**Prince2**

1. Introduction

Prince2 is one of the most widely used **method for managing projects**.

Prince2 has been designed to be generic so that it can be applied to any project regardless of project scale, type, organization, etc. It achieves it by:

* Separating the management of project work from the specialist contributions
* Focusing on describing what needs to be done, rather than prescribing how everything is done

Prince2:

* Is based on established governance for project management
* Can be fit to specific needs of the organization and scaled to the size and complexity of the company
* Can be applied to any type of project and can easily be implemented to industry-specific models (ex. engineering models, development lifecycles)
* Provides a common vocabulary for all project participants.
* Promotes consistency of project work and ability to reuse assets.
* Facilitates staff mobility and reduces the impact of personnel changes.
* Ensures that participants focus on business case objectives rather than simply seeing the completion of the project as an end.
* Promotes learning from project experience and continual improvement in organizations.
  1. The structure of Prince2

The Prince2 method addresses project management with four integrated elements of **principles, themes, processes, and the project environment.**

* **Principles.** The principles are guiding obligations and good practices which determine if the project is being managed using Prince2. There are 7 principles and unless all of them are applied. It is not a Prince2 project**.** Prince2 is flexible and one of the principles is that it should be used to suit the type and size of project.
* **Themes.** Themes (project disciplines) are things that must be applied all throughout the project. There are 7 themes, and they explain why they need to be applied.
* **Processes.** Processes describe a progression from the pre-project activities of getting started, trough the stages of project lifecycle, to the final act of project closure. Each process has checklists of recommended activities, related products, and responsibilities.
* **Environment.** Organizations often want a consistent approach to managing projects, so they fit Prince2 to create their own project management method.
  1. What Prince2 does not provide

It is not intended for Prince2 to cover every aspect of project management. There are 3 wide topic categories which are **outside of Prince2:**

* **Specialist aspects.** Prince2 strength is in its wide applicability. It is generic and excludes industry specific or type specific activity. Agile methods can be used alongside Prince2. All specialist work is excluded, and Prince2 focuses on management products which are required to manage a project.
* **Detailed techniques.** There are many proven planning and control techniques that can be used in support of Prince2 themes, for example, critical path analysis and earned value analysis. Such techniques are well documented elsewhere. Even when Prince2 recommends a technique, it can be substituted with any other equivalent technique if they meet the requirements set out in the manual.
* **Leadership capability.** Leadership, motivational skills, and other soft skills are very important in project management, but impossible to codify in a method. Leadership styles can work in one place but fail in another. There are many successful leaders who adopted very different styles. Prince2, although, defines creation of an effective project team.
  1. What makes project a Prince2 project?

You can say that project is Prince2 project only when it meets the criteria. Here is the criteria:

* Is applying Prince2 principles
* Is meeting the minimum requirements set out in the Prince2 themes
* Has project processes that satisfy the purpose and objectives of Prince2 processes.
* Is using Prince2 recommended techniques or using alternative, equivalent techniques.

Beyond there requirements, users have freedom to tailor Prince2 to their needs.

* 1. The purpose of this manual

This manual is intender for those who will work with Prince2 project and is designed:

* For entry level project management personnel wishing to learn about project management and the Prince2 method.
* For experienced project managers who wish to learn about Prince2
* 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 helps to address the questions that are frequently asked by people involved in project management and support roles. These questions include:

* What is expected of me?
* What does the project manager do?
* What do I do if things do not go to the 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. Project management with Prince2
   1. What is a project?

A key challenge in today’s world is to succeed in balancing two things:

* Maintain current business operations (profitability, service quality, customer relationships, brand loyalty, productivity, market confidence). In other words, keep business as usual.
* Transform business operations to survive and compete in the future (looking forward and deciding how business change can be introduced so it would work for the organization).

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

Projects are how we introduce change and although many of the skills required are the same, there are differences between managing business as usual and managing project work.

Project definition:

* **Temporary activity which aims to get to a specific goal and has its beginning and the end and has limited resources.**

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

* **Change**. Project are how we introduce change.
* **Temporary**. Projects are temporary in nature. When 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.** A project involves a team of people with different skills working together 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. Each has different perspective and motivation for getting involved in the change.
* **Unique.** Every project is unique. An organization may undertake many similar projects, but each one will be unique in some way: different team, different customer, different location, different time. All these factors combine to make every project unique.

The environment within the project is being managed may influence how it is started up, delivered, assured, and closed. There are factors external to the project itself, such as embedded corporate standards, the maturity of the organization, factors specific to the project like project risks, etc.

* 1. What is project management

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

Taking an example of building a house, it is completed by creating drawings, foundations, floors, walls, windows, a roof, plumbing, wiring and connected services. None of this is project management, why do we need project management at all? The purpose 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 roofing contractor does not arrive before the walls are built.

Additionally, given that projects are how we introduce change, and that project work is a high degree of risk, it follows that implementing a secure, consistent, well-proven approach to project management is a valuable business investment.

* 1. What is it we wish to control?

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

* **Costs.** The project must be affordable, and even though we may start with budget in mind, there will be many factors which can lead to overspending, and, perhaps, some opportunities to cut costs.
* **Timescales.** Closely linked to costs, one of the questions project managers are most frequently asked is: When will it be finished?
* **Quality.** Finishing on time and within budget is not much wanted result if the project does not work. In Prince2 terms, the project’s products must be fit for purpose.
* **Scope.** Exactly what will the project deliver? Without knowing it, various parties involved in a project can very often be talking about cross-purposes about this. Ex – customer may assume that finished kitchen and bathroom are included in the price of the house, while supplier views them 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 good understanding of what is and what is not within the scope. Project manager should take care not to deliver beyond the scope as this is common source of delays, overspends and uncontrolled change (scope creep).
* **Benefits.** Perhaps most often overlooked is the question – Why are we doing this? It is not enough to build the house successfully on time, within budget and quality specifications if, in the end, we cannot sell or rent it at a profit or live in tit happily. Project manager must 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.
* **Risk.** All projects entail risks but exactly how much risk are we prepared to accept? Should we build a house in very populated area or near some factory? If we decide to go ahead, is there something we can do about the risk? Maybe we can insure against some smells from the factory, and simply monitor with ongoing process?

Prince2 is an integrated method of principles, themes, and processes that addresses the planning, delegation, monitoring and control of all these six aspects of project performance.

* 1. What does a project manager do?

To achieve control over anything, there must be a plan. It is the project manager who is responsible for planning the sequence of activities to build the house, working 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 the work to others. The ability to delegate is important in any form of management but particularly so in project management, because of the cross-functionality and risks.

Plan -> Delegate -> Monitor -> Control -> Plan …

With the delegated work under way, the aim is that it should go according to plan, but we cannot rely on this.

It is the project manager’s responsibility to monitor how well the work in progress matches the plan.

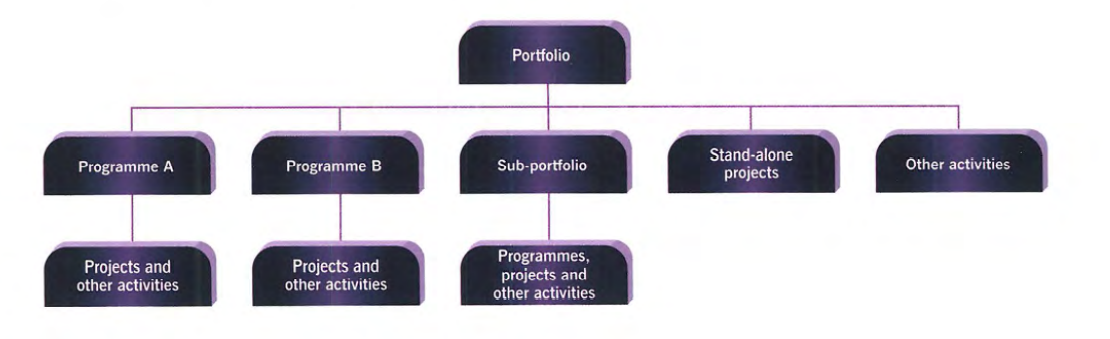
One aim of Prince2 is to make the right information available at the right time for the right people to make the right decisions about the project. Those decisions include whether to take **corrective action** or **implement measures** to improve performance.

* 1. Projects in context

Prince2 assumes that there will be a customer who will specify the desired result and a supplier who will provide the resources and skills to deliver that result.

Prince2 assumes that there will be an organization that commissions a project. That organization is responsible for providing the project’s mandate (official order), governing (having the authority to conduct the policy) the project, and for realizing any benefits/risks that the project might deliver or enable.

Prince2 refers to a supplier as the person, group, or groups responsible for the supply of the project’s specialist products.

Projects can exist within many contexts. They may be stand-alone, or they may be part of a program or wider portfolio.

* + 1. Stand-alone projects

Projects can exist as stand-alone entities within an organization and outside the governance structures, where organization has been set up solely for the purpose of undertaking the project.

* + 1. Projects within programmes

What is a programme? A temporary, flexible organization structure created to coordinate, direct and oversee the implementation of a set of related projects and activities in order to deliver outcomes related to organization’s strategic objectives. A programme is likely to have a life that spans several years.

A project may be part of a programme. The project will be impacted by the programme’s approach to governance.

Prince2 defines the term sponsor as the role that is the main driving force behind a programme or project. The guidance uses the term commission for the activity or authority to request the project. The organization commissioning the project will usually provide the project sponsor.

* + 1. Project within a portfolio

What is a portfolio? The totality of an organization’s investment in the changes required to achieve its strategic objectives.

Corporate organizational structures can vary from traditional functional structures (organized by type of work, ex. Marketing, finance, sales etc.) and project-focused organizations (practice is to work with project teams). Goal is the same, contribute to achieving the strategic objectives.

* + 1. Projects in commercial environment

If project is run to deliver specific set of customer requirements, the customer may have entered a commercial relationship with a supplier. The organization delivering the project (the supplier) will do so to satisfy a particular need identified by the customer. The contract between the parties sets out how the customer and supplier will work together to deliver the project. But the rights and duties covered by the agreement may constrain how a project manager manages the project.

Customer may break the work down into one or more elements. Some of the elements may be delegated to the supplier, while others may be handled by the customer himself.

In commercial environment, there may be hierarchies of commercial relationships between suppliers. Projects often involve multiple organizations constrained by multiple contracts. There may be primary commissioning organization, but there may others. Possible project undertaking examples:

* Joint ventures
* Collaborative research
* Intergovernmental projects
* Interagency projects
* Partnerships

When managing projects in commercial environment, consider that there may be multiple sets of:

* Reasons for taking the project
* Management systems (including project management methods)
* Governance
* Organization structures
* Delivery approaches
* Corporate cultures
  1. Applying Prince2
     1. Prince2, international standards and bodies of knowledge

A standard provides rules, guidelines, or characteristics that can be used consistently to ensure that materials, products, processes, and services are fit for their purpose. It does not state how activities should be carried out to achieve this.

A method such as Prince2 provides not only a set of activities to be done, but also techniques for taking these activities. Prince2 method exists within the context of a number of such standards and bodies of knowledge including:

* ISO21500
* BS 6079 Project management, Principles and Guidelines for the management of projects
* A guide to the project management body of knowledge (PMBOK)
* APM Body of knowledge
* The IPMA individual competence

When embedding a project management based on PRINCE2, organization needs to be aware of these standards and bodies of knowledge, and should apply them in a manner appropriate to its business.

* + 1. Prince2 and commissioning organization standards

Organization will typically develop values, principles, policies, standards, and processes that are fit for purpose, including those required to govern, manage and support programmes and projects.

A programme defines its strategies in a plan which must ensure that the progamme’s vision and goals align with those of the organization. Projects commissioned by programme will typically inherit programme strategies which may be used to replace project’s approach to quality management, risk management, tailoring them as appropriate.

If project is commissioned by a customer outside the project organization, then the mandate may require the use of some or all the customer’s standards or methods. Examples may include the use of the customer’s issue management process and specific to reporting requirements.

The project manager may need to tailor the project to meet standards and process the requirements, but within the guidelines of the organization’s method. This will be recorded in **project initiation documentation.**

Terminology might get confusing when multiple best-practice methods are used in same organization.

* + 1. Prince2 and delivery approaches

The project approach is the way in which the work of the project will be delivered. It may rely on one or more delivery approaches. Typical approaches are:

* **Waterfall**. Where each of the delivery steps to create the products happens in sequence (requirements gathering and design take place before programming). The product is made at the end of the project.
* **Agile**.Requirements gathering, design, coding and testing take place iteratively trough the project.

There are number of delivery steps in each approach (sprints within an agile approach, or steps like study, design, build, test, etc. within a waterfall approach).

The application of Prince2 can be very different depending on which delivery approach is used.

Prince2 agile regards agile as family of behaviors, concepts, frameworks, and techniques.

* + 1. Measures of success.

Traditional approach of measuring time, cost and quality may take its place, but it doesn’t tell the whole story. The best way to summarize the project status at a point in time is to identify **key performance indicators (KPIs).**

When designing KPIs, we need to find a balance between qualitative and quantitative measures, leading and lagging indicators, project inputs and outputs. The number of KPIs should be balanced to create only information that is necessary and sufficient.

**Objectives** are what the project needs to achieve, whereas KPIs are the measures that indicate whether progress is being made towards achieving the objectives.

What are lagging indicators?

* Track down how well actual performance matches that which was expected. An example could be the number of unexpected errors reported after a particular software release. It is what happened already.

What are leading indicators?

* Track down whether it is on course to achieve the expected performance. An example would be the persistent failure of a supplier to meet quality requirements early in the project. It is what’s going to happen.

The KPIs should be aligned with the **quality expectations** and **acceptance criteria** defined in the **project product description** and the project **tolerances** (time, cost, quality, scope, benefits, risk) defined in **project initiation documentation.**

* + 1. Prince2 and organizational capability

It is recognized that organizations which demonstrate high levels of project management capability can also demonstrate increases in business performance. Maturity models such as AXELIOS, P3M3 provide a way of comparing organizational capability against a maturity scale, diagnosing weaknesses and planning for improvements.

P3M3 characterizes an organization’s maturity using the following 5-point scale:

* Level 1: awareness of process
* Level 2: repeatable process
* Level 3: defined process
* Level 4: managed process
* Level 5: optimized process

Organization assessed at level 3 would typically ensure that a project management method such as Prince2 is consistently deployed and used by all projects.

1. Principles

Principles are designed so that it can be applied to any type of project, taking into accounts it’s scale, organization, geography, and culture. It is designed to contribute to the success of the project without burdening it with bureaucracy. The themes, processes and product descriptions describe what should be done but in general, not how it should be done.

Prince2 is principle-based.

These principles are:

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

The Prince2 principles provide a framework of good practice for people involved in project. These were made from lessons taken from both successful and failed projects.

**The seven principles are**:

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

To be following Prince2, these principles must be adopted when managing a project. Minimum requirements set out for themes and processes must also be satisfied. Minimum requirements describe what must be done, rather than how it is done.

Lets go trough the principles more in detail.

* 1. Continued business justification

Prince2 requires that for all projects:

* There is a justifiable reason for starting the project
* That justification is recorded and approved
* That justification remains valid, and is revalidated, throughout the life of the project.

The business justification is usually documented in in some form of business case. Some organizations may use business plans or similar as the business justification during the early stages of the project, but these plans may not satisfy the requirements of a business case. The format and formality of documentation might vary, depending on organizational standards.

The business justification drives decision-making to ensure that the project remains aligned with the benefits. Organizations that lack business justification may find that projects proceed even when there are few real benefits. Poor alignment with corporate, programme management can result in organizations having a portfolio of projects that have mutually inconsistent or duplicated objectives.

Projects driven by regulation, which are compulsory, should be supported by a business justification to demonstrate that chosen option represents the best value for money.

Although the justification should remain valid, it may change. It is important that the project and evolving justification remain consistent. If a project can no longer be justified, then it should be stopped. Stopping unjustified project is a positive contribution to an organization as its funds and resources can be reinvested in other more worthwhile projects.

* 1. Learn from the experience

Lessons must be recognized, recorded, and acted upon throughout the life of the project.

All projects are unique and have uniqueness that makes projects challenging as the temporary team may not have experience of a project like the currently running project.

Learning from the experience takes place throughout Prince2:

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

**It is the responsibility of everyone involved to look for lessons rather than wait for someone else to provide them.**

* 1. 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 scheduling 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 is expected of them or what to expect of others.

A project is typically cross-functional, may involve more than one organization, may involve mix of full-time and part-time resources. Management structures may be different with different priorities, objectives, and interests to protect. The day-to-day line management structures may not be designed for 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 projects. It should have 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 project is completed, will use the products to enable the organization to gain expected benefits
* Suppliers, who provide the resources and expertise required by the project.

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 be seen as a failure. If there are not all 3, the failure is inevitable.

For all people involved, a defined project management team structure provides the answer to the question: What is expected of me?

* 1. Manage by stages

Prince2 project is planned, monitored, and controlled on a stage-by-stage basis. Prince2 breaks the project down into discrete, sequential sections, called management stages.

What is a **management stage**?

* The section of a project that the project manager is managing on behalf of the project board at any one time, at the end of which the project board will wish to review progress to date, the state of the project plan, the business case and risks and the next stage plan, to decide whether to continue with the project.

The choice of appropriate management stages for a project will depend on a few factors:

* The size and complexity of the project (shorter management stages offer more control, whereas longer stages reduce the burden on senior management)
* Significant decisions and control points required during the project’s lifecycle. These will often be linked to key investment, business, or technical decisions.
* Organizational policies and standards

In Prince2, a project must have at least two management stages:

* An **initiation stage**
* At least one further management stage. The more complex and riskier a project is, the more management stages will be required.

The focus on managing by stages ensure that the project is properly initiated before work starts on delivery of the project’s outputs. It also:

* Provides review and decision points, giving the project board the opportunity to assess the project’s viability at defined intervals, rather than let it run on in an uncontrolled manner.
* Gives the ability to ensure that key decisions are made prior to the detailed work needed to implement them.
* Allows clarification of what impact will be of an identified external influence, such as the corporate budget-setting process.
* Facilitates the manage by exception principle by delegating authority to the project manager at each management stage.

The project board authorizes one management stage of the project at a time. Towards the end of each stage the project manager will review the business case and project plan, update the project documentation with the results of the stage, and create an **end stage report** and stage plan to request **authorization** to commence the next management stage. End stage report together with the stage plan for the next management stage, should contain all the information necessary to enable the project board to conduct an end stage assessment to decide as to whether to proceed.

The board authorizes the next management stage only if there is sufficient business justification. It may be not board, but corporate, programme management as well.

The project board delegates the authority for day-to-day control of a management stage, within agreed tolerances, to the project manager.

If management stage is set to remain within tolerance, the project manager has ability to make adjustments as required. This allows the project board to manage by exception, retaining the level of control it requires while reducing the administrative overhead.

* 1. Manage by exception

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 aspects of performance for the respective level of the plan:
  + Cost. The degree of allowable overspend or underspend against an agreed budget
  + Time. The degree to which a project is allowed to deliver later or earlier than an agreed target
  + Quality. How much something can vary from agreed quality criteria.
  + Scope. Allowable variation of the plan’s products. For example, a project might be required to deliver 100% of mandatory requirements and up to 50% of desirable requirements.
  + Benefits. The degree to which it is allowable to under-deliver or over-deliver benefits. For example, estimated income generation is 50%, but it can vary +- 2%.
  + Risk. Limits on the plan’s aggregated risks. For example, cost of threats must remain less than 10% of total budget.
* Setting up controls so if the tolerances are forecast to be exceeded, they are described as being in exception and immediately escalated to the next management level for a decision on how to proceed.
* Putting an assurance mechanism so that each management level can be confident that such controls are effective.

This implementation of manage by exception provides efficient use of senior management time by ensuring decisions are made at the right level in the organization.

* 1. Focus on products

Prince2 project focuses on the definition and delivery of products, mostly their quality requirements.

Projects that focus on what the project needs to produce are generally more successful than projects whose primary focus is the work activity. This is because project’s purpose is to fulfil stakeholder expectations in accordance with business justification. 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 ways unless there is an explicit understanding of the product to be produces and the criteria against which they will be individually approved.

Under principle of focus on products, Prince2 requires projects to be output oriented rather than work oriented.

Products are two types in Prince2 – **Management products and specialist products.**

An output-oriented projects is one that agrees and defines project’s products prior undertaking activities required to produce them. The set of agreed products defines the scope of a project and provides the basis for planning and control.

This focus on products:

* Ensures that the project only carries out work that directly contributes to the delivery of a product. That is, the project does no more work than it needs
* Helps manage uncontrolled change (scope creep) by ensuring that all changes are agreed in terms of how they will impact project products.
* Reduces the risk of user dissatisfaction by agreeing at the start what will be produced.

Prince2 project uses product descriptions to provide clarity by defining each product’s purpose, composition, format, quality criteria, quality method. They provide means to determine effort estimates, resource requirements, dependencies, and activity schedules.

Projects using an agile approach initially focus on the purpose and quality criteria of the project’s product to deliver initial features.

The focus on products supports almost every aspect of Prince2: planning, responsibilities, status reporting, quality, change control, scope, product acceptance and risk management.

* 1. Tailor to suit the project

Prince2 is tailored to suit the project environment, size, complexity, importance, team capability and risk.

The purpose of tailoring is to ensure that:

* Project management method used is appropriate to the project (aligning the method with the business processes that may govern and support the project.)
* Project controls are appropriate to the project’s scale, complexity, importance, team capability and risk (the frequency and formality of reports and reviews)

Tailoring requires project board and project manager to make proactive choices and decisions on how Prince2 will be applied. Effective project management requires information (not necessarily documents) and decisions (not necessarily meetings)

1. Tailoring and adopting Prince2
   1. Tailoring Prince2

Tailoring is adapting a method or process to suit situation in which it will be used.

The seventh Prince2 principle states that Prince2 should be tailored for project’s particular circumstances. The goal is to apply a level of project management that does not overburden the project management team but provides an appropriate level of governance and control, at an acceptable level of risk.

Tailoring can be done in two ways:

* If organization does not have its own project management method, tailoring can be done directly from the Prince2 manual.
* If organization has its own Prince2 based project management method, this will be tailored to suit the project.

Organization may place limits on the extent of tailoring permitted or required

* 1. Adopting Prince2

Organizations adopt Prince2 by tailoring it to their needs, often creating their own Prince2-based method and then embedding its use within their working practices.

What is embedding?

* The act of making something an integral part of a bigger whole.
  1. Tailoring Prince2 to suit different projects
     1. What can be tailored?

Tailoring can be applied to processes, themes, roles, management products and terminology.

The following aspects of Prince2 may be tailored:

* Processes may be combined or adapted (by adding or combining activities)
* Themes can be applied using techniques that are appropriate to the project.
* Roles may be combined or split, if accountability is maintained and there are no conflicts of interest.
* Management products may be combined or split into any number of documents or data sources. They will often take the form of formal documents, but can equally be slide decks, wall charts or data held on IT systems.
* Terminology may be changed to suit other standards or policies, provided it is applied consistently.

Tailoring, as Prince2 principle, is mandatory (as are all principles), so if the organization does not consider tailoring, it is not using Prince2.

Prince2 principles should not be tailored as they are universal and always apply.

Effective tailoring requires skill, experience, and judgement. There is no single right tailoring solution for a project. People in mature organizations will find tailoring easier than those working in less mature organizations.

Tailoring does not mean excluding any of Prince2 processes or themes. Prince2 is a web of interlinking parts: themes are used in processes, techniques bring themes to life, individuals fulfill project roles and create management products.

Each theme and process chapter in this manual contains guidance which may be used to help decide on the level of tailoring that is appropriate.

Prince2 provides product description outlines for those management products that fulfil particular purpose, supporting the themes and processes. Tailoring these allows to be split or combined into as many documents or information sources as needed. Each product description includes quality criteria which may be close to similar with other projects, but not exactly. They need to be tailored to suit project’s circumstances. Each product description suggests a range of possible formats for each product.

Project manager may need to use specific product terminology, for example

* PMI (project management plan) instead of Prince2 PID
* Project closure report instead of end project report.

Care should be taken when changing management product names to ensure they still reflect intended Prince2 purpose.

Prince2 does not prescribe the names of any of the management stages nor the number required, except that the lifecycle must contain at least two (referred to as initiation stage and a delivery stage)

Tips:

* Ensure any tailoring of prince2 adds value. Advantage of Prince2 is that it compromises roles, terminology, processes, people become familiar with it. Tailoring too much may negate this advantage.
* When tailoring individual elements of Prince2, check the impact on any other elements to ensure they are consistent.
  + 1. Who is responsible and where is tailoring documented?

The project manager is responsible for identifying and documenting the level of tailoring for the project. Tailoring affects how a project is managed and so it is documented as part of PID (project initiation documentation) which is reviewed by appropriate stakeholders and approved by the project board. Both the project board and project manager may be advised by project assurance, project support roles or a center of excellence (if one exists).

All parts of a product should add value, otherwise they should not be included in the product’s composition. But this decision should not be taken until the needs of the project are truly understood.

Team managers may suggest to the project manager any tailoring which would help them manage their work packages more effectively.

* + 1. Tailoring is constrained and influenced by context

Create a list of terms if adopting some of the organization’s own terminology, providing commonly used alternatives, to help communication. Use the defined terms consistently in all documents and communications, whether written or verbal.

The nature of the project itself influences how Prince2 should be tailored. The competence of those working on the project often drives the level of detailed guidance needed. Contracts with customers or suppliers need to be considered when considering tailoring. The specialist work also has influence since specialists usually have their own working practices (ex. Agile, scrum, kanban). The project manager’s job is to integrate these so that the project’s outputs and outcomes will be delivered, and benefits realized.

The project’s immediate context is relevant. For example, if it is part of a programme or a portfolio, the higher-level manager may provide processes, procedures, techniques, or approaches for the project manager to follow. For good governance, it is vital that the chain of accountability from any higher level to the project level is clear.

Guidance on tailoring is provided to illustrate things to consider and some example tactics that can be applied. Such guidance should not be interpreted as the definitive approach to tailoring as it’s not specific to a particular project. Make sure that

* Tailoring complies within Prince2 principles
* Tailoring does not increase the risk of failing to meet project objectives
* The reasons for the tailoring choices are documented in the PID (project initiation document).
  + 1. Some common situations
       1. Simple projects

Complexity or scale of a project is relative to the organization and context. So, it is more helpful to think in terms of simple projects, rather than small.

Simple projects must adhere to the seven Prince2 principles, however, the degree of formality for managing the project may be relaxed if the risk is low.

* + - 1. Projects using an agile approach

Agile has very strong focus on principles. Prince2 principles align with Agile manifesto principles and are complimentary to the agile way of working. Some prince2 principles are very much agile, such as continued business justification, learn from experience, focus on products, manage by stages and manage by exception. The last being synonymous with giving people autonomy and empowerment.

Prince2 management stages can be aligned with series of sprints or releases, introducing management control points to support a fail fast environment. In situations that have a higher risk or higher uncertainty, the management stages can be shorter duration.

Manage by exception principle should be implemented and be at the heart of empowering people to self-organize and stay in control. Tolerances are set around quality criteria so that everything that is delivered must be delivered to at least the minimum acceptance level of quality.

Product descriptions (sometimes technical tasks or user stories), quality criteria and quality tolerances can be prioritized and decomposed to provide flexibility in what is being delivered. This makes it easier to stay in control and focus delivery of value.

In Prince2 project, if all or part of the project’s specialist products are delivered using agile, make sure the project manager understands the agile way of working and that the agile team understand the project’s manager need for reliable information

* + - 1. Projects involving a commercial customer and supplier relationship

Prince2 is based on there being a customer/supplier environment. It assumes that there will be a customer who will want a specific desired result and usually pay for the project, and a supplier who will provide resources and skills to deliver that result. The contract between the parties acts as a constraint on a project manager’s or team manager’s degree of freedom when managing the project. Its good practice that contracts reflect and promote good working relations.

Taking a project from supplier’s perspective, the project lifecycle should be defined to consider pre-contract activities, such as qualification, designing and costing the solution, bidding, and negotiation. It may also take into account activities at the end of the project, such as warranty or maintenance periods.

Project initiation document and contract fulfil different purpose.

* Contract is to describe who is liable if either party fails to fulfil obligations.
* PID focus on practical management arrangements to make sure each party can fulfil its obligations. The PID must reflect the contract conditions. Try to avoid including PID as part of the contract documentation, it may limit project management’s ability to adapt.
  + - 1. Projects involving multiple owning organizations

Guidance is the same as in commercial customer/supplier context, but in multi-organizational project tailoring can become extremely complicated. If the parties have equal authority, a consensus must be built on each decision, which can be time-consuming. As a result, project managers may begin to make decisions that are beyond their remit, to maintain momentum.

Make sure governance is unambiguously defined.

* + - 1. Projects within programmes

If project is part of a programme, programme management roles may define or influence tailoring. Project in programme may have different contexts, all the guidance may apply by project defined type.

Take care to ensure that management products and other documentation are clearly labelled to identify the project, so readers are not confused as to whether it is programme-level document or which project within the programme it relates to.

* 1. Adopting Prince2 in an organizational environment
     1. Effective use of Prince2 in organization

Few organizations undertake only 1 project. In large organizations there can be hundreds or even thousands of projects. Requiring each project manager to work directly from Prince2 to create management approach for each project is wasteful.

* The lessons from one project cannot easily be exploited on other projects, teams will continually invent different ways of doing the same thing.
* Building common information support systems if problematic if there is no common approach
* Training is likely to be generic, rather than focused on the organization’s particular challenges, and hence less effective.

For this reason, organizations find it more effective and efficient to develop their own project management method, based on Prince2 and tailored to suit their needs.

Adopting Prince2 in organization involves two key activities:

* Tailoring Prince2 to create the organization’s own project management method
* Embedding the tailored method by ensuring that people in the organization understand and use it appropriately.
  + 1. Tailoring Prince2 to create an organizations’ project management method

A method which has a consistent look and feel with a logical structure is likely to promote more confidence in its users than one which is documented in a variety of formats, styles, and media. Make sure the content is consistent, especially the terminology, whether in information systems, documents, posters, videos, presentations, or websites. The greater the consistency, the easier it will be for people to understand.

* + 1. Embedding Prince2 in an organization

It’s not enough to publish a method, you must consistently deploy and use the practice. This requires changing the way the people in organization work so that the outcome can be realized. Such change cannot be accomplished in a single project, introduction of a project management method is often better undertaken as a programme.

Don’t confuse management of change (discussed here) with Prince2 change theme.

There are many models for managing change, however, at the heart of them all is gaining the support of the individuals who are required to change their way of working. This involves:

* Understanding the current situation
* Designing how the organization will work when the transformation is completed
* Identifying what changes are needed to move from the current state to the future state
* Developing the necessary capabilities to meet organization’s needs (roles, behaviors, processes)
* Engaging those affected by the change and winning their support.

In order to ensure that project management method continues to be used effectively, the method must be managed on a day to day basis, with improvements being introduced, based on experience in using.

1. Introduction to Prince2 themes

Prince2 themes describe aspects of project management that must be addressed continually as the project progresses through its life cycle. For example, business justification for the project will need to be updated and revalidated throughout the project, change will take place and risks will need to be managed.

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.

The Prince2 processes address the chronological flow of the project, with actions relating to different themes mixed. Themes amplify process activities.

Here are the Prince2 themes:

* **Business case.** Answers the question Why? The project starts with an idea which is considered to have potential value for the organization concerned. The theme addresses how the idea is developed into a viable investment proposition, and how project manager maintains the focus on the organization’s objectives throughout the project.
* **Organization.** Answers question Who? The organization commissioning the project needs to delegate the work to managers who will be responsible for it to be completed. Projects are cross-functional, so normal line function structures are not suitable. The theme describes roles and responsibilities in the temporary project management team which are required to manage the project effectively
* **Quality.** Answers question What? 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 how project management will ensure that these requirements are delivered.
* **Plans.** Answers questions How, how much, when? Prince2 projects proceed based on series of approved plans. This theme compliments 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. They are the focus for communication and control throughout the project.
* **Risk.** Answers question What if? Projects typically entail more risk than stable operational activity. This theme addresses how project management manages uncertainty.
* **Change.** Answers question What is the impact? This theme describes how project management acts upon issues which have a potential impact on any of the baseline aspects of the projects. Issues may be - unanticipated general problems, requests for change or instances of a product not meeting its specification.
* **Progress.** Answers questions Where are we now, where are we going, should we carry on? 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.
  1. Tailoring the themes

How the themes are applied can be influenced by tailoring. This may range from small changes to large degree of freedom.

All seven themes must be applied in a project, but they should be tailored according to the risk, scale, nature, complexity, or simplicity of the project, always ensuring that any minimum requirements specified in a theme are satisfied.

Tailoring Prince2 theme does not mean rewriting a Prince2 theme itself. In most cases, themes are implemented trough risk, quality, change control and communication management approaches. These should contain procedures regarding how the themes are implemented in practice for that project. The level of control required will influence the degree of formality and frequency of monitoring, reviewing, and reporting. When applying themes, take into consideration risk and any external factors, capture them in project’s management approaches.

Many of the themes imply that procedures may need to be developed. Prince2 does not prescribe how they should be documented or published.

Prince2 provides a table of responsibilities relating to each theme. These may be reassigned so that they do not introduce any conflict of interest.

Each theme in this manual contains suggestions for different tailoring options, together with ideas on how to deal with some common situations.

Tailoring allows Prince2 themes to be adapted to create appropriate procedures and controls, provided that:

* Prince2 principles are upheld
* The minimum requirements in each theme are satisfied
* The purpose of each theme is not compromised.

The processes, procedures, and controls trough which themes are implemented can become overly complex and prescriptive.

Its is usually better to keep processes and procedures as simple as possible and ensure that project management team really knows how to use them. The more knowledgeable the team, the lighter processes, procedures, and control can be. It is better to coach people in using a process or procedure than to keep adding more detail in hope they will understand it better.

* 1. Format of the theme chapters

Each chapter is structured as follows:

* The theme. Why the theme is important to the successful delivery of the project and core concepts
* Requirements for the theme. What is required as minimum
* Guidance for the effective use of theme
* Techniques

1. Business case
   1. The business case theme

The purpose of the business case theme is to establish mechanisms to judge whether the project is and remains desirable, viable and achievable to support decision-making in its investment.

Organizations undertake projects because they want to make measurable improvements in one or more aspects of their business. These measurable improvements are called benefits.

Prince2 deliver outputs in the form of products, the use of which results in changes in the business. These changes are called outcomes. The outcomes allow the business to realize the benefits.

Examples of output, outcome, and benefits:

* **Output.** New sales system
* **Outcome.** Sales orders are processed more quickly and accurately.
* **Benefits.** Costs are reduced by 10 per cent, volume of sales orders increased by 15 per cent and revenue increased by 10 per cent annually.

In Prince2, all projects must have a documented business justification. This not only sets out the reason for the project, but also confirms whether the project is:

* **Desirable**: the balance of costs, benefits, and risks
* **Viable**: able to deliver products
* **Achievable**: whether use of the products is likely to result in envisaged outcomes and resulting benefits.

The business justification is usually documented in business case.

It is a Prince2 principle that a project must have continued business justification. That means business justification is not just developed at the beginning of the project, but that it is kept under regular review and updated in response to situation (desirability, viability, achievability).

* 1. Prince2’s requirements for the business case

To be following Prince2, a project must, as minimum:

* Create and maintain a business justification for the project, usually a business case (continued business justification principle)
* Review and update the business justification in response to decisions and events that might impact desirability, viability, or achievability of the project (continued business justification principle)
* Define the management actions that will be put in place to ensure that the project’s outcomes are achieved and confirm that the project’s benefits are realized (continued business justification principle)
* Define and document the roles and responsibilities for the business case and benefits management (Prince2 defined roles and responsibilities principle)

Prince2 requires that two products are produced and maintained for the business case theme:

* **Business case.** Provides the costs, benefits, expected dis-benefits, risks, timescales against which viability is justified and continuing viability is tested. It is acceptable to use an alternative document such as a corporate business plan
* **Benefits management approach.** Defines the management actions that will be put in place to ensure that project’s outcomes are achieved and confirm that the project’s benefits are realized.

In Prince2 the business case is developed at the beginning of the project.

The business case theme is central to Prince2 projects as it is at the heart of why a project is being done. Prince2 does not define what techniques to use to demonstrate or prove that a project is viable, only that it should be done.

Develop -> verify -> maintain -> confirm

* **Develop.** Means getting the right information upon which decisions can be made.
* **Verify.** Means assessing whether the project is worthwhile.
* **Maintain.** Keeping business justification updated with actual costs and benefits and with current forecasts for costs and benefits.
* **Confirm.** Means assessing whether the intended benefits have been realized. Confirming benefits will mostly take place post-project, although benefits may be realized during the project.
  + 1. Developing the business justification

In Prince2 the executive is accountable for ensuring that business justification is produced and approved. Development of the business justification may be delegated (for example, to the project manager).

If the project is part of a programme, then an approved business justification may be provided as part of the project brief. Whoever is given the task of developing a business justification, it is important to ensure that they have the appropriate business skills required. (ex. Understanding the difference between a cash-flow forecast, a profit-and-loss account and a balance sheet.)

An initial version of the business justification should be derived from the project mandate as part of the starting up a project process. Typically, this will be documented in a formal business case, although some organizations may use other documents, such as business plans.

In most cases the project costs, timescale, products, and risks will not be sufficiently understood to provide a robust justification of the project and initial version will need further development and refinement as the project progresses.

* + 1. Verifying and maintaining business justification

Continued business justification drives all decision making by ensuring that business objectives and benefits can be realized. The business justification must be reviewed and verified:

* At the end of starting up a project process, to authorize project initiation based on reasonable justification
* At the end of the initiating a project process, to authorize the project
* As part of any impact assessment by the project manager
* In tandem with an exception plan by the project board, to authorize the revised management stage
* At the end of each management stage by project manager, to determine whether the costs, timescales, risks, and benefits need to be updated
* At the end of each management stage by the project board, to authorize the next management stage and the continuation of the project
* During the final management stage by the project manager, to assess the projects performance against its requirements
* As part of the benefits reviews to determine the success of the project outcomes in realizing their benefits.

It is the responsibility of the executive to assure the project stakeholders that the project remains desirable, viable and achievable always.

* + 1. Ensuring and confirming that benefits are realized

As talked before, projects deliver outputs, these produce outcomes in the business that provide benefits to the organization. The principle of this linkage is straightforward; however, reality is often much more difficult. For the benefits to be realized, the outcomes must be achieved, which means the outputs from the project must be used and used in the way intended.

Many organizations will be able to identify projects that have produced products that were never fully utilized, organizational changes that were never fully implemented and IT systems that were never fully used. There may be many reasons why this happens, including:

* The scope of the project explicitly excludes benefits realization. This is commonly the case where the project is part of a larger programme, and the project only delivers some of the products required.
* Failure of the project team to fully understand everything that needs to be done to help the organization use the project’s products. For example, it is a common failure that project teams provide an IT system and training, but no post-training or ongoing support to ensure any post-training issues addressed.
* Commitment to the changes introduced by the project is either overtaken by more pressing business-as-usual priorities, or simply just fades.
* Parts of the organization never fully committed to the changes.

In practice, benefits are rarely realized unless they are proactively managed during the life of the project. If the project management team does not understand the benefits of the project and the changes (outcomes) needed, it is unlikely to develop the right outputs and also unlikely to be able to build and sustain the commitment and confidence in the changes during the project’s lifespan.

* + 1. Business case responsibilities in Prince2

Responsibilities for managing the business case in Prince2 are here. In case roles are combined, responsibilities must be taken of those roles as well.

* **Corporate, programme management or the customer.** Provide the project mandate and define any standards to which the business case needs to be developed. Hold the senior users to account for realizing the post-project benefits enabled by the project products. Accountable for the benefits management approach (post-project).
* **Executive.** Business case for the duration of the project. Accountable for benefits management approach. Oversee the development of viable business case, ensuring that the project is aligned with corporate, programme management or customer strategies, and secure the funding for the project.
* **Senior users.** Accountable for specifying the benefits upon which the business case is approved. Ensure desired outcome of the project is specified. Ensure that project produces products that deliver desired outcomes and that outcomes will generate desired benefits. Ensure that the expected benefits are realized. Provide statements of actual benefit achievements versus forecast benefits at benefits reviews.
* **Senior suppliers.** Accountable for the supplier business cases if they exist. Confirm that the products required can be delivered within the expected costs and are viable.
* **Project manager.** Responsible for development of the business case and benefits management approach as delegated by the executive. Review impact of issues and risks o the continued viability of the business case. Assess and update the business case and benefits management approach at the end of each management stage. Assess and report on project performance at project closure.
* **Project assurance.** Verify and monitor the business case against external events and project progress. Ensure the project fits overall corporate or customer strategies. Monitor project finance on behalf of corporate or the customer. Ensure the value-for-money solution is constantly reassessed. Monitor changes to the project plan to identify any impact on the needs of the business or the business case.Review the impact assessment of potential changes on the business case and project plan. Verify and monitor the benefits management approach.
* **Project support.** The business case and benefits management approach should have a baseline and therefore be under change control. Project support should advise the project manager of any proposed or actual changes to products that affect the business case.
  1. Guidance for effective business case management
     1. Business justifications can take many forms

The business case itself, whether outline or detailed, need not be a distinct document nor have the label.

The structure contents and format of a business justification will often depend on the maturity of the organization, the type of project and the delivery approach used. For example:

* Organizations with mature project management will often have annual business plans, with an entry in the business plan constituting the initial business justification for the project. Typically, a detailed business case would only be developed when the project has been fully scoped.
* Some projects may need to deliver incrementally to fund subsequent stages/phases/deliveries of the project. This is where agile approach may be particularly beneficial as, without it, the business case would not be justified.
* In some cases, it might be more effective and efficient to present the business justification as a slide deck than it is to create a lengthy document.

In organizations with mature project management, it will usually be the case that the structure, contents and format of the business justification will be mandated at some corporate level and aligned with the preferences of the governance body that authorizes investment in the project. For example, the finance function in the organization may own and mandate the structure, contents, and format of a business case. Even very simple projects need some form of explicit business justification, no matter how this is documented or expressed.

* + 1. PRINCE2 products need to be used, not just delivered

A problem that commonly occurs is that projects are often successful from a delivery perspective but fail from an investment perspective.

Although one of PRINCE2 principles is a focus on products, it is important to remember that the benefits underpinning the business justification of the project are delivered trough the use of the products produced by the project, not just their delivery. As the project’s outcomes and benefits are often only realized after the project has closed, it is easy for project teams to become focused solely on creating products (the outputs).

The link from the project’s outputs to outcomes and benefits needs to be clearly identified and made visible to those involved in the project, otherwise there is a danger that the original purpose of the project can get lost and benefits will not be realized.

* + 1. Customers and suppliers will usually need their own business cases

The business case for customer’s project is separate from a supplier’s business case for bidding and for working on the customer’s project. The customer needs to ensure that its project is viable, and risks are acceptable, bearing in mind the suppliers chosen. A supplier would have to ensure that it will benefit from the work it undertakes on the project. In other words, the project will be profitable from the supplier’s perspective.

* + 1. Projects within programmes

If project is part of a programme, the programme will typically define both the approach to business case development and provide an outline business case for the project.

The project’s business case will typically be aggregated into the overall programme business case and is likely to be reduced in content.

* + 1. Projects using an agile approach.

An agile approach may require more information on the tolerances around benefits with respect to priorities, timescales and how much of the scope will be delivered in the product. One way to present a business case is to show the best case, expected case and worst case of the amount of the project product requirement that will be delivered given a fixed cost and time.

When creating a business case, it is important to understand how incremental delivery of a product, and the value associated with it, could impact project viability (positively or negatively) and the ability to achieve the early realization of some benefits. If there is a high level of uncertainty business case should be developed very quickly and the assumptions tested quickly.

* + 1. Sf
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