Best Management Practice

PRINCE2® and governance

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Contents

1   Purpose of this white paper

There is an increasing emphasis in all sectors on improved governance, with some sectors, such as UK listed companies, having defined codes for corporate governance.

Governance covers all aspects of an organization's activities and therefore affects how projects are commissioned, directed and managed.

This white paper reviews general guidance for effective governance and explores how, when used appropriately, PRINCE2® supports good governance.

2   What is governance?

A quick scan of the business section of any newspaper will reveal that the term 'governance' is quite commonly used. Most people intrinsically know what governance means but when asked they struggle to describe it. If it is difficult to explain, it will be even more difficult to apply! So let's look at some definitions.

The Organisation for Economic Co-operation and Development (OECD) states:

> Corporate governance involves a set of relationships between a company's management, its board, its shareholders and other stakeholders. Corporate governance also provides the structure through which the objectives of the company are set, and the means of attaining those objectives and monitoring performance are determined.

The Institute of Directors (IOD) adds further that:

> A governance framework should ensure that corporate boards effectively monitor managerial performance and achieve an equitable return for shareholders – reinforcing the values of fairness, transparency, accountability and responsibility.

While the above focus on corporate governance provides a private sector view, the Independent Commission on Good Governance in Public Services provides a public sector view:

> The function of governance is to ensure that an organisation or partnership fulfils its overall purpose, achieves its intended outcomes for citizens and service users, and operates in an effective, efficient and ethical manner.

Based on the collective guidance on governance, I tend to think of governance as:

■ Engaging with stakeholders to define the organizational purpose and objectives (alignment)
■ Defining where decisions can be most effectively made (golden thread of delegation)
■ Defining when critical decisions need to be made (decision gates)
■ Ensuring transparency of decisions and actions and reporting their outcome (reporting)
■ Corroborating through independent review (independent review).

3   Governance of projects

The previous section described the organizational perspective of governance, but what does that mean for project management?

The Association for Project Management (APM) has a special interest group that focuses on governance. In its publication *Directing Change: A guide to governance of project management* (APM, 2005), it states:

> The governance of project management concerns those areas of corporate governance that are specifically related to project activities. Effective governance of project management ensures that an organization's project portfolio is aligned to the organization's objectives, is delivered efficiently, and is sustainable. Governance of project management also supports the means by which the corporate board and other major project stakeholders are provided with timely, relevant and reliable information.

It is important to note that there is a difference between governance of individual projects and governance of project management. The former concerns how a specific project is governed and the latter concerns how the project management capability of the organization is governed as a whole. This is illustrated in Figure 3.1, showing the difference between a centre of excellence and a project management office (PMO).
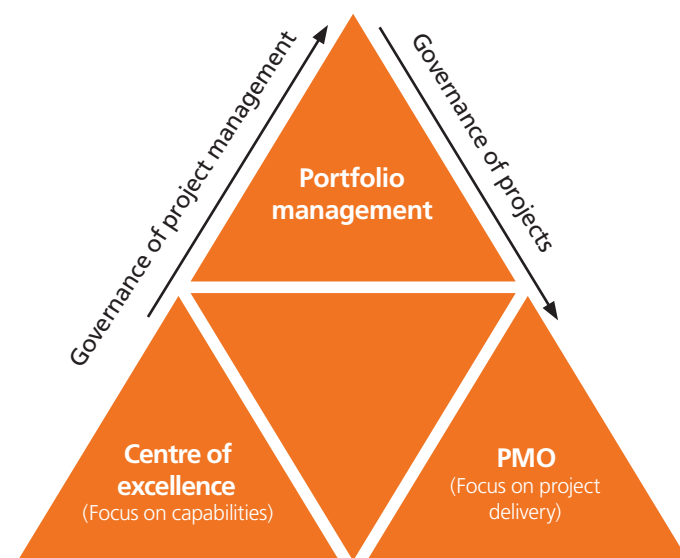
Figure 3.1 Governance of projects versus governance of project management.
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4   What guidance is available to help?

4.1   Best Management Practice

Best Management Practice (BMP) provides a suite of best practice guidance for projects, programmes and portfolio management that can assist with project governance:

- Portfolio, Programme and Project Management Maturity Model (P3M3®)
- Portfolio, Programme and Project Offices (P3O®)
- OGC Gateway Review®
- PRINCE2®
- Management of Risk (M_o_R®)
- Managing Successful Programmes (MSP®)
- Management of Portfolios (MoP™)
- Management of Value (MoV®).

P3M3 guidance

P3M3 defines seven perspectives of project, programme and portfolio management. One of those perspectives is organizational governance.

In P3M3, the organizational governance perspective concerns how projects are aligned to the strategic direction of the organization. It considers how start-up and closure controls are applied and how alignment is maintained during a project's lifecycle. In particular, organizational governance covers how external factors that impact projects are controlled. It looks at how a range of other organizational controls are deployed and standards achieved, including legislative and regulatory frameworks. It also considers the levels of analysis of stakeholder engagement and how their requirements are factored into the design and delivery of outputs and outcomes.

The P3M3 model defines five levels of organizational governance maturity. Level 3 is where organizations have generally embedded good practices into their organization. P3M3 describes the following attributes of the 'Level 3' organization with respect to organizational governance:

- A common definition of Project Boards (or equivalent) and their key roles and responsibilities, which are in place on most projects unless there is a clear reason for them not to be
- A central body that monitors and influences the progress of all projects and the optimal balance of current projects
- Consolidated progress reporting on all projects
- All key roles and responsibilities documented within individual terms of reference
- Project ideas evaluated against consistent criteria prior to approval
- Centralized decision making ensures that projects fit the organization's ongoing needs

- Functional activities of the sponsor or Project Executive can be demonstrated for all projects
- Evidence of sponsor (or Project Executives) ensuring that projects maintain alignment with organizational strategy, with interventions as appropriate
- Decisions are auditable
- Clear reporting lines set and maintained
- Legislative and regulatory requirements built into guidelines
- Evidence of structured start-up and closure of projects under clear business control.

P3O guidance

P3O describes how corporate project, programme or portfolio offices can provide a governance function. In the context of P3O, the guidance covers both the governance of projects and the governance of project management. The P3O guide recommends a governance function is established that:

- Ensures projects utilize best practice techniques and standards rigorously
- Monitors and challenges the performance of projects
- Consolidates reports and provides visibility of key information to a wide audience
- Conducts project reviews and health checks
- Identifies and resolves issues and conflicts within and between projects.

OGC Gateway Review

The OGC Gateway Review is a form of assurance. Although Gateway Reviews do not directly support governance, assurance is an element of governance through providing independent review.

Gateway Reviews deliver a peer review in which independent practitioners from outside the project use their experience and expertise to examine the progress and likelihood of successful delivery of the project. It is used to provide a valuable additional perspective on the issues facing the internal team, and an external challenge to the robustness of plans and processes. It is best practice in UK central civil government, the health sector, local government and defence, and has been adopted by numerous other countries for procurement-based projects using public money.

Gateway Review takes place at different points in a project's lifecycle and the review team will need to consider the relative importance of the individual aspects of delivery confidence given the stage the project has reached.

A Gateway Review is not the same as a 'gate' or decision point (such as the end stage assessment in PRINCE2), but a means of providing added assurance as input to the end stage assessment on whether the project is able to meet its objectives.

PRINCE2

PRINCE2 is a universal method for managing a project regardless of the project's scale, complexity, culture, level of innovation or geography. It is a universal method because it is based on seven principles that, if applied, will maximize the project's ability to succeed.

Principles are often regarded as 'guiding obligations' for good conduct or practice. PRINCE2 is based on a set of principles (derived from lessons learned from projects both good and bad) that provide a framework of good practice for those people involved with a project.

PRINCE2's seven principles are that a project must:

- Have continued business justification (*business justification principle*)
- Learn from previous experience: lessons are sought, recorded and acted upon throughout the life of the project (*learning from experience principle*)
- Have defined and agreed roles and responsibilities within an organization structure that engages the business, user and supplier stakeholder interests (*defined roles and responsibilities principle*)
- Be planned, monitored and controlled on a stage-by-stage basis (*manage by stages principle*)
- Have defined tolerances for each project objective to establish limits of delegated authority (*management by exception principle*)
- Focus on the definition and delivery of products, in particular their quality requirements (*focus on products principle*)
- Be tailored to suit the project's environment, size, complexity, importance, capability and risk (*tailoring principle*).

Using PRINCE2 in accordance with its seven principles will provide a basis of good project governance. The principles can also be used as a 'test' of whether a project is being managed using PRINCE2 appropriately, thus whether the project is applying good project management practice and is likely to achieve a successful outcome. Additionally, PRINCE2's organization theme provides the guidance on how to establish the governance structure for a project.

4.2   Association for Project Management

As described earlier, the APM has a special interest group that focuses on governance. In its publication, *Directing Change: A guide to governance of project management* (APM, 2005), 11 principles for the governance of project management are described:

- The (main) board has overall responsibility for governance of project management
- The roles, responsibilities and performance criteria for the governance of project management are clearly defined

- Disciplined governance arrangements, supported by appropriate methods and controls, are applied throughout the project lifecycle
- A coherent and supportive relationship is demonstrated between the overall business strategy and the project portfolio
- All projects have an approved plan containing authorization points at which the business case is reviewed and approved. Decisions made at authorization points are recorded and communicated
- Members of delegated authorization bodies have sufficient representation, competence, authority and resources to enable them to make appropriate decisions
- The project business case is supported by relevant and realistic information that provides a reliable basis for making authorization decisions
- The board or its delegated agents decide when independent scrutiny of projects and project management systems is required, and implement such scrutiny accordingly
- There are clearly defined criteria for reporting the project status and for the escalation of risks and issues to the levels required by the organization
- The organization fosters a culture of improvement and of frank internal disclosure of project information
- Project stakeholders are engaged at a level that is commensurate with their importance to the organization and in a manner that fosters trust.

The APM governance principles focus on the governance of project management rather than the governance of a specific project.

4.3   Ross Garland

In his book, *Project Governance: A practical guide to effective project decision making* (Kogan Page, 2009), Ross describes four principles of effective project governance:

- Ensure a single point of accountability for the success of the project. This ensures clarity of leadership, plus clarity and timeliness of decision making.
- Service delivery ownership determines project ownership. This places the business at the heart of project delivery.
- Ensure separation of stakeholder management and project decision-making activities. This will prevent decision-making forums from becoming clogged with stakeholders.
- Ensure separation of project governance and organisational governance structures. This will reduce the number of project decision layers, since the project decision path will not follow the organisational line of command.

These principles concern the governance of a single project and are therefore in sharp contrast to the APM principles, which are concerned with the governance of project management

across an organization. It is useful to use the APM principles as a general test for project management governance and Ross's principles are a test of good governance for a specific project.

Ross states: 'Project (or capital investment) governance is the framework that enables effective project (or capital investment) decision making'. His governance framework has three components: structure, people and information.

5   How does PRINCE2 relate to good governance?

The various codes and guides to governance may take different perspectives but all are mostly principles based. The principles either relate to project governance or project management governance.

As mentioned earlier, governance is commonly regarded as having five elements, based on taking the various principles and converting them into 'method' or framework (I am a methodologist after all!), as illustrated in Figure 5.1.
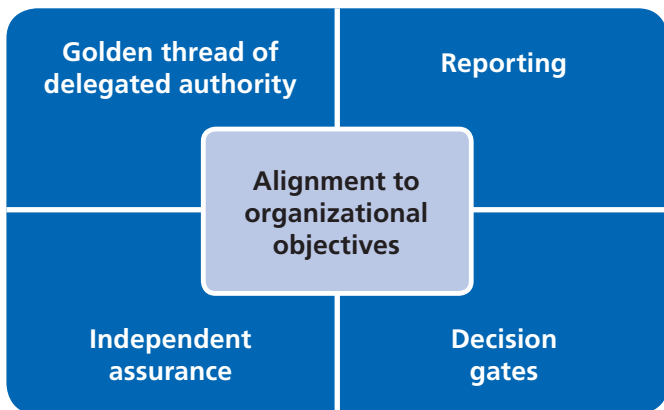
Figure 5.1 Essential elements of good project governance
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The following sections review how PRINCE2 addresses the essential elements of our good project governance framework.

5.1   Alignment to organizational objectives
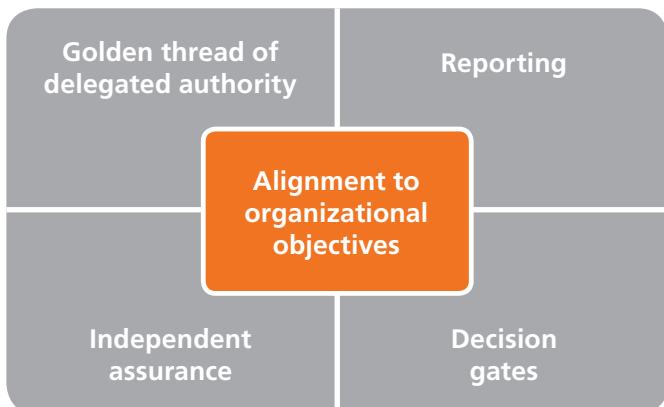
What does it mean?

Effective project management relies as much on an organization doing the right projects as it does on doing those projects right. The wrong set of projects excellently delivered may be of little value to the organization.

Although the question of the 'best set of projects' is the realm of portfolio management, what is important is that each and every project is able to demonstrate (typically through its Business Case) its contribution to the organization's objectives. Obviously the better defined those organizational objectives are the easier it will be for projects to demonstrate their alignment.

Why is it important?

Without an understanding of the organization's objectives, it is not possible to govern how 'an organization or partnership fulfils its overall purpose, achieves its intended outcomes for citizens and service users, and operates in an effective, efficient and ethical manner', as stressed in the Good Governance Standard for Public Service.

Alignment to the organization's objectives provides the context for the project's purpose. It enables effective decision making as those involved in the project are able to relate decisions to the effect on the project's contribution to those objectives. It keeps projects outcome-focused rather than activity-focused.

Being able to demonstrate alignment to organizational objectives becomes really important in times of austerity as it enables effective decision making on which projects to cancel, suspend, continue or accelerate.

How is it addressed by PRINCE2?

PRINCE2 addresses the alignment to organizational objectives element through the Business Case theme, which in turn is driven by the business justification principle.

The Business Case theme requires that a project must have a formally documented and up-to-date Business Case. The Business Case defines the reasons for the project, which 'should be linked to the organizational context and should explain how the project will enable the achievement of corporate strategies and objectives'. It is the Project Executive's responsibility to ensure that the cost to deliver the expected benefits represents value for money and that the benefits are aligned to corporate strategy and are capable of being realized.

The business justification principle includes the concept of 'continued' justification. This means that it is not enough to assess the alignment to organizational objectives only when the project first starts; this should be done all the way through its life. To help, the PRINCE2 processes include activities to check for continued justification periodically (such as at stage boundaries) and in response to certain events (for example, a new risk being identified or if a request for change is raised).

5.2   Golden thread of delegated authority
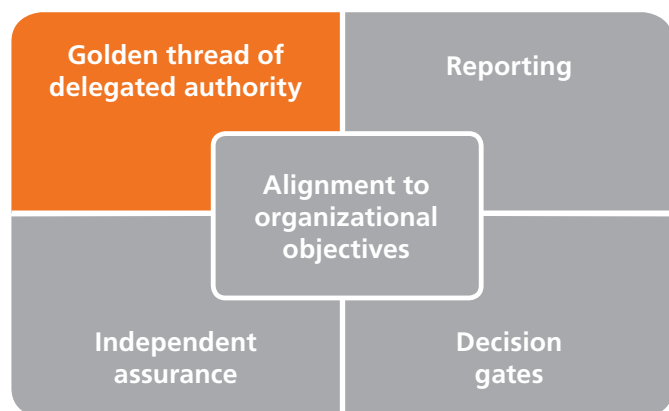
What does it mean?

There needs to be a direct chain of accountability from the most senior responsible person all the way down to the individuals responsible for undertaking work on behalf of the organization. This chain is often referred to as the golden thread.

The golden thread not only needs to be based on an unbroken chain from top to bottom, but it should also be clear to everyone in that chain what their authority is and which powers are reserved for higher levels of authority.

Why is it important?

The purpose is to ensure effective decision making by defining at what level of the organization the various decisions should be made. The golden thread of delegated authority helps decisions to be made at the right level within the organization.

Without a clear understanding of where the types of decisions can be made, decision making can be ineffective because:

- Decisions made at one level (e.g. project level) may then be remade or unmade at other levels (e.g. programme level) and people can lose confidence in the robustness of decisions
- Organizations that do not delegate enough reduce their capacity for change, whereas organizations that delegate too much lose control over what work is being undertaken.

Without an unbroken chain of accountabilities, decision making can be ineffective because:

- It prevents the flow-down of alignment to organizational objectives with decisions being made in isolation fom the objectives of the level above
- There will be people in the organization who are not held to account for their decisions and actions by those in the level above them.

How is it addressed by PRINCE2?

PRINCE2 addresses the golden thread of delegated authority through the organization theme, which in turn is driven by the define roles and responsibilities principle and the management by exception principle.

The purpose of the organization theme is to define and establish the project's structure of accountability and responsibilities. It defines four levels of accountability as shown in the table below.

Level	Responsibility	Example of delegating authority using tolerances
Corporate or programme management level	Those responsible for commissioning the project.	Corporate or programme management sits outside the project but sets the targets (and tolerance levels) for the project. The three levels of management within the project direct, manage and deliver within these tolerances and escalate any forecast breaches of project tolerance.
Directing level	Those responsible for setting direction.	The Project Board has overall control at a project level, as long as forecasts remain within project tolerance, and will allocate tolerances for each management stage to the Project Manager. The Project Board has the ability to review progress and decide whether to continue, change or stop the project. During execution of the Project Plan, if any forecasts indicate that the project is likely to exceed the agreed project tolerances, then the deviation should be referred to corporate or programme management by the Project Board in order to get a decision on corrective action.
Managing level	Those responsible for the day-to-day management of the project.	The Project Manager has day-to-day control for a management stage within the tolerance limits laid down by the Project Board. During execution of a Stage Plan, if any forecasts indicate that the stage is likely to exceed the agreed stage tolerances, then the deviation should be referred to the Project Board by the Project Manager in order to get a decision on corrective action.
Delivering level	Those responsible for producing the project's deliverables (products).	The Team Manager has control for a Work Package, but only within the Work Package tolerances agreed with the Project Manager. During execution of the Work Package, if any forecasts indicate that it is likely that the agreed tolerances will be exceeded, then the deviation should be referred to the Project Manager by the Team Manager in order to get a decision on corrective action.

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PRINCE2 requires that the organization structure enables effective governance through the separation of these levels so that those who direct do not get involved in management, those who manage do not get involved in delivering, and so on.

The defined roles and responsibilities principle requires that 'for all those people involved, a defined project management team structure provides the answer to the question "What's expected of me?"'

The management by exception principle requires that a project has 'defined tolerances for each project objective to establish limits of delegated authority'.

To support the separation of the accountabilities across the four levels of management, the PRINCE2 processes are structured by these levels so that there are specific processes for those who direct, those who manage and those who deliver. PRINCE2 does not provide processes for those who commission projects as this is covered in other Best Management Practice guidance, namely MSP for the programme level and MoP for the corporate level.

5.3   Reporting
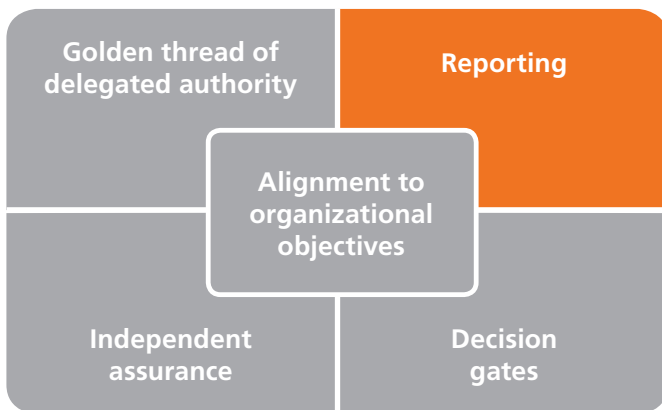
What does it mean?

An essential element of good governance is that those who are delegated authority should:

- Periodically report progress against the responsibilities delegated to them (their accountabilities)
- Report if they are unable to meet their accountabilities within the authority they have been granted
- Report if there are any conflicts of interest that may affect decisions and actions they undertake using the authority they have been granted.

The frequency, content and format of reporting should be agreed at the time when authority is granted.

Why is it important?

It is not possible to continually supervise the person to whom you delegate responsibilities. The whole point of delegation is to let them get on with activities on your behalf. However, having delegated a responsibility and associated authority it is important to remain informed of how those responsibilities are being fulfilled, if they remain within the authority granted and if there are any conflicts of interest that may influence decision making.

How is it addressed by PRINCE2?

PRINCE2 addresses the reporting element through the progress theme, which in turn is driven by the management by exception principle.

The purpose of the progress theme is to establish mechanisms to monitor and compare actual achievements against those planned; provide a forecast for the project objectives and the project's continued viability; and control any unacceptable deviations.

Reporting is required at all the management levels: each level that delegates authority needs to agree with the level below which reports it expects to receive and when.

The progress theme includes two types of reporting: time-based and event-based.

- Time-based reporting involves reporting progress against the agreed plan at periodic intervals, such as weekly and daily. This typically involves producing and issuing Checkpoint Reports and Highlight Reports.
- Event-based reporting involves reporting specific information based on certain events, such as when completing a stage, raising a new risk, a request for change or exceptions. This typically involves producing and issuing End Stage Reports, Issue Reports and Exception Reports.

An exception is a situation where it can be forecast that there will be a deviation beyond agreed tolerance levels. Tolerances are the permissible deviation above and below a plan's target objectives (typically time and cost, but may also include quality, scope, benefit and risk) without escalating the deviation to the next level of management.

The management by exception principle encompasses:

- Delegating authority from one management level to the next by setting tolerances against the target objectives for the respective level of the plan
- 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.

The controls that define reporting requirements are captured in the Project Initiation Documentation generally and then in each level of plan (project, stage, team) specifically. The Work Package will also define any reporting requirements specific to that work.

5.4   Independent assurance
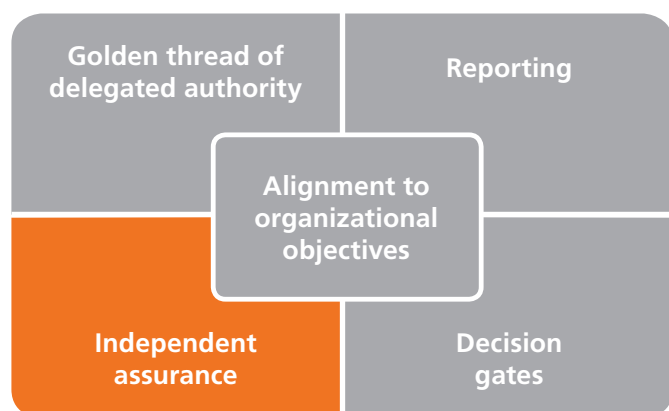
What does it mean?

Assurance is the activity of reviewing whether objectives will be met.

It is an independent check that the structure and systems put in place are adequate to fulfil the responsibilities that have been delegated and that decisions and actions taken have been in accordance with the authority granted.

Assurance provides a counterbalance to the self-reporting from those who have been delegated authority.

It is the responsibility of the person granting authority to define what assurance activities will be undertaken.

Why is it important?

Assurance enables transparency of decision making and provides confidence to those granting authority that objectives can be met without them needing to get more involved.

Without ongoing assurance, those granting authority are solely relying on the self-reporting of those they have delegated authority to. Self-reporting is important but, as the sole means of control, it opens up the possibility of abuse.

How is it addressed by PRINCE2?

PRINCE2 addresses the independent assurance element through the organization theme and the management by exception principle.

The management by exception principle encompasses putting an assurance mechanism in place so that each management layer can be confident that authority delegated is applied appropriately. The organization theme defines responsibilities to provide assurance to the project's stakeholders that the project is being conducted appropriately and properly – this is through a Project Assurance role. Project Assurance must be independent of the Project Manager, Project Support, Team Managers and project teams.

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.

The PRINCE2 processes include recommended actions to establish assurance mechanisms and to conduct assurance reviews at key points in the development of products specifically and the project's lifecycle generally.

5.5   Decision gates
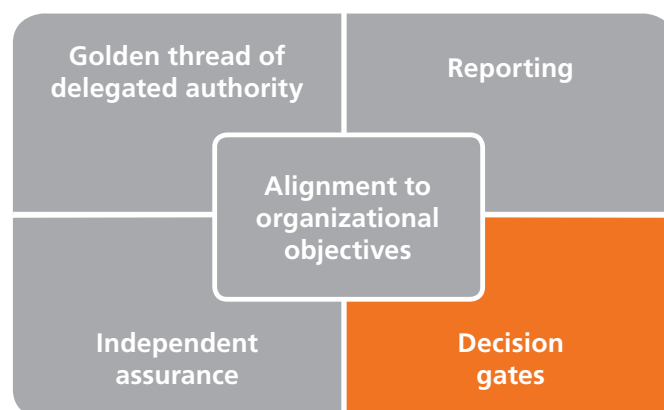
What does it mean?

Decision gates provide formal points of control at particular points in a lifecycle. The concept is that authority is only granted up until the next decision gate, and that to carry on a formal decision needs to be made to renew the authority (or to grant new authority). They are often referred to as stop/go reviews as the default position is that there is no authority to proceed without renewed delegation.

Decision gates can be applied at all levels in an organization, for example:

- Corporate level – annual/quarterly budgeting approvals and key investment decisions
- Programme level – project approvals
- Project level – stage approvals
- Team level – work package and product approvals.

Why is it important?

Decision gates provide a final 'fail safe' if the reporting element masks the true position and any issues or weaknesses are missed by the assurance activities.

Decision gates provide a periodic opportunity to check if the other governance elements are adequate or whether they need to be amended.

How is it addressed by PRINCE2?

PRINCE2 addresses the decision gates element through the plans theme driven by the manage by stages principle, with stage 'gates' built in to the Directing a Project process.

The manage by stages principle requires that projects are planned, monitored and controlled on a stage-by-stage basis.

Breaking a project into a number of management stages provides 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. In essence it is a stop/go type of review.

The plans theme provides techniques on how to break down a project into a number of stages and how to create Stage Plans against which the Project Board delegates authority to the Project Manager to manage.

The Directing a Project process includes four decision gates: one to approve the project to be initiated, one at the end of the initiation stage, one at the end of each stage boundary and one to approve project closure.

6   Conclusion

PRINCE2 addresses all requirements for the governance of a project. When adopted by an organization as its corporate project management method, some further aspects of the governance of project management will be achieved too.

Additional BMP guidance is available for the governance of project management in the Management of Portfolios (MoP) guide, the Portfolio, Programme and Project Office (P3O) guide and the Portfolio, Programme and Project Management Maturity Model (P3M3).

Senior management commitment to good governance is critical for both the governance of a project and the governance of project management. Nearly every study into project management performance shows that appropriate senior management involvement directly correlates with successful projects. Fortunately, PRINCE2 provides a unique guide, *Directing Successful Projects with PRINCE2*, aimed at those people who sponsor or direct projects – and not surprisingly it has a primary focus on governance.

Good governance should not been seen as an additional bureaucratic burden for an organization but as an aid to reducing costs and gaining more value by avoiding poor project selection and poor project execution.

Appendix A: APM principles

The following principles concern the governance of project management within an organization. The table shows how PRINCE2 can help.

Governance of project management principles	How this is addressed by PRINCE2
The board has overall responsibility for governance of project management.	This governance principle relates to the main board of the corporate organization and is outside the scope of PRINCE2.
The roles, responsibilities and performance criteria for the governance of project management are clearly defined.	Partially. The project has clearly defined roles, responsibilities and performance criteria for governance, but PRINCE2 does not extend into the governance responsibilities of the corporate roles.
Disciplined governance arrangements, supported by appropriate methods and controls, are applied throughout the project lifecycle.	Fully. PRINCE2 provides a disciplined approach to directing and managing a project.
A coherent and supportive relationship is demonstrated between the overall business strategy and the project portfolio.	Partially. Each PRINCE2 project should demonstrate alignment to corporate strategy through its Business Case. PRINCE2 does not provide guidance on portfolio management.
All projects have an approved plan containing authorization points at which the Business Case is reviewed and approved. Decisions made at authorization points are recorded and communicated.	Fully. Manage by stages is a PRINCE2 principle.
Members of delegated authorization bodies have sufficient representation, competence, authority and resources to enable them to make appropriate decisions.	Partially. PRINCE2 provides the framework for effective delegation. The competence of project personnel is outside the scope of PRINCE2.
The project Business Case is supported by relevant and realistic information that provides a reliable basis for making authorization decisions.	Fully. Business justification is a PRINCE2 principle supported by the Business Case theme.
The board or its delegated agents decide when independent scrutiny of projects and project management systems is required, and implement such analysis accordingly.	Partially. PRINCE2 recommends independent scrutiny by corporate or programme management as part of the Project Assurance responsibilities.
There are clearly defined criteria for reporting the project status and for the escalation of risks and issues to the levels required by the organization.	Fully. Mechanisms for reporting progress and escalating issues and risks are defined in the Project Initiation Documentation and approved by the Project Board prior to the project's first delivery stage.
The organization fosters a culture of improvement and of frank internal disclosure of project information.	Partially. PRINCE2 encourages open reporting through its management-by-exception and assurance structures.
Project stakeholders are engaged at a level that is commensurate with their importance to the organization and in a manner that fosters trust.	Fully. PRINCE2 incorporates key stakeholders into the Project Board structures and requires them to have sufficient authority, credibility and availability in order to fulfil the role.

Appendix B: Ross Garland's principles

The following principles concern the governance of a specific project. The table shows how PRINCE2 can help.

Governance principle	How this is addressed by PRINCE2
Ensure a single point of accountability for the success of the project. This ensures clarity of leadership, plus clarity and timeliness of decision making.	In PRINCE2, the Project Executive is singularly accountable for the success of the project.
Service delivery ownership determines project ownership. This places the business at the heart of project delivery.	PRINCE2 does not prescribe who the sponsor should be. However, it does require that the Project Board comprises one or more Senior Users who own the benefits from their business area. The role of the Executive is to provide the business perspective in ensuring value for money by curbing excessive user demands and maximizing supplier commitment.
Ensure separation of stakeholder management and project decision-making activities. This will prevent decision-making forums from becoming clogged with stakeholders.	The Senior User role on the Project Board can be considered as the senior stakeholder (of the user stakeholders). PRINCE2 recommends that Project Boards should be as small as possible to enable effective decision making. In cases where there are numerous stakeholders it is recommended practice to set up a user group and/or a supplier group to advise the Senior User and Senior Supplier respectively. Such groups can also undertake Project Assurance roles on behalf of the Project Board.
Ensure separation of project governance and organizational governance structures. This will reduce the number of project decision layers since the project decision path will not follow the organizational line of command.	PRINCE2 makes the distinction between project management structures and functional/line management structures. It is the corporate or programme management organization that commissions the project by appointing a Project Executive and they define the authority that the Project Executive needs in order to direct the project on their behalf without further intervention from them.

Appendix C: P3M3's Level 3 attributes for organizational governance

The following attributes describe the governance characteristics of a mature organization (at Level 3). The table shows how PRINCE2 can help.

P3M3 attribute	How this is addressed by PRINCE2
Common definition of Project Boards and their key roles and responsibilities, which are in place on most projects unless there is a clear reason for them not to be.	An organization that adopts PRINCE2 will gain a common definition of Project Boards.
Central body that monitors and influences progress of all projects and the optimal balance of current projects.	This is a portfolio management function and therefore out of scope of PRINCE2.
Consolidated progress reporting on all projects.	This is a portfolio management function and therefore out of scope of PRINCE2. However, an organization that adopts PRINCE2 will gain consistency in project reporting.
All key roles and responsibilities documented within individual terms of reference.	Defined roles and responsibilities is a PRINCE2 principle supported by the organization theme.
Project ideas evaluated against consistent criteria prior to approval.	Organizations that adopt PRINCE2 will gain consistency in how project Business Cases are assembled. PRINCE2 recommends the Business Case includes an assessment of how the project contributes to corporate objectives (this could be a template too).
Centralized decision making ensures that projects fit the organization's ongoing needs.	This is a portfolio management function and therefore out of scope of PRINCE2.
Functional activities of sponsors or Project Executives can be demonstrated for all projects.	PRINCE2 defines the role of a Project Executive and provides guidance specifically for them (*Directing Successful Projects with PRINCE2*).
Evidence of sponsors or Project Executives ensuring that projects maintain alignment with organizational strategy, with interventions as appropriate.	Required by the business justification principle and prescribed in the Business Case theme and the Directing a Project process.
Decisions are auditable.	Configuration Management Strategy.
Clear reporting lines set and maintained.	Communication Management Strategy.
Legislative and regulatory requirements built into guidelines.	This is a centre of excellence function and therefore out of the scope of PRINCE2. However, the need to incorporate legislative and regulatory requirements is covered in the Starting up a Project process.
Evidence of structured start-up and closure of projects under clear business control.	Starting up a Project process. Closing a Project process.

Appendix D: Aligning PRINCE2 and OGC Gateway

OGC Gateway Reviews can align with PRINCE2 in a number of ways. See the examples below.

Example 1

- **Review 1:** Business justification – this review focuses on the business justification of the project prior to the key decision to approve project initiation. It aligns with the Directing a Project activity of authorizing initiation
- **Reviews 2 and 3:** Delivery strategy and investment decision – these reviews align with the Directing a Project activity of authorizing a Stage or Exception Plan, and they focus on ensuring that the project is still required, offers value for money and has a clear delivery strategy
- **Review 4:** Readiness for service – this focuses on the readiness of the organization to implement the project and aligns with the Directing a Project activity of authorizing a Stage or Exception Plan.

Example 2

To organize the project's stages to align to the reviews: initiation stage (Review 1), procurement stage (Review 2), outline design stage (Review 3), detailed design stage (Review 4), implementation stage and handover stage.

Example 3

Align the PRINCE2 stages with the key investment decisions (with stage ends aligning to the Business Case being built). Then, Gateway reviews take place just ahead of the investment decisions and help to inform those decisions.

Appendix E: References

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