

# Contents

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

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

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

# 1 Introduction

## 1.1 THE PURPOSE OF THIS MANUAL

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

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

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

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

## 1.2 THE IMPORTANCE OF PROJECTS

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

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

can be introduced to best effect for the organization.

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

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

## 1.3 WHAT MAKES PROJECTS DIFFERENT?

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

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

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

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

## 1.4 WHY HAVE A PROJECT MANAGEMENT METHOD?

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

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

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

## 1.5 INTRODUCING PRINCE2

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

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

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

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

### 1.5.1 What does a Project Manager do?

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

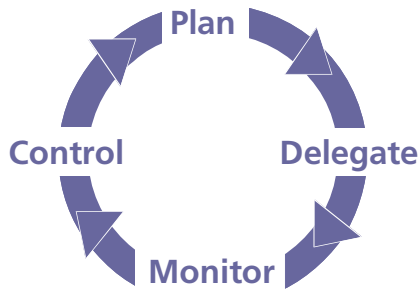
It may be possible to build the house yourself – but being a manager implies that you will delegate some or all of the work to others. The ability to delegate is important in any form of management but particularly so (because of the cross-functionality and risks) in project management.

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

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

### 1.5.2 What is it we wish to control?

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



**Figure 1.1** Project management

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

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

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

### 1.5.3 The structure of PRINCE2

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

#### 1 The principles (Chapter 2)

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

#### 2 The themes (Chapters 3 to 10)

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

#### 3 The processes (Chapters 11 to 18)

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

#### 4 Tailoring PRINCE2 to the project environment (Chapter 19)

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

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

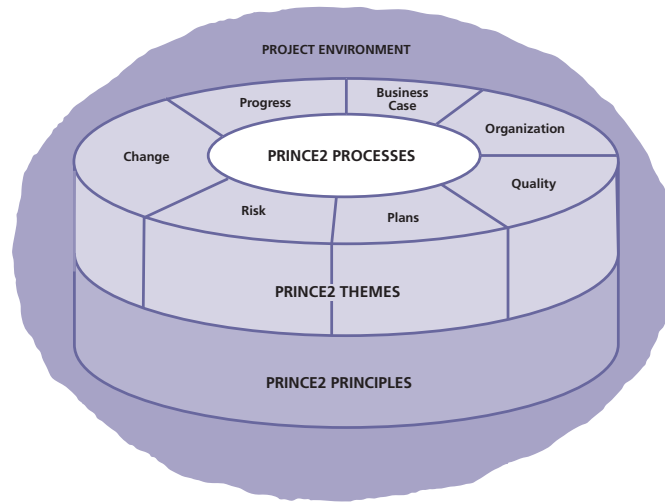


Figure 1.2 The structure of PRINCE2

### 1.6 RELATED OGC GUIDANCE

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

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

#### 1.6.1 What PRINCE2 does not provide

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

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

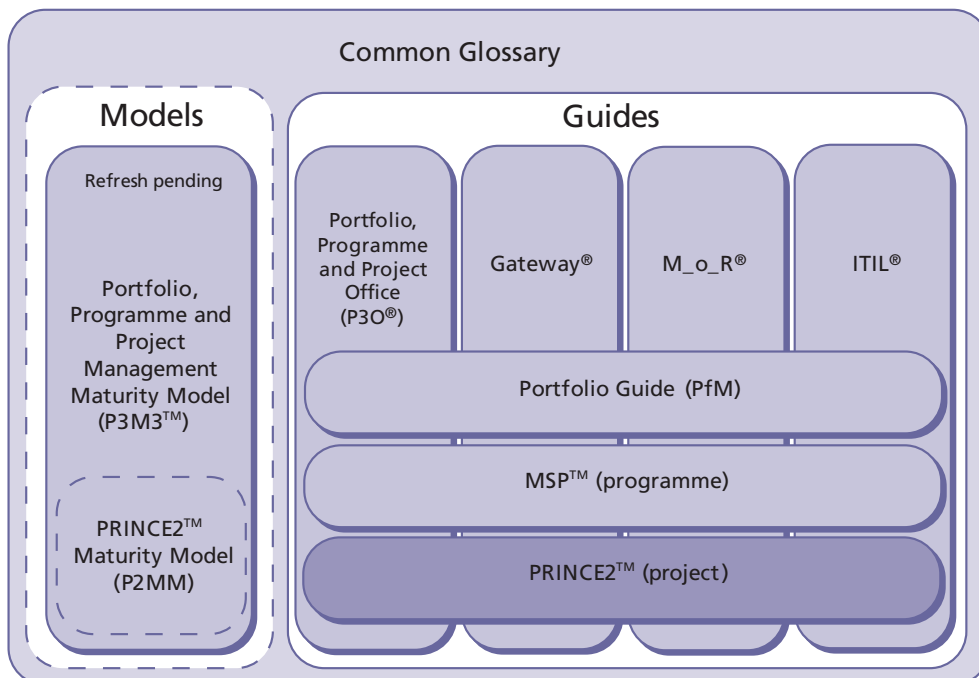


Figure 1.3 OGC best-practice guidance



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

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

## 1.7 BENEFITS OF PRINCE2

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

- PRINCE2 embodies established and proven best practice and governance for project management
  - It can be applied to any type of project – and can easily be implemented alongside specialist, industry-specific models ('engineering models' or 'development lifecycles')
  - PRINCE2 is widely recognized and understood, and therefore provides a common vocabulary for all project participants – promoting effective communication
  - PRINCE2 provides for the explicit recognition of project responsibilities – so that participants understand each other's roles and needs.
- There is a defined structure for accountability, delegation, authority and communication
  - Its product focus clarifies (for all parties) what a project will deliver, why, when, by whom and for whom
  - PRINCE2 plans are carefully designed to meet the needs of the different levels in the management team, improving communication and control
  - It is based on a 'management by exception' framework, providing for the efficient and economic use of management time (whether at corporate, programme, Project Board or project management levels)
  - PRINCE2 ensures that participants focus on the viability of the project in relation to its Business Case objectives – rather than simply seeing the completion of the project as an end in itself
  - It defines a thorough but economical structure of reports
  - It ensures that stakeholders (including sponsors and resource providers) are properly represented in planning and decision making
  - Adopting PRINCE2 promotes learning and continual improvement in organizations
  - PRINCE2 promotes consistency of project work and the ability to reuse project assets; it also facilitates staff mobility and reduces the impact of personnel changes/handovers
  - PRINCE2 is an invaluable diagnostic tool, facilitating the assurance and assessment of project work, troubleshooting and audits
  - There are scores of accredited training and consultancy organizations (ATOs and ACOs) operating worldwide, who can supply expert support for PRINCE2 projects or for organizations planning to adopt PRINCE2.