the penalties of failing to adapt to change become more evident, the focus of management attention is inevitably moving to achieve a balance between business as usual and business change.

Projects are the means by which we introduce change – and, while many of the skills required are the same, there are some crucial differences between managing business as usual and managing project work.

1.3 WHAT MAKES PROJECTS DIFFERENT?

A **project** is a temporary organization that is created for the purpose of delivering one or more business products according to an agreed Business Case.

There are a number of characteristics of project work that distinguish it from business as usual:

- **Change** Projects are the means by which we introduce change
- **Temporary** As the definition above states, projects are temporary in nature. Once the desired change has been implemented, business as usual resumes (in its new form) and the need for the project is removed. Projects should have a defined start and a defined end
- **Cross-functional** Projects involve a team of people with different skills working together (on a temporary basis) to introduce a change that will impact others outside the team. Projects often cross the normal functional divisions within an organization and sometimes span entirely different organizations. This frequently causes stresses and strains both within organizations and between, for example, customers and suppliers. Each has a different perspective and motivation for getting involved in the change

- **Unique** Every project is unique. An organization may undertake many similar projects, and establish a familiar, proven pattern of project activity, but each one will be unique in some way: a different team, a different customer, a different location. All these factors combine to make every project unique
- **Uncertainty** Clearly, the characteristics already listed will introduce threats and opportunities over and above those we typically encounter in the course of business as usual. Projects are more risky.

1.4 WHY HAVE A PROJECT MANAGEMENT METHOD?

Project management is the planning, delegating, monitoring and control of all aspects of the project, and the motivation of those involved, to achieve the project objectives within the expected performance targets for time, cost, quality, scope, benefits and risks.

It is the development of the project's deliverables (known as products in PRINCE2) that deliver the project's results. A new house is completed by creating drawings, foundations, floors, walls, windows, a roof, plumbing, wiring and connected services. None of this is project management – so why do we need project management at all? The purpose of project management is to keep control over the specialist work required to create the project's products or, to continue with the house analogy, to make sure the roofing contractor doesn't arrive before the walls are built.

Additionally, given that projects are the means by which we introduce business change, and that project work entails a higher degree of risk than other business activity, it follows that implementing a secure, consistent, well-proven approach to project management is a valuable business investment.

1.5 INTRODUCING PRINCE2

PRINCE2 is a non-proprietary method and has emerged worldwide as one of the most widely accepted methods for managing projects. This is largely due to the fact that PRINCE2 is truly generic: it can be applied to any project regardless

of project scale, type, organization, geography or culture.

PRINCE2 achieves this by isolating the management aspects of project work from the specialist contributions, such as design, construction etc. The specialist aspects of any type of project are easily integrated with the PRINCE2 method and, used alongside PRINCE2, provide a secure overall framework for the project work.

Because PRINCE2 is generic and based on proven principles, organizations adopting the method as a standard can substantially improve their organizational capability and maturity across multiple areas of business activity – business change, construction, IT, mergers and acquisitions, research, product development and so on.

1.5.1 What does a Project Manager do?

In order to achieve control over anything, there must be a plan. It is the Project Manager who plans the sequence of activities to build the house, works out how many bricklayers will be required and so on.

It may be possible to build the house yourself – but being a manager implies that you will delegate some or all of the work to others. The ability to delegate is important in any form of management but particularly so (because of the cross-functionality and risks) in project management.

With the delegated work under way, the aim is that it should 'go according to plan', but we cannot rely on this always being the case. It is the Project Manager's responsibility to monitor how well the work in progress matches the plan.

Of course, if work does not go according to plan, the Project Manager has to do something about it, i.e. exert control. Even if the work is going well, the Project Manager may spot an opportunity to speed it up or reduce costs. Whether it is by taking corrective action or implementing measures to improve performance, the aim of PRINCE2 is to make the right information available at the right time for the right people to make the right decisions.

1.5.2 What is it we wish to control?

There are six variables involved in any project, and therefore six aspects of project performance to be managed.

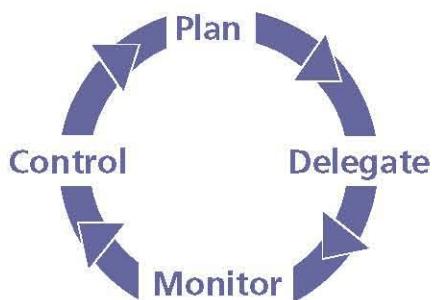


Figure 1.1 Project management

- **Costs** The project has to be affordable and, though we may start out with a particular budget in mind, there will be many factors which can lead to overspending and, perhaps, some opportunities to cut costs
- **Timescales** Allied to this, and probably the next most-frequent question asked of a Project Manager, is: 'When will it be finished?'
- **Quality** Finishing on time and within budget is not much consolation if the result of the project doesn't work. In PRINCE2 terms, the project's products must be fit for purpose
- **Scope** Exactly what will the project deliver? Without knowing it, the various parties involved in a project can very often be talking at cross-purposes about this. The customer may assume that, for instance, a fitted kitchen and/or bathroom is included in the price of the house, whereas the supplier views these as 'extras'. On large-scale projects, scope definition is much more subtle and complex. There must be agreement on the project's scope and the Project Manager needs to have a detailed understanding of what is and what is not within the scope. The Project Manager should take care not to deliver beyond the scope as this is a common source of delays, overspends and uncontrolled change ('scope creep')
- **Risk** All projects entail risks but exactly how much risk are we prepared to accept? Should we build the house near the site of a disused mine, which may be prone to subsidence? If we decide to go ahead, is there something we can do about the risk? Maybe insure against it or have thorough surveys carried out?
- **Benefits** Perhaps most often overlooked is the question, 'Why are we doing this?' It's not enough to build the house successfully on time, within budget and to quality specifications if, in the end, we can't sell or rent it at a profit

or live in it happily. The Project Manager has to have a clear understanding of the purpose of the project as an investment and make sure that what the project delivers is consistent with achieving the desired return.

PRINCE2 is an integrated framework of processes and themes that addresses the planning, delegation, monitoring and control of all these six aspects of project performance.

1.5.3 The structure of PRINCE2

The PRINCE2 method addresses project management with four integrated elements of principles, themes, processes and the project environment (Figure 1.2).

1 The principles (Chapter 2)

These are the guiding obligations and good practices which determine whether the project is genuinely being managed using PRINCE2. There are seven principles and unless all of them are applied, it is not a PRINCE2 project.

2 The themes (Chapters 3 to 10)

These describe aspects of project management that must be addressed continually and in parallel throughout the project. The seven themes explain the specific treatment required by PRINCE2 for various project management disciplines and why they are necessary.

3 The processes (Chapters 11 to 18)

These describe a step-wise progression through the project lifecycle, from getting started to project closure. Each process provides checklists of recommended activities, products and related responsibilities.

4 Tailoring PRINCE2 to the project environment (Chapter 19)

This chapter addresses the need to tailor PRINCE2 to the specific context of the project. PRINCE2 is not a 'one size fits all' solution; it is a flexible framework that can readily be tailored to any type or size of project.

There is a companion guide, *Directing Successful Projects with PRINCE2*, which addresses the PRINCE2 method from the viewpoint of senior personnel, specifically Project Board members.

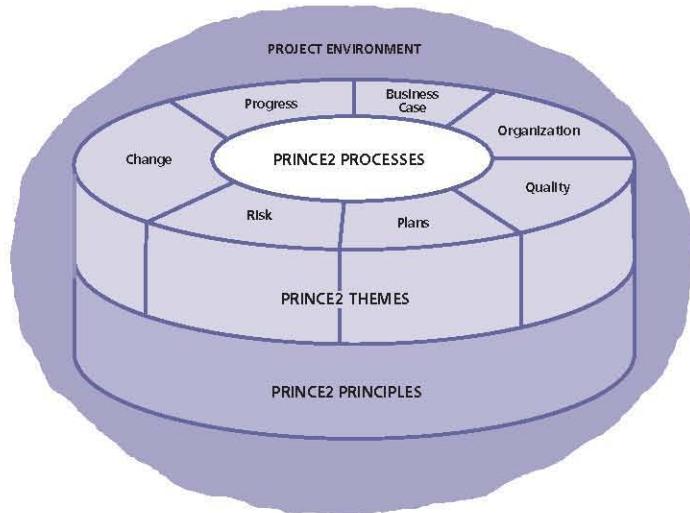


Figure 1.2 The structure of PRINCE2

1.6 RELATED OGC GUIDANCE

PRINCE2 is part of a suite of guidance developed by the UK Office of Government Commerce (OGC), which is aimed at helping organizations and individuals manage their projects, programmes and services consistently and effectively. Figure 1.3 outlines the structure of the set.

Where appropriate, OGC methods and guidance are augmented by qualification schemes, and all aspects are supported by accredited training and consultancy services. Details of these best-practice guides and other relevant guides can be found in Further Information.

1.6.1 What PRINCE2 does not provide

It is not intended (or possible) for PRINCE2 to cover every aspect of project management. There are three broad topic categories which are deliberately considered to be outside the scope of PRINCE2:

- **Specialist aspects** PRINCE2's strength is in its wide applicability – it is entirely generic. Consequently, industry-specific or type-specific activity is excluded. Engineering models, project lifecycles or specific techniques (such as organizational change management or procurement) can readily be used alongside PRINCE2. PRINCE2 categorizes all these aspects

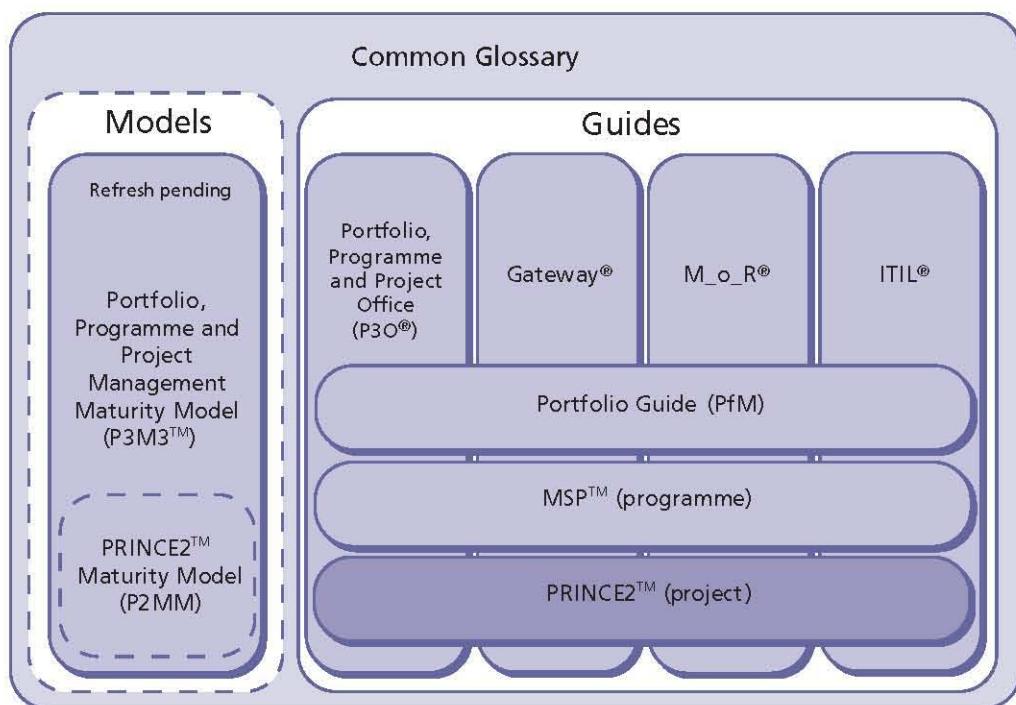


Figure 1.3 OGC best-practice guidance

of project work as 'specialist' (which means that the specialist products concerned need to be identified and included within project scope and plans)

- **Detailed techniques** There are many proven planning and control techniques that can be used in support of the PRINCE2 themes. Examples are critical path analysis (in planning) and earned value analysis (in progress control). Such techniques are well documented elsewhere. Only techniques that have a specific PRINCE2 approach are described, e.g. the product-based planning and quality review techniques
- **Leadership capability** Leadership, motivational skills and other interpersonal skills are immensely important in project management but impossible to codify in a method. Leadership styles vary considerably and a style that works in one situation may be entirely inappropriate in another. The fact that it is easy to think of successful leaders who have adopted very different styles – from autocratic to consensus-based – bears this out. For this reason, PRINCE2 cannot address this aspect of project management directly. There are many leadership models and interpersonal-skills training programmes that fulfil this requirement.

1.7 BENEFITS OF PRINCE2

Before introducing the structure of the method, it is worthwhile reviewing the key benefits of adopting PRINCE2:

- PRINCE2 embodies established and proven best practice and governance for project management
- It can be applied to any type of project – and can easily be implemented alongside specialist, industry-specific models ('engineering models' or 'development lifecycles')
- PRINCE2 is widely recognized and understood, and therefore provides a common vocabulary for all project participants – promoting effective communication
- PRINCE2 provides for the explicit recognition of project responsibilities – so that participants understand each other's roles and needs.

There is a defined structure for accountability, delegation, authority and communication

- Its product focus clarifies (for all parties) what a project will deliver, why, when, by whom and for whom
- PRINCE2 plans are carefully designed to meet the needs of the different levels in the management team, improving communication and control
- It is based on a 'management by exception' framework, providing for the efficient and economic use of management time (whether at corporate, programme, Project Board or project management levels)
- PRINCE2 ensures that participants focus on the viability of the project in relation to its Business Case objectives – rather than simply seeing the completion of the project as an end in itself
- It defines a thorough but economical structure of reports
- It ensures that stakeholders (including sponsors and resource providers) are properly represented in planning and decision making
- Adopting PRINCE2 promotes learning and continual improvement in organizations
- PRINCE2 promotes consistency of project work and the ability to reuse project assets; it also facilitates staff mobility and reduces the impact of personnel changes/handovers
- PRINCE2 is an invaluable diagnostic tool, facilitating the assurance and assessment of project work, troubleshooting and audits
- There are scores of accredited training and consultancy organizations (ATOs and ACOs) operating worldwide, who can supply expert support for PRINCE2 projects or for organizations planning to adopt PRINCE2.

2 Principles

The purpose of PRINCE2 is to provide a project management method that can be applied regardless of project scale, type, organization, geography or culture. This is possible because PRINCE2 is principles-based. Principles are characterized as:

- Universal in that they apply to every project
- Self-validating in that they have been proven in practice over many years
- Empowering because they give practitioners of the method added confidence and ability to influence and shape how the project will be managed.

The principles on which PRINCE2 is based originate from lessons learned from projects both good and bad. They provide a framework of good practice for those people involved in a project. If a project does not adhere to these principles, it is not being managed using PRINCE2, because the principles are the basis of what defines a PRINCE2 project.

The seven PRINCE2 principles can be summarized as:

- Continued business justification
- Learn from experience
- Defined roles and responsibilities
- Manage by stages
- Manage by exception
- Focus on products
- Tailor to suit the project environment.

It is the adoption of these principles that characterizes whether a project is using PRINCE2, not the adoption of processes and documents alone. The principles facilitate good use of PRINCE2 by ensuring that the method is not applied in an overly prescriptive way or in name only, but applied in a way that is sufficient to contribute to the success of the project.

2.1 CONTINUED BUSINESS JUSTIFICATION

A PRINCE2 project has continued business justification.

A requirement for a PRINCE2 project is that:

- There is a justifiable reason to start it
- The justification should remain valid throughout the life of the project
- The justification is documented and approved.

In PRINCE2, the justification is documented in a Business Case. As a project is inextricably linked to its business justification, it drives the decision-making processes to ensure that the project remains aligned to the business objectives and benefits being sought.

Organizations that lack rigour in developing Business Cases may find that some projects proceed even where there are few real benefits or where a project has only tentative associations with corporate strategy. Poor alignment with corporate strategies can also result in organizations having a portfolio of projects that have mutually inconsistent or duplicated objectives.

Even projects that are compulsory (for example, to comply with new legislation) require justification of the option chosen, as there may be several options available that yield different costs, benefits and risks.

Although the justification should remain valid, it may change. It is therefore important that the project and evolving justification remain consistent.

If, for whatever reason, the project can no longer be justified, the project should be stopped. Stopping a project in these circumstances is a positive contribution to an organization as its funds and resources can be reinvested in other more worthwhile projects.

2.2 LEARN FROM EXPERIENCE

PRINCE2 project teams learn from previous experience: lessons are sought, recorded and acted upon throughout the life of the project.

Projects involve a temporary organization for a finite timescale for a specific business purpose. A common characteristic is that the project includes an element of uniqueness such that it cannot be managed by existing line management or functional units. It is this element of uniqueness that makes projects challenging as the temporary team may not have experience of a project like the one being undertaken.

In PRINCE2, learning from experience permeates the method:

- **When starting a project** Previous or similar projects should be reviewed to see if lessons learned could be applied. If the project is a 'first' for the people within the organization, then it is even more important to learn from others and the project should consider seeking external experience
- **As the project progresses** The project should continue to learn. Lessons should be included in all reports and reviews. The goal is to seek opportunities to implement improvements during the life of the project
- **As the project closes** The project should pass on lessons. Unless lessons provoke change, they are only lessons identified (not learned).

It is the responsibility of everyone involved with the project to **seek** lessons learned rather than waiting for someone else to provide them.

2.3 DEFINED ROLES AND RESPONSIBILITIES

A PRINCE2 project has defined and agreed roles and responsibilities within an organization structure that engages the business, user and supplier stakeholder interests.

Projects involve people. No amount of good planning or control will help if the wrong people are involved, if the right people are not involved, or if people involved do not know what's expected of them or what to expect of others.

A project is typically cross-functional, may involve more than one organization, and may involve a mixture of full-time and part-time resources. The management structures of the parties involved in the project are likely to be different – with different priorities, objectives and interests to protect. The day-to-day line management structures may not be designed for, or suited to, project work.

To be successful, projects must have an explicit project management team structure consisting of defined and agreed roles and responsibilities for the people involved in the project and a means for effective communication between them.

All projects have the following primary stakeholders:

- 'Business' sponsors who endorse the objectives and ensure that the business investment provides value for money
- 'Users' who, after the project is completed, will use the products to enable them to gain the intended benefits
- 'Suppliers' who provide the resources and expertise required by the project (these may be internal or external).

Therefore, all three stakeholder interests need to be represented effectively in the project management team – two out of three is not enough. If the project costs outweigh the benefits, the project will fail. Equally, if the outcome of the project does not meet the users' or operational needs, or cannot feasibly be delivered by the suppliers, failure is inevitable.

The defined project management team structure unites the various parties in the common aims of the project. For all those people involved, a defined project management team structure provides the answer to the question, 'What is expected of me?'

2.4 MANAGE BY STAGES

A PRINCE2 project is planned, monitored and controlled on a stage-by-stage basis.

Management stages provide senior management with control points at major intervals throughout the project. At the end of each stage, the project's status should be assessed, the Business Case and plans reviewed to ensure that the project remains viable, and a decision made as to whether to proceed.

Breaking the project into a number of stages enables the extent of senior management control over projects to be varied according to the business priority, risk and complexity involved. Shorter stages offer more control, while longer stages reduce the burden on senior management.

Planning can only be done to a level of detail that is manageable and foreseeable. A great deal of effort can be wasted on attempts to plan beyond a sensible planning horizon. For example, a detailed plan to show what each team member is doing for the next 12 months will almost certainly be inaccurate after just a few weeks. A detailed Team Plan for the short term and an outline plan for the long term is a more effective approach.

PRINCE2 overcomes the planning horizon issue by:

- Dividing the project into a number of management stages
- Having a high-level Project Plan and a detailed Stage Plan (for the current stage)
- Planning, delegating, monitoring and controlling the project on a stage-by-stage basis.

PRINCE2 requires there to be a minimum of two management stages: one initiation stage and one or more further management stages.

2.5 MANAGE BY EXCEPTION

A PRINCE2 project has defined tolerances for each project objective to establish limits of delegated authority.

PRINCE2 enables appropriate governance by defining distinct responsibilities for **directing**, **managing** and **delivering** the project and clearly defining accountability at each level. Accountability is established by:

- Delegating authority from one management level to the next by setting tolerances against six objectives for the respective level of the plan:
 - **Time** Plus or minus an amount of time on the target completion dates
 - **Cost** Plus or minus an amount of the planned budget
 - **Quality** Plus or minus degrees off a quality target (e.g. a product that weighs a target 300 g, with an allowed -5 g to +10 g tolerance)
 - **Scope** Permissible variation of the plan's products (e.g. mandatory requirements plus or minus desirable requirements)
 - **Risk** Limits on the plan's aggregated risks (e.g. cost of aggregated threats to remain less than 10% of the plan's budget) or limits on any individual threat (e.g. a threat to operational service)
 - **Benefit** Plus or minus degrees off an improvement goal (e.g. 30–40% cost reduction)
- Setting up controls so that if those tolerances are forecast to be exceeded, they are immediately referred up to the next management layer for a decision on how to proceed
- Putting an assurance mechanism in place so that each management layer can be confident that such controls are effective.

This implementation of 'management by exception' provides for very efficient use of senior management time as it reduces senior managers' time burden without removing their control by ensuring decisions are made at the right level in the organization.

2.6 FOCUS ON PRODUCTS

A PRINCE2 project focuses on the definition and delivery of products, in particular their quality requirements.

A successful project is output-oriented not activity-oriented. An output-oriented project is one that agrees and defines the project's products prior to undertaking the activities required to produce them. The set of agreed products defines the scope of a project and provides the basis for planning and control.

The purpose of a project is to fulfil stakeholder expectations in accordance with the business justification, and to do this there must be a common understanding of the products required and the quality expectations for them. The purpose of a project can be interpreted in many different ways unless there is an explicit understanding of the products to be produced and the criteria against which they will be individually approved.

A PRINCE2 project uses Product Descriptions to provide such clarity by defining each product's purpose, composition, derivation, format, quality criteria and quality method. They provide the means to determine effort estimates, resource requirements, dependencies and activity schedules.

The 'product focus' supports almost every aspect of PRINCE2: planning, responsibilities, status reporting, quality, change control, scope, configuration management, product acceptance and risk management.

Without a product focus, projects are exposed to several major risks such as acceptance disputes, rework, uncontrolled change ('scope creep'), user dissatisfaction and underestimation of acceptance activities.

2.7 TAILOR TO SUIT THE PROJECT ENVIRONMENT

PRINCE2 is tailored to suit the project's environment, size, complexity, importance, capability and risk.

The value of PRINCE2 is that it is a universal project management method that can be applied regardless of project type, organization, geography or culture. It can be used by any project because the method is designed to be tailored to its specific needs.

If PRINCE2 is not tailored, it is unlikely that the project management effort and approach are appropriate for the needs of the project. This can lead to 'robotic' project management at one extreme (the method is followed without question) or 'heroic' project management at the other extreme (the method is not followed at all).

The purpose of tailoring is to:

- Ensure the project management method relates to the project's environment (e.g. aligning the method to the business processes that may govern and support the project, such as human resources, finance and procurement)
- Ensure that project controls are based on the project's scale, complexity, importance, capability and risk (e.g. the reporting and reviewing frequency and formality).

Tailoring requires the Project Manager and the Project Board to make an active decision on how the method will be applied, for which guidance is provided. When tailoring PRINCE2, it is important to remember that it requires information (not necessarily documents) and decisions (not necessarily meetings).

To ensure that all those people involved with the project understand how PRINCE2 is to be used, the Project Initiation Documentation should state how the method is being tailored for that particular project.

3 Introduction to PRINCE2 themes

3.1 WHAT ARE THE THEMES?

The PRINCE2 themes describe aspects of project management that must be addressed continually. Any Project Manager who gives thorough attention to these themes will fulfil the role in a professional manner.

However, the strength of PRINCE2 is the way in which the seven themes are integrated, and this is achieved because of the **specific PRINCE2 treatment**

of each theme, i.e. they are carefully designed to link together effectively.

The PRINCE2 processes address the chronological flow of the project – with actions relating to different themes mixed together. Here, the logical thread that runs through each theme is highlighted and more detailed guidance is provided in order to amplify the process activities. Table 3.1 lists the seven PRINCE2 themes and the relevant chapter.

Table 3.1 The PRINCE2 themes

Theme	Description	Answers	Chapter
Business Case	The project starts with an idea which is considered to have potential value for the organization concerned. This theme addresses how the idea is developed into a viable investment proposition for the organization and how project management maintains the focus on the organization's objectives throughout the project.	Why?	4
Organization	The organization sponsoring the project needs to allocate the work to managers who will be responsible for it and steer it through to completion. Projects are cross-functional so the normal line function structures are not suitable. This theme describes the roles and responsibilities in the temporary PRINCE2 project management team required to manage the project effectively.	Who?	5
Quality	The initial idea will only be understood as a broad outline. This theme explains how the outline is developed so that all participants understand the quality attributes of the products to be delivered – and then how project management will ensure that these requirements are subsequently delivered.	What?	6
Plans	PRINCE2 projects proceed on the basis of a series of approved plans. This theme complements the Quality theme by describing the steps required to develop plans and the PRINCE2 techniques that should be applied. In PRINCE2, the plans are matched to the needs of the personnel at the various levels of the organization. They are the focus for communication and control throughout the project.	How? How much? When?	7
Risk	Projects typically entail more risk than stable operational activity. This theme addresses how project management manages the uncertainties in its plans and in the wider project environment.	What if?	8
Change	This theme describes how project management assesses and acts upon issues which have a potential impact on any of the baseline aspects of the project (its plans and completed products). Issues may be unanticipated general problems, requests for change or instances of quality failure.	What's the impact?	9
Progress	This theme addresses the ongoing viability of the plans. The theme explains the decision-making process for approving plans, the monitoring of actual performance and the escalation process if events do not go according to plan. Ultimately, the Progress theme determines whether and how the project should proceed.	Where are we now? Where are we going? Should we carry on?	10

3.2 APPLYING THE THEMES

All seven themes must be applied in a project but they should be **tailored** according to the scale, nature and complexity of the project concerned.

Themes can be tailored 'up' or 'down', i.e. additional detailed documentation and process discipline can be introduced for complex or high-risk projects, whereas concise bullet-point presentations and more informal processes may be adequate for simple, low-risk projects.

3.3 FORMAT OF THE THEMES

Each of the themes chapters are structured as follows:

- **Purpose** Why it is important to the successful delivery of the project
- **Theme defined** Terms and definitions used
- **The PRINCE2 approach to the theme** The specific treatment of the particular aspect of project management required for the PRINCE2 processes to be fully effective
- **Responsibilities** Specific to the key theme for each PRINCE2 role.

4 Business Case

4.1 PURPOSE

The purpose of the Business Case theme is to establish mechanisms to judge whether the project is (and remains) desirable, viable and achievable as a means to support decision making in its (continued) investment.

It is a PRINCE2 principle that a project must have continued business justification.

The business justification is the reason for the project. Without it no project should start. If business justification is valid at the start of a project, but disappears once it is under way, the project should be stopped or changed.

In PRINCE2, the business justification is documented in a Business Case describing the reasons for the project based on estimated costs, risks and the expected benefits.

The reasons for undertaking the project must drive decision making. When projects face changes or risks, the impact analysis should focus on the Business Case, remembering that the project is only a means to an end and not the end itself.

The ongoing and ever-present decision regarding the Business Case is whether the project can (still) be justified. This is based on whether the project is desirable (the cost/benefit/risk balance), viable (the project can deliver the products) and achievable (the products can provide the benefits).

The Senior User(s) is responsible for specifying the benefits and subsequently realizing the benefits through the use of the products provided by the project. The Executive is responsible for ensuring that those benefits specified by the Senior User(s) represent value for money, are aligned to corporate objectives, and are capable of being realized.

In PRINCE2, the Business Case is developed at the beginning of the project and maintained throughout the life of the project, being formally verified by the Project Board at each key decision point, such as end stage assessments, and the benefits are confirmed as they start to accrue. In some cases the project may be initiated with

a pre-existing Business Case (from corporate or programme management), in which case it will be refined during initiation.

4.2 BUSINESS CASE DEFINED

4.2.1 What is a Business Case?

The Business Case presents the optimum mix of information used to judge whether the project is (and remains) desirable, viable and achievable, and therefore worthwhile investing in.

The Project Board and stakeholders must have confidence at all times that the project remains viable. In PRINCE2, the Business Case provides the vital test of the viability of the project. It provides the answer to the question: is the investment in this project still worthwhile?

Since this viability question is ongoing, the Business Case is not static. It should not be used only to gain initial funding for a project, but should be actively maintained throughout the life of the project and be continually updated with current information on costs, risks and benefits.

When making investment decisions, it is important to ascertain what benefits can be gained when, with what degree of risk and from what level of investment. Projects should be evaluated on how well they will contribute to corporate objectives. Such analysis enables one project to be compared with another so that the organization can choose to invest in the best set of projects.

4.2.2 Outputs, outcomes and benefits

In PRINCE2:

- A project's **output** is any of the project's specialist products (whether tangible or intangible)
- An **outcome** is the result of the change derived from using the project's outputs
- A **benefit** is the measurable improvement resulting from an outcome that is perceived as an advantage by one or more stakeholders.

Example of output, outcome and benefits

Output: New sales system

Outcome: Sales orders are processed more quickly and accurately

Benefits: Costs are reduced by 10%, volume of sales orders increased by 15% and revenue increased by 10% annually.

As the project's outcomes and benefits are often only realized after the project has closed, it is unfortunately easy for projects to become focused solely on creating products (the outputs). The link from the project's outputs to outcomes and benefits should be clearly identified and made visible to those involved, otherwise the original purpose of the project can get lost (Figure 4.1).

4.2.3 Types of Business Case

The reasons for undertaking projects vary enormously and are largely driven by their environment. The nature of the project will determine the objectives that will be used to verify the desirability of the project and later to confirm that the project's products have met those objectives. Such objectives will be measured differently depending on the type of project, for example:

- Compulsory project
- Not-for-profit project
- Evolving project

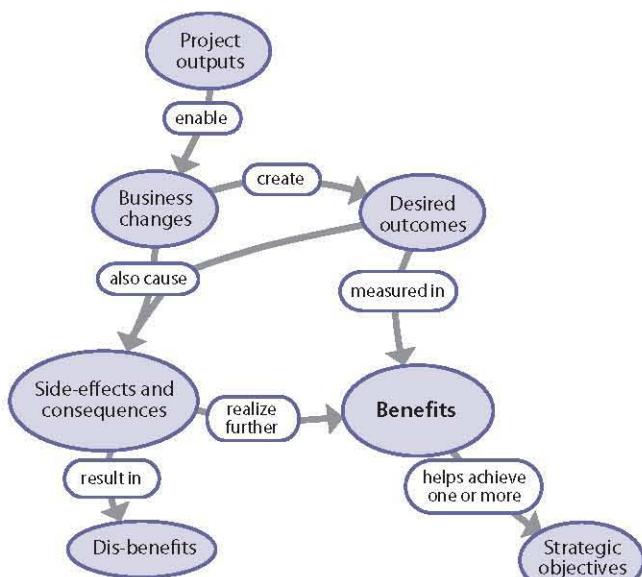


Figure 4.1 Relationship between outputs, outcomes and benefits

- Customer/supplier project
- Multi-organization project.

Some of these projects may be measured principally on 'return on investment', but others (particularly the compulsory or not-for-profit projects) may be measured on other non-financial benefits.

Regardless of the type of measure being used, the question remains: for this level of investment, are the anticipated benefits more desirable, viable and achievable than the other options available? For more details on how the project environment affects the Business Case, see Chapter 19.

4.3 THE PRINCE2 APPROACH TO THE BUSINESS CASE

In PRINCE2, the Business Case is **developed** at the beginning of the project and **maintained** throughout the life of the project, being formally **verified** by the Project Board at each key decision point, such as end stage assessments, and **confirmed** throughout the period that the benefits accrue.

In this context:

- **Develop** means getting the right information upon which decisions can be made
- **Verify** means assessing whether the project is (still) worthwhile
- **Maintain** means to update the Business Case with actual costs and benefits and current forecasts for costs and benefits
- **Confirm** means assessing whether the intended benefits have been (or will be) realized. Confirming benefits will mostly take place post-project.

The Business Case is at the centre of any impact assessment of risks, issues and changes by asking the question: how will this risk, issue or change affect the viability of the Business Case and the business objectives and benefits being sought?

4.3.1 Developing the Business Case

In PRINCE2 the Executive is responsible for the Business Case. It does not necessarily mean that the Executive writes the Business Case, merely that the Executive is responsible for ensuring that the Business Case is written and approved.

Development of the Business Case may be delegated, for example, to a business analyst or

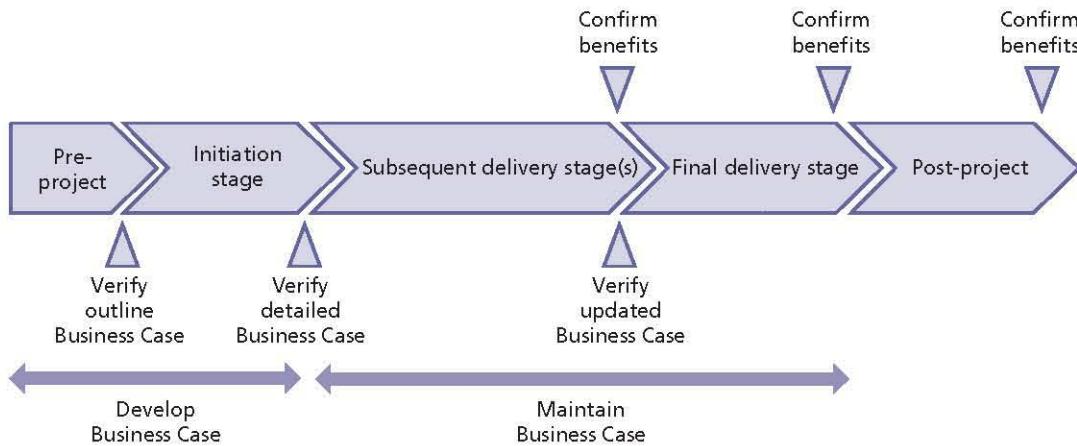


Figure 4.2 The development path of the Business Case

perhaps even to the Project Manager. In some cases, programme management will provide an approved Business Case as part of the Project Brief. Whoever is given the task of developing the Business Case, it is important to ensure that they have the appropriate business skills required (for example, understanding the difference between a cash-flow forecast, a profit-and-loss account and a balance sheet). If not, then the Project Board should consider using Project Assurance to assist with the development of the Business Case.

The outline Business Case is derived from the project mandate and developed pre-project in the Starting up a Project process in order to gain approval by the Project Board in the Directing a Project process to initiate the project.

The detailed Business Case is derived from the outline Business Case, the Project Plan (costs, timescale, products) and the Risk Register. Due to the inputs required to develop a Business Case, its development will be iterative. There needs to be an initial justification to proceed with the project, but until the project is planned in detail, the outline Business Case is based on costs and timescales that are, at best, approximate. Once the costs and timescales are better understood, it may increase or decrease the desirability, viability and achievability of the project and could therefore change the project approach, leading to some replanning.

4.3.2 Verifying and maintaining the Business Case

The Business Case drives all decision making by ensuring that the project remains justified and that the business objectives and benefits being sought can be realized.

To drive the decision making, the Business Case should be reviewed:

- At the end of the Starting up a Project process by the Project Board in order to authorize project initiation based on a reasonable justification
- At the end of the Initiating a Project process by the Project Board in order to authorize the project
- As part of any impact assessment by the Project Manager of any new or revised issues or risks
- In tandem with an Exception Plan by the Project Board, in order to authorize the revised stage and the continuation of the project
- At the end of each stage by the Project Manager to determine whether any of the costs, timescales, risks or benefits need to be updated
- At the end of each stage by the Project Board, to authorize the next stage and the continuation of the project
- During the final stage by the Project Manager, to assess the project's performance against its requirements and the likelihood that the outcomes will provide the expected benefits
- As part of the benefits review (possibly by corporate or programme management), to determine the success of the project outcomes in realizing their benefits.

It is the responsibility of the Executive to assure the project's stakeholders that the project remains desirable, viable and achievable at all times. The Executive should not rely on end stage assessments alone to make this judgement and should use Project Assurance to assist.

The investment appraisal section of the Business Case provides the Project Board with the source of information to verify that the Business Case justifies the authorization or continuation of the project.

Example of an unverified Business Case

A project to build a tourist attraction in London was justified on the basis of attracting 12 million visitors in its first year. The projected number of visitors determined the revenue for the exhibition and, with the project team under pressure to build a 'world class exhibition', the project budget was set at a level that was break-even with 11 million visitors. The projected 12 million visitors was an untested assumption and significantly higher than the actual 4.5 million visitors. In project terms it was a success – the exhibition opened on time, was within 5% of cost budget and had all the facilities that were requested (so therefore met the acceptance criteria). However, the shortfall of visitors significantly reduced revenue, which meant that the necessary government grant increased from £399 million to £628 million. It was a commercial and public relations disaster, illustrating that delivering a project on time, within budget and to specification based on unsound benefit assumptions negates the successful project delivery.

4.3.3 Confirming the benefits

The approach to confirming benefits is to:

- Identify the benefits
- Select objective measures that reliably prove the benefits
- Collect the baseline measures (from which the improvements will be quantified)
- Decide how, when and by whom the benefit measures will be collected.

The Senior User(s) specifies the benefits and is held to account by demonstrating to corporate or programme management that the forecast benefits that formed the basis of project approval are in fact realized. This may involve a commitment beyond the life of the project as it is likely that many benefits will not be realized until after it has closed.

This poses a dilemma because, once the project closes, the 'temporary organization' is disbanded along with the framework (and in particular the funding and resources) to carry out any measurement activities.

PRINCE2 overcomes this dilemma through defining a Benefits Review Plan. The project's Benefits Review Plan will use the detailed Business Case to define the scope, timing and responsibility of a number of reviews based on the timing and nature of the expected benefits.

By default, the Executive is responsible for ensuring that benefits reviews are planned and executed, but there are circumstances where this may not always be the case:

- For projects in a programme environment, the project's Benefits Review Plan may be produced and executed by the programme, as one of the roles of the programme is to coordinate the realization of the benefits of its projects
- If the corporate organization has a centre of excellence or some form of performance monitoring unit, it may undertake the responsibility for measuring benefits of all projects within the organization
- For post-project measurement activities, the responsibility for benefits reviews will transfer from the Executive to corporate or programme management as the project closes (as the reviews will need to be funded and resourced).

The Benefits Review Plan is first created by the Project Manager in the initiation stage and is submitted to the Project Board for approval when seeking project authorization. If corporate or programme management are to manage or participate in the benefits reviews, the Project Board may need to seek approval from corporate or programme management. The Benefits Review Plan is updated towards the end of each stage with actual benefits achieved, and a revised plan is created for any remaining reviews whether within or beyond the life of the project.

As the Benefits Review Plan may be managed by the project, corporate or programme management, PRINCE2 recommends that it is kept separate from the Project Plan and Stage Plans.

The benefits that can be measured during the life of a project should be reported by the Project Manager in the End Stage Report. Any residual

benefits should be re-examined and their forecast updated as part of the Managing a Stage Boundary process.

The post-project benefits review(s) will involve corporate or programme management holding the Senior User(s) to account by asking them to provide evidence of how the individual benefits allocated to them have been gained in comparison to those benefits promised to justify the cost and risk of the project when it was authorized. The post-project benefits review(s) will also review the performance of the project's products in operational use and identify whether there have been any side-effects (beneficial or adverse) that may provide useful lessons for other projects.

4.3.4 The contents of a Business Case

The Business Case should describe the reasons for the project based on estimated costs, risks and expected benefits. It typically contains:

- An executive summary
- Reasons
- Business options
- Expected benefits
- Expected dis-benefits
- Timescale
- Costs
- Investment appraisal
- Major risks.

The Product Description for a Business Case can be found in Appendix A. The following sections provide further guidance for some of the Business Case content.

4.3.4.1 Reasons

The Business Case should explain the reasons **why** the project is required. Ideally, it should be linked to the organizational context and should explain how the project will enable the achievement of corporate strategies and objectives.

The reasons are likely to be defined in the project mandate. If not, clarification should be sought. For example, the reason for relocating an office may be because of changing demographics or increasing leasing costs, because the firm has outgrown its current office or to meet new legislation, such as disability access.

4.3.4.2 Business options

There are three basic business options concerning any investment:

- Do nothing
- Do the minimum
- Do something.

'Do nothing' should always be the starting option to act as the basis for quantifying the other options – the difference between 'do nothing' and 'do the minimum'/'do something' is the benefit that the investment will buy.

The analysis of each option provides the Project Board and the project's stakeholders with sufficient information to judge which option presents the best value for the organization. It provides the answer to the question: for this level of investment, are the anticipated benefits more desirable, viable and achievable than the other options available?

The Business Case for the chosen option should be continually assessed for desirability, viability and achievability as any new risks and/or changes may make one of the other options more justifiable.

4.3.4.3 Expected benefits

The Business Case should list each benefit that it is claimed would be achieved by the project's outcome (for the selected business option). It is important to define the current status of each benefit in quantifiable terms so that measurable improvements can be assessed after the project has been completed. The Business Case should define how and when the measurement of the improvement can be made. For example, one of the benefits of relocating the office could be a saving in hotel conferencing costs, but only if the new site has more conference rooms.

Benefits can be financial and non-financial (sometimes referred to as cashable and non-cashable). Regardless of whether they are financial or non-financial, benefits should be:

- Aligned to corporate objectives and strategy
- Mapped from the outputs and outcomes provided by the project
- Quantified (with tolerance)
- Measurable
- Assigned.

Clear responsibility for benefits, collectively and individually, is a key requirement for successful benefits realization. The Senior User(s) is responsible for the set of benefits within their respective areas, but responsibility for individual benefits should be assigned to an appropriate person, ideally from within the group of users affected by that benefit.

The list of expected benefits will influence the set of products that the project will provide. The project should not include any products that do not directly or indirectly enable the sought-after benefits to be achieved. Mapping products to outcomes and subsequently to benefits aids decision making in the planning and control of the project. Such mapping enables decisions to be made based on the impact of the realization of the expected benefits, i.e. the justification for undertaking the project.

Wherever possible, benefits should be expressed in tangible ways. The Senior User or Executive may define many benefits as intangible (for example, 'happier staff'). It is worth making the effort to think carefully about intangible benefits to see whether they can be expressed in measurable ways. In this example, 'happier staff' may translate into reduced staff turnover and/or less time off for stress-related problems. Both of these can be converted into a likely monetary saving.

The quantification of benefits enables benefits tolerance to be set (e.g. a 10–15% increase in sales) and the measurability of the benefits ensures that they can be proven. If the project includes benefits that cannot be proven, then it is impossible to judge whether the project:

- Has been a success
- Has provided value for money
- Should be (or have been) initiated.

There are many ways to verify the expected benefits. For example, sensitivity analysis can be used to determine whether the Business Case is heavily dependent on a particular benefit. If it is, this may affect project planning, monitoring and control activities, and risk management, as steps would need to be taken to protect that specific benefit.

Another example is to define three views of the achievement of the benefits, i.e. what are we really expecting, what might we achieve if things went well, and what might be the worst-case scenario?

The last might be affected by building into the costs an allowance for estimating inaccuracies, changes and risks. This analysis usually reveals whether benefit expectations are reasonable or overoptimistic. The result of this analysis can lead to revision of the decision to go ahead with the project, which in turn would form a basis for setting any benefit tolerance.

Once the benefits are defined, the activities to establish and collect the measures should be described in the Benefits Review Plan.

4.3.4.4 Expected dis-benefits

A dis-benefit is an outcome perceived as negative by one or more stakeholders. Dis-benefits are actual consequences of an activity whereas, by definition, a risk has some uncertainty about whether it will materialize.

For example, a decision to merge two elements of an organization onto a new site may have benefits (e.g. better joint working), costs (e.g. expanding one of the two sites) and dis-benefits (e.g. drop in productivity during the merger). These would all need to be considered and valued as part of the investment appraisal.

4.3.4.5 Timescale

Corporate and/or programme management will wish to know:

- Over what period the project costs will be incurred
- Over what period the cost/benefits analysis will be based
- When the organization can expect to accrue benefits
- What the earliest/latest feasible start date is
- What the earliest/latest feasible completion date is.

Identifying the timescale requirement for a project can help identify tolerances and timings for benefits reviews.

4.3.4.6 Costs

The Business Case should summarize the costs derived from the Project Plan together with the assumptions upon which they are based. The costs should also include details of the ongoing operations and maintenance costs and their funding arrangements.

4.3.4.7 Investment appraisal

With the information in the Business Case, it is possible and necessary to compare the development, operations and maintenance costs with the value of the benefits over a period of time (often referred to as an investment appraisal). The investment appraisal period may be a fixed number of years or the useful life of the products. The commissioning authority may have prescribed accounting rules defining how the investment will be appraised.

The investment appraisal should cover both the project costs (to produce the required products and the project management costs) and the ongoing operations and maintenance costs. For example, the estimated costs for office relocation could cover the project costs for the relocation activities, new stationery costs, penalties for terminating service agreements on the current premises, and the increase in rent/rates and service costs for the new premises.

4.3.4.8 Major risks

Any opportunity is likely to be offset by an element of risk. Therefore in order to make the judgement of ‘business justification’, the Project Board needs to understand not only the benefits and the project costs, but the set of risks that may either reduce/ enhance the benefits or reduce/increase the cost.

The Business Case should include a summary of the aggregated risks (and it is suggested that this is in the form of a summary risk profile) and highlight the major risks that will have an effect on the business objectives and benefits (therefore covering both the project delivery and the ongoing operations and maintenance). For example, the risks for the office relocation could include unforeseen moving costs (e.g. asbestos removal) or impact on business continuity (e.g. loss of key staff unwilling to relocate).

4.4 RESPONSIBILITIES

Table 4.1 outlines the responsibilities relevant to the Business Case theme. Refer to Appendix C for further details of project management team roles and their associated responsibilities.

Investment appraisal techniques

Investment appraisal techniques include:

Through-life costs Analysing the total cost of implementation and any incremental operations and maintenance costs

Net benefits Analysing the total value of the benefits less the cost of implementation and ongoing operation calculated over a defined period

Return on investment (ROI) Profits or savings resulting from investments (this is the same as net benefits if the benefits were only financial)

Payback period Calculating the period of time required for the ROI to ‘repay’ the sum of the original investment

Discounted cash flow A means of expressing future benefits based on the current value of money. Sometimes discounted cash flows include risk adjustments as the business may not be confident that all the benefits will materialize

Net present value The total value of discounted future cash inflows less the initial investment. For example, if inflation is at 6%, the value of money halves approximately every 12 years. If a project is forecasting a £500,000 benefit to materialize in year 12, then it is only worth £250,000 in today’s money

Sensitivity analysis Business Cases are based on uncertain forecasts. In order to identify how robust the Business Case is, it is useful to understand the relationship between input factors (e.g. project costs, timescale, quality, scope, project risk) and output (e.g. operations and maintenance costs, business benefits and business risk). Sensitivity analysis involves tweaking the input factors to model the point at which the output factors no longer justify the investment. For example, the project is worthwhile if it can be done in four months, but ceases to be worthwhile if it were to take six months.

Table 4.1 Responsibilities relevant to the Business Case

Role	Responsibilities
Corporate or programme management	<p>Provide the project mandate and define any standards to which the Business Case needs to be developed.</p> <p>Hold the Senior User(s) to account for realizing the post-project benefits enabled by the project's products.</p> <p>Responsible for the Benefits Review Plan (post-project).</p>
Executive	<p>Responsible for the Business Case for the duration of the project.</p> <p>Responsible for the Benefits Review Plan (for the duration of the project) unless being managed by corporate or programme management.</p> <p>Oversee the development of a viable Business Case, ensuring that the project is aligned with corporate strategies, and secure the funding for the project.</p>
Senior User(s)	<p>Responsible for specifying the benefits upon which the Business Case is approved.</p> <p>Ensure the desired outcome of the project is specified.</p> <p>Ensure that the project produces products which deliver the desired outcomes.</p> <p>Ensure that the expected benefits (derived from the project's outcomes) are realized.</p> <p>Provide actual versus forecast benefits statement at the benefits reviews.</p>
Senior Supplier(s)	<p>Responsible for the supplier Business Case(s) (if they exist) – see section 19.6.1.1.</p> <p>Confirm that the products required can be delivered within the expected costs and are viable.</p>
Project Manager	<p>Prepare the Business Case on behalf of the Executive.</p> <p>Conduct impact analysis of any new or revised issues or risks that affect the project's desirability, viability or achievability against the original basis for approving the project.</p> <p>Assess and update the Business Case at the end of each management stage.</p> <p>Assess and report on project performance at project closure.</p>
Project Assurance (business assurance responsibilities)	<p>Assist in the development of the Business Case.</p> <p>Verify and monitor the Business Case against external events and project progress.</p> <p>Ensure the project fits with overall programme or corporate strategy.</p> <p>Monitor project finance on behalf of the customer.</p> <p>Ensure the value-for-money solution is constantly reassessed.</p> <p>Monitor changes to the Project Plan to identify any impact on the needs of the business or the Business Case.</p> <p>Review the impact assessment of potential changes on the Business Case and Project Plan.</p> <p>Verify and monitor the Benefits Review Plan for alignment to corporate or programme management.</p>
Project Support	The Business Case should have a baseline and therefore be under configuration management. Project Support should advise the Project Manager of any proposed or actual changes to products that affect the Business Case.

5 Organization

5.1 PURPOSE

The purpose of the Organization theme is to define and establish the project's structure of accountability and responsibilities (the who?).

PRINCE2 is based on a customer/supplier environment. It assumes that there will be a customer who will specify the desired result and probably pay for the project, and a supplier who will provide the resources and skills to deliver that result.

Every project needs effective direction, management, control and communication. Establishing an effective project management team structure and strategy for communication at the beginning of a project, and maintaining these throughout the project's life, are essential elements of a project's success.

One of the principles of PRINCE2 is that all projects must have a defined organizational structure to unite the various parties in the common aims of the project and to enable effective project governance and decision making.

A successful project management team should:

- Have business, user and supplier stakeholder representation
- Ensure appropriate governance by defining responsibilities for directing, managing and delivering the project and clearly defining accountability at each level
- Have reviews of the project roles throughout the project to ensure that they continue to be effective
- Have an effective strategy to manage communication flows to and from stakeholders.

5.2 ORGANIZATION DEFINED

5.2.1 Project

PRINCE2 defines a project as 'a temporary organization that is created for the purpose of delivering one or more business products according to an agreed Business Case'. It needs to be flexible

and is likely to require a broad base of skills for a comparatively short period of time.

5.2.2 Programme

A project can be run as a stand-alone entity or can be part of a programme of related projects. A programme is a temporary flexible organizational structure 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. It is likely to have a longer life than a single project. A project which forms part of a programme may be impacted by the programme structure and reporting requirements.

5.2.3 Corporate organization

A project may or may not form part of a programme. It will, however, exist within the wider context of a corporate organization. Corporate organizational structures can vary from 'traditional' functional structures, where staff are organized by type of work (for example, marketing, finance, sales etc., where there are clear reporting lines), to project-focused corporate organizations, which work with project teams as a norm, to variations in between.

5.2.4 Roles and jobs

In order to be flexible and meet the needs of different environments and different project sizes, PRINCE2 does not define management **jobs** to be allocated to people on a one-to-one basis. It defines **roles**, each of which is defined by an associated set of responsibilities. Roles might be shared or combined according to the project's needs but the responsibilities must always be allocated. When combining roles, consideration should be given to any conflicts of responsibilities, whether one person has the capacity to undertake the combined responsibilities, and whether any bottlenecks might be created as a result.

5.2.5 Three project interests

The PRINCE2 principle of defined roles and responsibilities states that a PRINCE2 project

will always have three primary categories of stakeholder, and the interests of all three must be satisfied if the project is to be successful. Figure 5.1 shows the three primary interests which make up the Project Board. PRINCE2 recommends that for completeness the Project Board should include representation from each of the business, user and supplier interests at all times.

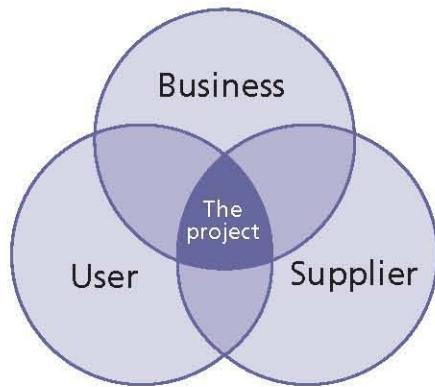


Figure 5.1 The three project interests

- **Business** The products of the project should meet a business need which will justify the investment in the project. The project should also provide value for money. The business viewpoint therefore should be represented to ensure that these two prerequisites exist before a project commences and remain in existence throughout the project. The Executive role is defined to look after the business interests
- **User** PRINCE2 makes a distinction between the business interests and the requirements of those who will use the project's outputs. The user viewpoint should represent those individuals or groups for whom some or all of the following will apply:
 - They will use the outputs of the project to realize the benefits after the project is complete
 - They will operate, maintain or support the project's outputs
 - The outputs of the project will impact them
 The user presence is needed to specify the desired outputs and ensure that the project delivers them. The Senior User(s) will represent this stakeholder interest on the Project Board
- **Supplier** The creation of the project's outputs will need resources with certain skills. The supplier viewpoint should represent those who will provide the necessary skills and produce the project product. The project may need to

use both in-house and external supplier teams to construct the project product. The Senior Supplier(s) will represent this stakeholder interest on the Project Board.

The level of overlap between the interests of the business, user and supplier will change according to the type of corporate organization and project. For example, if a project uses an in-house supplier, the business and supplier interests will be more likely to have overlapping interests than if an external supplier is used.

Note the term 'customer' is also used in PRINCE2, normally in the context of a commercial customer/supplier relationship. 'Customer' can usually be interpreted as a collective term for the business and user interests. However, one example of an exception to this broad rule would be where an organization is developing a new product to bring to market. In this case, the business interest is aligned with that of the supplier and 'customer' equates simply with 'users'. Where the user interest is external to the organization sponsoring the development, as in this example, it still needs to be represented in some way – perhaps by the sales/marketing function.

As well as the primary categories of business, user and supplier interests which should be represented on the Project Board, there will be a wider range of stakeholders which may affect, or be affected by, the project. These stakeholders may be internal or external to the corporate organization and may support, oppose or be indifferent to the project. Effective engagement with these stakeholders is key to a project's success (see section 5.3.5).

5.3 THE PRINCE2 APPROACH TO ORGANIZATION

5.3.1 Levels of organization

The level of management required to make decisions and commitments may be too busy to be involved on a day-to-day basis with the project. But projects need day-to-day management if they are to be successful. PRINCE2 separates the direction and management of the project from the delivery of the project's outputs, concentrating on the former and using the principle of management by exception.

The project management structure has four levels, three of which represent the project management team and the fourth which sits outside of the

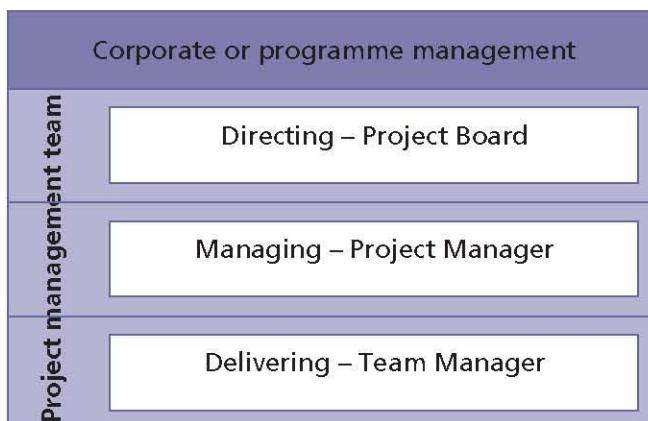


Figure 5.2 The four levels of management within the project management structure

project. Figure 5.2 illustrates these four levels of management.

The four levels of management are:

- **Corporate or programme management** This level sits outside the project management team but will be responsible for commissioning the project, including identifying the Executive and defining the project-level tolerances within which the Project Board will work. This

information should, if possible, be documented in the project mandate

- **Directing** The Project Board is responsible for the overall direction and management of the project within the constraints set out by corporate or programme management. The Project Board is accountable for the success of the project. As part of directing the project, the Project Board will:
 - Approve all major plans and resources
 - Authorize any deviation that exceeds or is forecast to exceed stage tolerances
 - Approve the completion of each stage and authorize the start of the next stage
 - Communicate with other stakeholders
- **Managing** The Project Manager is responsible for the day-to-day management of the project within the constraints set out by the Project Board. The Project Manager's prime responsibility is to ensure that the project produces the required products in accordance with the time, cost, quality, scope, risk and benefit performance goals

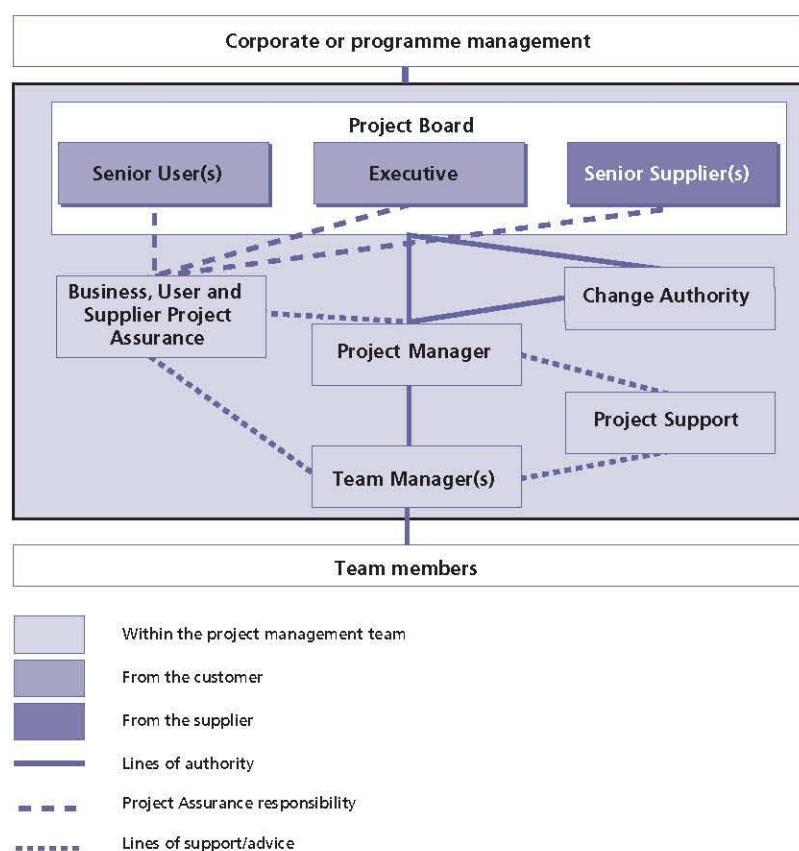


Figure 5.3 Project management team structure

- **Delivering** While the Project Manager is responsible for the day-to-day management of the project, team members are responsible for delivering the project's products to an appropriate quality within a specified timescale and cost. Depending on the size and complexity of the project, the authority and responsibility for planning the creation of certain products and managing a team of specialists to produce those products may be delegated to a Team Manager.

5.3.2 The project management team

5.3.2.1 Project management team structure

A project management team is a temporary structure specifically designed to manage the project to its successful conclusion. The structure allows for channels of communication to decision-making forums and should be backed up by role descriptions that specify the responsibilities, goals, limits of authority, relationships, skills, knowledge and experience required for all roles in the project management team. Figure 5.3 illustrates the structure of the project management team and its reporting lines.

The Executive (representing the business viewpoint) and Senior User (representing the user viewpoint) roles can often be combined. In such cases, to avoid any conflict, two individuals could be appointed to carry out Project Assurance, one looking after the user interests and the other representing the business interests.

Some of the PRINCE2 responsibilities cannot be shared or delegated if they are to be undertaken effectively. For example:

- The Project Manager and Executive roles cannot be shared. The Executive cannot also be the Project Manager and there cannot be more than one Executive or Project Manager
- The Project Manager and Project Board decision-making accountability cannot be delegated.

PRINCE2 provides role description outlines in Appendix C, which should be tailored to the needs of the specific project and each specific appointment.

5.3.2.2 Project Board

Together, the Executive, Senior User(s) and Senior Supplier(s) make up the Project Board. The Project Board has authority and responsibility for the project within the instructions (initially contained in the project mandate) set by corporate or programme management.

PRINCE2 defines the duties of the Project Board as:

- Being accountable for the success or failure of the project in terms of the business, user and supplier interests
- Providing unified direction to the project. As one of the key responsibilities of the Project Board is to provide direction to the Project Manager, it is important that all members have a unified view as to what the direction should be
- Delegating effectively, using the PRINCE2 organizational structure and controls designed for this purpose
- Facilitating integration of the project management team with the functional units of the participating corporate or external organizations
- Providing the resources and authorizing the funds necessary for the successful completion of the project
- Ensuring effective decision making
- Providing visible and sustained support for the Project Manager
- Ensuring effective communication both within the project team and with external stakeholders.

Further guidance on these duties can be found in OGC's *Directing Successful Projects with PRINCE2* (TSO, 2009).

A good Project Board should display four key characteristics:

- **Authority** The members of the Project Board should be senior enough within the corporate organization to make strategic decisions about the project. As the Project Board is accountable for the project, the individuals chosen must have sufficient authority to make these decisions and to provide resources to the project, such as personnel, cash and equipment. The managerial level required to fill the roles will depend on factors such as the budget, scope and importance of the project

- **Credibility** The credibility of the Project Board members within the corporate organization will affect their ability to direct the project
- **Ability to delegate** A key part of the Project Board's role is to ensure that the Project Manager is given enough 'space' to manage the project by keeping Project Board activity at the right level. Project Board members should not be involved in the detail of how the project is managed, nor in the specialist content of the project
- **Availability** Project Board members who meet all the above characteristics are of little value to the project if they are not available to make decisions and provide direction to the Project Manager.

Project Board members are often from senior management positions, and their Project Board responsibilities will be in addition to their normal responsibilities. The concept of management by exception allows the Project Manager to keep them regularly informed of project progress but only requires decision making at key points in the project.

The frequency and detail of communication required by the Project Board during a project should be documented in the Communication Management Strategy. Project Board members may require more detailed or frequent information at the start of the project. As the project progresses, and the Project Board becomes more comfortable with the progress being achieved, the requirement for frequent or detailed Highlight Reports may reduce. It is important to review the level and frequency of reporting for each stage during the Managing a Stage Boundary process.

Executive

Although the Project Board is responsible for the project, the Executive (supported by the Senior User(s) and Senior Supplier(s)) is ultimately accountable for the project's success and is the key decision maker. The Project Board is not a democracy controlled by votes.

The Executive's role is to ensure that the project is focused throughout its life on achieving its objectives and delivering a product that will achieve the forecasted benefits. The Executive has to ensure that the project gives value for money, ensuring a cost-conscious approach to the project, balancing the demands of the business, user and supplier.

The Executive is appointed by corporate or programme management during the pre-project process of Starting up a Project. The role of the Executive is vested in one individual, so that there is a single point of accountability for the project. The Executive will then be responsible for designing and appointing the rest of the project management team, including the other members of the Project Board. If the project is part of a programme, corporate or programme management may appoint some or all Project Board members.

Throughout the project, the Executive is responsible for the Business Case.

Senior User

The Senior User(s) is responsible for specifying the needs of those who will use the project's products, for user liaison with the project management team and for monitoring that the solution will meet those needs within the constraints of the Business Case in terms of quality, functionality and ease of use.

The role represents the interests of all those who will use the project's products (including operations and maintenance), those for whom the products will achieve an objective, or those who will use the products to deliver benefits. The Senior User role commits user resources and monitors products against requirements. This role may require more than one person to cover all the user interests. For the sake of effectiveness the role should not be split between too many people.

The Senior User(s) specifies the benefits and is held to account by demonstrating to corporate or programme management that the forecasted benefits that were the basis of project approval are in fact realized. This is likely to involve a commitment beyond the end of the project's life.

Senior Supplier

The Senior Supplier(s) represents the interests of those designing, developing, facilitating, procuring and implementing the project's products.

This role is accountable for the quality of products delivered by the supplier(s) and is responsible for the technical integrity of the project. This role will include providing supplier resources to the project and ensuring that proposals for designing and developing the products are feasible and realistic.

In most cases, the Senior Supplier also represents the interests of those who will maintain the specialist products of the project after closure, e.g. engineering maintenance and support. Exceptions to this do occur, e.g. when an external supplier is delivering products to a customer who will maintain them in service/operation – in this instance the operations and maintenance interests are more likely to be represented by a Senior User. In fact, the distinction is not really important; what matters is that operations, service and support interests are represented appropriately from the outset.

If necessary, more than one person may be required to represent the suppliers.

5.3.2.3 Project Assurance

The Project Board is responsible, via its Project Assurance role, for monitoring all aspects of the project's performance and products independently of the Project Manager.

Project Board members are responsible for the aspects of Project Assurance aligned to their respective areas of concern – business, user or supplier. If they have sufficient time available, and the appropriate level of skills and knowledge, they may conduct their own Project Assurance tasks, otherwise they may appoint separate individuals to carry these out.

The Project Board may also make use of other members of the corporate organization taking specific Project Assurance roles, such as appointing the corporate quality manager to monitor the quality aspects of the project. Project Board members are accountable for the Project Assurance actions aligned to their area of interest, even if they delegate these to separate individuals.

Project Assurance is not just an independent check, however. Personnel involved in Project Assurance are also responsible for supporting the Project Manager, by giving advice and guidance on issues such as the use of corporate standards or the correct personnel to be involved in different aspects of the project, e.g. quality inspections or reviews.

Where Project Assurance tasks are shared between Project Board members and other individuals, it is important to clarify each person's responsibilities. Anyone appointed to a Project Assurance role reports to the Project Board member overseeing

the relevant area of interest, and must be independent of the Project Manager. The Project Board should not assign any Project Assurance roles to the Project Manager.

As part of its function to monitor all aspects of the project's performance and products independently of the Project Manager, Project Assurance should be involved in all of the PRINCE2 processes.

5.3.2.4 Change Authority

One consideration at project initiation should be who is permitted to authorize requests for change or off-specifications. It is the Project Board's responsibility to agree to each potential change before it is implemented. In a project where few changes are envisaged, it may be reasonable to leave this authority in the hands of the Project Board. But projects may be in a dynamic environment, where there are likely to be, for example, many requests to change the initial agreed scope of the project. Technical knowledge may also be needed to evaluate potential changes.

The Project Board needs to decide before the project moves out of the initiation stage if it wishes to delegate some authority for approving or rejecting requests for change or off-specifications.

To facilitate this, the Project Board should define in the Configuration Management Strategy a scale of severity ratings for requests for change. Depending on the severity, the request for change could be handled by:

- Corporate or programme management
- The Project Board
- Delegating to a Change Authority
- Delegating to the Project Manager.

These delegated authorities must be written into the appropriate role descriptions. For projects that exist within a programme, the programme management should define the level of authority that the Project Board will have in order to be able to approve changes.

The Project Manager and/or the people with delegated Project Assurance responsibilities may act as the Change Authority. Refer to Chapter 9 for more information on changes.

Example of a Change Authority

A Project Manager is given authority to approve changes to individual products only if the changes would:

- Cost less than a pre-arranged limit
- Impact the project timescales by no more than one week
- Not require any changes to the Project Product Description or any other product.

Any changes that fall outside of these limits would have to be escalated to the Project Board.

On a large project, tailoring the project management team could mean breaking the PRINCE2 roles into multiple appointments – for example, several Senior Users or Senior Suppliers could be appointed. However, it is good practice to keep the size of the Project Board as small as possible while still representing all business, user and supplier interests. To avoid enlarging the Project Board, user or supplier groups could be used to maintain broad-ranging senior management involvement in those projects that impact on a large user or supplier community. These groups discuss user or supplier issues and risks, and pass recommendations to the Senior User(s) or Senior Supplier(s) on the Project Board. If a user or supplier group is involved, it is important to define at the outset who is authorized to represent its collective view and how this will operate. It may also be appropriate to appoint members of these groups to user or supplier Project Assurance; multiple individuals can fulfil Project Assurance roles. The commercial context will also affect the project's organizational structure (e.g. if a prime contractor is appointed).

5.3.2.5 Size of the Project Board

The Executive, supported by the Project Manager, is responsible for agreeing a suitable team structure and tailoring it to the project's size, risk and complexity. The Project Board needs to represent all of the interested parties in the corporate organization, and involve any suppliers (internal or external) that have been identified.

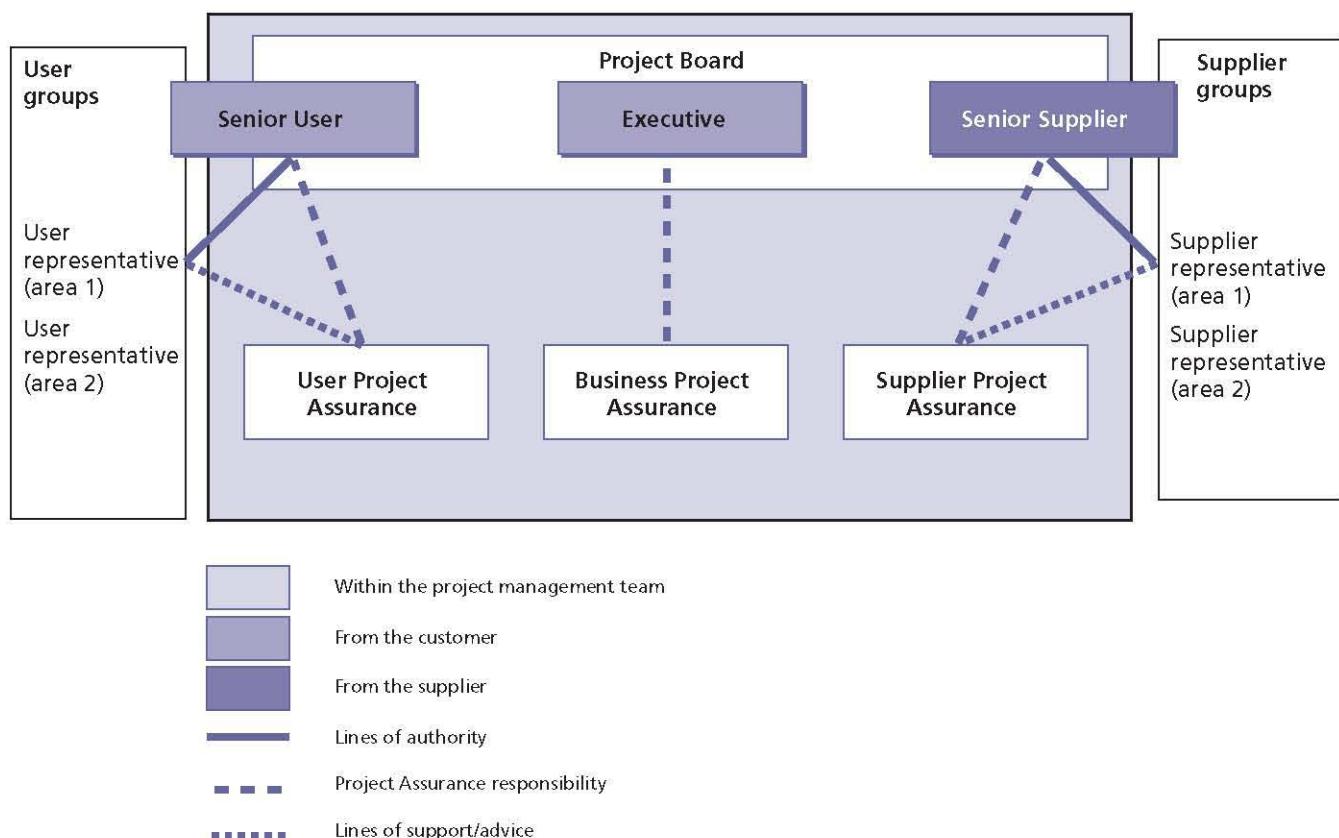


Figure 5.4 Possible reporting structure using user and supplier groups

Figure 5.4 shows a potential project-reporting structure which includes user and supplier groups.

Producing a matrix of stakeholders against the project's products also helps split the project stakeholders (who need to be engaged as part of the Communication Management Strategy) from the project decision makers (who need to be on the Project Board).

The decision on whether to include external suppliers on the Project Board may be a cultural one based on fear of divulging commercial or financial information. Leaving them out of the Directing a Project process could cause delays due to the lack of supplier resources to deal with change and to address specialist issues. It is the Executive's decision as to how this dilemma is solved practically.

5.3.2.6 Project Manager

The Project Manager is the single focus for day-to-day management of a project. This person has the authority to run the project on behalf of the Project Board within the constraints laid down by the Project Board. In a PRINCE2 environment the Project Manager role should not be shared.

The Project Manager will normally come from the customer corporate organization, but there may be projects where the Project Manager comes from the supplier. Refer to Chapter 19 for more information on customer/supplier relationships.

The Project Manager is responsible for the work of all the PRINCE2 processes except for the Directing a Project process, and appointing the Executive and the Project Manager in the pre-project process Starting up a Project. The Project Manager also delegates responsibility for the Managing Product Delivery process to the Team Manager(s).

The Project Manager manages the Team Managers and Project Support, and is responsible for liaison with Project Assurance and the Project Board. In projects with no separate individual allocated to a Team Manager role, the Project Manager will be responsible for managing work directly with the team members involved. In projects with no separate Project Support role, the support tasks also fall to the Project Manager, although they may be shared with team members.

As the single focus for the day-to-day management of a project, there are many different aspects to the Project Manager role. Figure 5.5 shows some of these different facets.



Figure 5.5 The many facets of the Project Manager role

5.3.2.7 Team Manager

The Team Manager's primary responsibility is to ensure production of those products allocated by the Project Manager. The Team Manager reports to, and takes direction from, the Project Manager.

The Team Manager role may be assigned to the Project Manager or a separate person. There are many reasons why the Project Manager may decide to appoint other people to be Team Managers rather than undertake the role themselves. Among these are the size of the project, the particular specialist skills or knowledge needed for certain products, geographical location of some team members and the preferences of the Project Board. The Project Manager should discuss the need for separate individuals as Team Managers with the Project Board and, if required, should plan the role at the start of the project during the Starting up a Project process, or for each stage in the Managing a Stage Boundary process.

PRINCE2 uses Work Packages to allocate work to Team Managers or team members. They can be used formally or informally depending on the needs of the project. In addition to the information included in Appendix A, a Work Package can include items such as resource costs, accounting codes, allocated resources and other management information. Defining the deliverables at the appropriate level will also assist new Team Managers in becoming more effective as it is clear what has to be produced, and with the definition of reporting frequency and method, the feedback from the Team Manager can be clearly controlled.

If the Team Manager comes from the supplier corporate organization, there could be a reporting line to a Senior Supplier. It is vital that any such links are understood to avoid conflicts of interest and any undermining of the Project Manager's authority.

The structure of the project management team does not necessarily reflect line function or seniority but represents roles on the project. A Team Manager, for example, may be more senior in the corporate organization than the Project Manager, or may be a senior representative from an external supplier. In the context of the project, however, the Team Manager reports to, and takes direction from, the Project Manager.

5.3.2.8 Project Support

Project Support is the responsibility of the Project Manager. If required, the Project Manager can delegate some of this work to a Project Support role: this may include providing administrative services or advice and guidance on the use of project management tools or configuration management. It could also provide specialist functions to a project such as planning or risk management. Unless performed by a corporate or programme management function, Project Support is typically responsible for administering any configuration management procedure and tools as defined in the Configuration Management Strategy.

It is important to stress that the role of Project Support is not optional, but the allocation of a separate individual or group to carry out the required tasks is. Project Support defaults to the Project Manager if it is not otherwise allocated.

Some corporate organizations may have a project office (a temporary office set up to support the delivery of a specific project) or similar structure, which can fulfil some or all of the Project Support role. Refer to OGC's Portfolio, Programme and Project Offices (P3O®) for further information on the use of a project office.

Project Support and Project Assurance roles should be kept separate in order to maintain the independence of Project Assurance.

5.3.2.9 Dealing with changes to the project management team

Ideally, the Project Manager and Project Board members should stay with the project throughout

its life. In practice, however, this may not always be possible and the project management team may change during the project. A clearly defined team structure, together with comprehensive role descriptions outlining the responsibilities for each role, should help to alleviate disruption caused by project management team changes.

The use of management stages also allows a smooth transition for changes to the project management team. Project roles should be reviewed for the next stage during the Managing a Stage Boundary process. The use of End Stage Reports and Stage Plans can help to ensure that any handover procedure is thorough and well documented. Although ideally the Project Executive and Project Manager should stay with the project throughout its lifecycle, a stage boundary provides an opportunity to hand over the role during the project if this is necessary.

Example of changes to the project management team

A project may include a procurement stage, during which a supplier is selected to develop some of the project's products. Before the supplier has been selected, a senior representative from the procurement department may represent the Senior Supplier on the project. After the supplier has been selected and the project moves to the development stage, a senior representative from the selected supplier's organization could be included on the team as a Senior Supplier.

5.3.3 Working with the project team

5.3.3.1 Balancing the project, team and individual

People are crucial to the success of a project. It is not enough to have the required processes and systems in place: if the people on a project do not work effectively together, then the chances of the project's success are severely restricted. Knowledge of different types of personalities and how these work together can help the Project Manager to structure balanced teams that can work together effectively during a project.

Different people have different characteristics, and certain types of people are more suited to certain roles. In a given environment, some combinations of personality types work better than others.

Example of team building using different personalities

Some people are very sociable and enthusiastic, generating many different ideas. Others are more analytical, skilled in detailed work and ensuring no tasks get missed. While it is not usually possible to change people's characteristics, it is possible to balance a team so that it has an appropriate mix of personality types to enable tasks to be completed effectively. Project Managers who know the natural roles of the team members can use that knowledge to build effective teams during the Starting up a Project process for the management team and the Initiating a Project process when identifying team members. It is important to achieve the correct balance: for example, a team consisting of only 'ideas' people risks losing focus on the detail of tasks which need to be performed. Conversely, a team made up of only 'detailed' people may lack a strategic overview of a solution.

5.3.3.2 Training needs for project teams

At the start of the project, team members may need training. This could include training on any processes and standards to be used on the project (such as configuration management procedures, quality methods, progress reporting and other project-specific areas), or it could be an introduction to the project and its goals designed to motivate the team members. Project Board members may also need training on their roles, including what is expected of them and the procedures needed to carry out their responsibilities. Training on PRINCE2 processes and terminology may also be required for Team Managers and other members of the project management team.

During a project, team members may also need specialist training to enable them to complete their assigned tasks. The Project Manager should ensure that training needs are built into the appropriate plans.

5.3.3.3 Part-time teams

Project teams are brought together for the duration of a project and then return to their routine work. The manager of a small project is therefore likely to find that team members are

working on the project on a part-time basis. Part-time team members suffer more absences and diversions, as a percentage of their working time, than full-time team members. The Project Manager should allow for this when designing a plan – either by negotiating guaranteed availability or greater tolerance.

If individuals are tasked with working on too many projects, they will simply stand still on all of the projects, expending a lot of effort but making no forward progress. Solutions include undertaking fewer projects in parallel or, where possible, allocating staff full time to projects for limited periods.

5.3.4 Working with the corporate organization

5.3.4.1 Line management/functional management

In a strongly functional environment, Project Managers can find difficulties when managing cross-functional projects due to the inability to agree overall leadership from within the various groups. As a result, the Project Board may need to be involved more closely to lead, direct and prioritize work and resolve issues. Whatever the environment, the Project Manager will have to adapt to, and work within, the corporate organization and this will affect the level of management required for the team members.

Example of a Project Manager's responsibilities to line/functional management

The Project Manager may be responsible for carrying out performance appraisals as part of a project, or may provide input to the appraisal undertaken by the functional area of the corporate organization responsible for the team member.

Understanding and working within the wider corporate organization can be challenging for the Project Manager, particularly if working part-time or on a contract basis. Setting up clear project controls at the start of the project, and agreeing these with the Project Board, will help to ensure that the Project Manager understands the level of interaction and support to expect during the project and is given appropriate exposure to other areas of the corporate organization.