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PRINCE2

Your Concise Guide to the Seven Principles of PRINCE2



Introduction – Why PRINCE2?

Since its introduction in the late 1980s, PRINCE2 has become one of the most commonly practiced project management methodologies in the world. It's an approach that gives project managers a framework, with clearly defined goals and strategy to determine how the project is governed.

Objectives of project governance

The strategic objectives of project governance to achieve are:

- Ensuring value by aligning the project with the business
- Controlling costs
- Maximising the value of resources allocated to the project
- Managing risk along the project lifecycle
- Applying best practices throughout the project lifecycle
- Organisational consistency

PRINCE2 evolved from the PRINCE project governance framework, which was developed specifically for IT projects. PRINCE2 is more generic, with its methodologies applicable to all types of project.

A structured way to manage projects

PRINCE2 provides a rational structure for project managers to use. It lays down its framework in a logical way, with clearly defined project steps, roles, and processes. It enables the project manager to control all aspects of the project from the start, and provides for regular and real-time review of progress towards project goals.

In this way, the project manager can control the project with greater transparency, while maintaining the involvement of all key project stakeholders.

The PRINCE2 project governance framework requires:

- the project to be thoroughly planned;
- the project team to structure each stage; and
- all tasks and steps to be completed before the project ends

The seven principles of PRINCE2

PRINCE2 is a process-based approach to project

governance, underpinned by seven distinct principles. These are:

1. [Continued Business Justification](#): Projects must be justified as valuable to the business
2. [Learn from Experience](#): Teams and individuals should learn along the project lifecycle
3. [Defined Roles and Responsibilities](#): Roles and responsibilities are clearly defined
4. [Manage by Stages](#): The project progresses in stages
5. [Manage by Exception](#): Project boards manage by exception
6. [Focus is on Products](#): Each work package is defined by its deliverable work packages
7. [Tailor to Suit the Project Environment](#): Individual projects require a tailored approach

In this book, you'll be introduced to the seven principles that govern PRINCE2 projects in concise, easy-to-understand language.

1st Principle - How to develop business justification for your project

In a PRINCE2 project, the business case drives the project. It's the reason behind undertaking the project in the first place, and it will be necessary for senior management of the organisation to review before giving the project the green light. Under PRINCE2 governance, this review and authorisation process continues throughout the project at every stage. In this way, the project remains agile and monitored for effectiveness at senior level.

As most projects change throughout the lifecycle, any impact of change should be considered to ensure the business case remains valid.

In short, if there is no business case, there is no project.

The seven key elements of the business case

1. The reasons for the project

The business case should always be couched in the reasons for the project's existence. The reasons you give should be aligned with the values and strategy of the organisation. You might consider the project on the basis of what needs it will address, or problems it will solve, or how it will move the organisation closer to its strategic goals.

2. The options available to the organisation

Having identified need, the possible options for satisfaction of that need should be explored. Only by doing so can you ensure that initiating the project is the right course of action. By considering other options, the business case for the project will be strengthened when presented to senior management.

3. The benefits of the project

Lay out the benefits of the project clearly, whether those benefits are tangible or intangible. You'll need to provide evidence to support the expectation of benefits, with explanations of how they will be achieved.

4. The risks of the project

Consider all risks that might be associated with both undertaking the project and not undertaking it. Transparency at this stage is key to engendering trust on project capability.

5. Project cost

There is no point in beginning a project without knowing

the cost. In fact, this is an integral part of the entire equation when measuring potential benefits, business options and risks. You'll need to justify every dollar of expenditure so that accuracy of cost projections is assured.

6. Lifetime of project

You'll have to define how long the project will take, and supply details of all high-level activities through each stage of the project.

7. Appraisal of Return of Investment (ROI)

By way of measuring costs against benefits, you'll be in a position to confirm the potential return on investment of the project. It helps answer the following key questions:

- Does it provide value for money?
- What are the biggest benefits of undertaking the project?
- Why is it necessary?

In the next chapter, we will look at **how to learn during the project lifecycle**.

2nd Principle - The why, what and how of learning lessons in PRINCE2 project management

Why project managers need to learn from projects

According to most studies on the subject, around 70% of all projects fail to achieve their full objectives. This simply means that 70% of projects fail. PRINCE2 understands that all projects are unique, but its methodologies and strategies are formulated to allow project managers and their teams to take each experience into the next project.

This process of learning and action should increase project success rate over time, as the experience and lessons learned from one project are used to iterate best practice in similar projects.

Who should learn from project lessons?

PRINCE2 states that it is the responsibility of everyone to discover lessons learned rather than wait for them to be provided. However, the project manager will naturally take the lead in this. It's his or her responsibility to be both historian and archivist. Lessons and experiences should be documented to be recalled and used on future projects.

When should PRINCE2 lessons be learned and documented?

While it might be appropriate to capture lessons learned at the end of a small project, it's difficult to be comprehensive on longer projects using this strategy. A better method is to employ tools and techniques that capture lessons learned throughout the project lifecycle.

Make time to get the team together at regular or key intervals to discuss the good and the bad, what has worked well and what has failed. This will ensure that nothing has been forgotten before key members move on to their next project.

Lessons will only be learned when applied, so ensuring records from previous projects are accessible for future projects is necessary for this to happen.

What data should be captured?

Most people mistakenly believe that lessons are only learned from things that go wrong. But this is not the case. It's just as important to document what went well,

how it went well, and why, as it happens. Someone should be tasked to capture and document both the good and the bad, as it happens. Good practices can then be more readily repeated, while errors, mistakes, and plain bad judgement or working methods can be improved.

Situations that develop should be recorded as project risks, quality defects, vendor issues, and change requests. But this isn't where details of lessons learned end. Other areas include:

- Scope management
- Schedule management
- Estimation of costs
- Budget control
- Allocation of resources
- Working with stakeholders
- Process improvement
- Change management

Questions to be asked

When assessing performance across multiple areas and processes, ask these questions of each:

- What is the situation?
- What alternatives were considered?
- What actions were taken?
- What went well, and what can be improved?
- What advice can be given for future projects, and what lessons can be learned?

Who has the responsibility to capture all this data?

Everybody on the project should be encouraged to give ideas and insight. However, ultimate responsibility rests with the project manager. It's up to them to ensure that capturing lessons learned is a collaborative process, and that they are recorded regularly as part of the project management process.

Building a database of lessons learned

Often, project managers find that companies are bad at communicating lessons learned effectively. Projects are commonly complicated by cross-functional needs, and different divisions and departments can be poorly integrated. The outcome is that the same mistakes are repeated either now or in similar projects in the future. A good project management database of lessons learned can be built in five simple steps:

1. **Record lessons learned** – the problems and solutions and important project attributes should be recorded and made readily accessible in a register or log.
2. **Categorise data** – accessibility is dependent on easy access to data. Make the database searchable by keywords, projects, project size, business areas, and so on.
3. **Communicate effectively** – project teams must be informed when new lessons are available, and when new data is posted. The project manager must communicate effectively, and across channels that are accessible to the target audience.
4. **Encourage people to use the database** – the database is a valuable resource which is often wasted, simply by lack of use. Make it a priority to encourage people to use it. It must be free and accessible. Allow the posting of comments and feedback, and invite suggestions for process improvement.
5. **Review data regularly** – remove defunct and out-of-date data to maintain confidence that the data is accurate and current.

What stops project managers and teams from learning lessons and improving project process?

Projects are complex, costly, and time-critical. It's these reasons that are the main adversaries of effective learning during the project lifecycle. Project managers, teams, contractors and stakeholders all have a lack of:

- Time
- Management support
- Resources
- Guidelines
- Process to capture project data

The biggest barrier to capturing lessons learned is time management. That is why it is important to factor in time for every stage of a project to capture data and learn from it. Do this, and you should crush that 70% project failure rate.

In the next chapter, we will look at **the roles and responsibilities defined by PRINCE2**.

3rd Principle - Who is responsible for what project function?

The third principle of PRINCE2 is that of having clearly defined roles and responsibilities. These roles should ensure that all affected stakeholders, users, and the business are engaged in the project.

A common challenge of projects is that they are often cross-functional. Access to resources and personnel are often required by a number of stakeholders. PRINCE2 creates a structure that, by design, segregates project management into explicit roles that enable cross-functional access on an organised basis. Responsibilities are defined, which helps to eliminate confusion and duplication of efforts, while enabling effective communication between all parties.

What is a PRINCE2 defined role?

PRINCE2 doesn't define jobs, but rather roles. These roles might be undertaken by one person or a group of people. Similarly, one person could be responsible for more than one role.

When filling the roles, you'll need to put the right people in the right place: square pegs for square holes, if you like. You'll need to consider several factors, including the person's:

- Knowledge, skills, and experience
- Commitment and availability
- Credibility and authority

Within PRINCE2 there are four levels of roles and responsibilities.

1. The Corporate Management Team

This team will be responsible for the project mandate and naming the project executive, as well as defining the project itself.

The Project Management Team comprises three roles:

- Project board
- Project manager
- Team members

The three primary interests that help define roles and responsibilities are the business, the user, and the supplier:

- The business defines the business case.
- The user is who will eventually use the outputs of the project to create the benefits expected.
- The supplier is the one that supplies the resources and skills to produce the project's outputs.

These three interests are represented on the Project Board.

2. The Project Board

The Project Board provides the direction for the project and is ultimately responsible for its success. It also has responsibility for providing resources and authorising funding, as well as delegating for effective project completion. It is also responsible for seeing that the project meets the requirements of the business case.

There will be several roles and responsibilities on the **Project Board**. These include:

- **The Executive (Customer, Sponsor or Project Director)**, has ultimate responsibility for the success of the project and 'owns' the business case throughout the project's life. Among the Executive's prime responsibilities, he or she will oversee the development of the project brief and business case, authorise expenditures, changes to costs, timescales, and tolerances.
- **The Senior User**, representing the people or teams that will be the end users of the product or service delivered by the project. They also represent the people who will be otherwise impacted by the project. As such, this role may be occupied by more than one person (especially if there is another funding organisation). The Senior User is accountable for achieving the benefits of the project.
- **The Senior Supplier** is the person who represents the suppliers of services and products to the project. This position could be filled by either an in-house or external representative – or perhaps both – and must have the power to commit resources to the project.

3. The Project Manager

The Project Manager is responsible for the day-to-day management of the project, delegating responsibilities to team managers or specialist team members.

4. Team members

Team members are responsible for delivering to required quality standards, within time, and on budget.

Other roles and responsibilities

Project assurance roles are independent of the Project Manager, but will offer guidance and support to the Project Manager. This role is the responsibility of the Project Board but may be assigned to others if required.

Project support is ideally a separate role supporting the project manager. However for smaller projects this role may be carried out by the project manager.

Change Authority is the person or group who consider requests for change. The responsibility for this falls on the Project Board, though it may be delegated to others, especially if a lot of changes are expected.

What project managers don't do

Within the PRINCE2 structure, it is also important to understand what the project manager does not do. The project manager does not:

- Establish the budget
- Establish project tolerances
- Decide what the customer wants
- Take responsibility for deciding if major changes to the project specifications are required

All of these are added responsibilities of the project board.

As you can see, PRINCE2 provides a clear structure of roles and responsibilities. When you initiate a project, ensure that you fill these roles effectively and that your people fully understand their responsibilities. Do this, and the project should be well managed throughout its lifecycle.

In the following chapter, we will examine **project progression under PRINCE2**.

4th Principle - PRINCE2's management stages

If you've ever tried to help a child with their mathematics homework or undertaken an unfamiliar task, you'll understand the value of breaking projects down into small pieces. In fact, everywhere you look projects are broken down into smaller, more manageable chunks. That's how recipes work, how degrees are passed, and how we learn to drive. One step at a time, until successful completion.

PRINCE2 works on this basis to enable successful project management, with each smaller, manageable chunk called a 'Management Stage'.

In this chapter, I'll look at how this works in practice, and what happens as each stage is completed.

Start Up

Before every project is a Start Up process (concept phase) where the viability and return on investment of a project is determined. Once the project has been approved to proceed, it can move onto the initiation stage.

Project initiation

While not all projects are the same and don't conform to a set number of management stages, every project begins with the initiation stage. It is in this stage that the project board details:

- The Business Case
- The Project Plan
- Project Management Strategies

Project management strategies

The project management strategies that are defined in the initiation stage are the 'big picture' strategies, which include:

- Risk management
- Quality management
- Change management
- Communication management

These strategies include the policies, procedures and processes for each area.

Subsequent management stages

When the project is planned, it will be split into management stages. Each stage is managed and controlled, and separated by control points.

What happens at the end of each stage?

The project board assesses progress at the end of each stage. It reviews how the most recent completed stage performed and decides whether to continue. If it does decide to continue, it will review the plan for the next stage, which may need to be revised.

The higher the number of stages, the more control the project board will exert on the project. There is a minimum of two stages to any project (Initiation, plus at least one more) before the project can be closed (by using the closing a project process).

Advantages of breaking a project into management stages

PRINCE2 allows the benefits of breaking projects into stages to be fully realised:

- Smaller stages are more easily managed, monitored, and measured against their metrics.
- The project benefits from a high-level, 'big picture' strategy and detailed planning of each stage.
- Continuous learning can be on-boarded throughout the project, helping to inform each subsequent stage.
- The project retains maximum flexibility, with changes of course more easily embedded.
- It enables the project board to determine whether the project is still viable and that the business benefits are still achievable.

Project board and project manager collaboration

Finally, by working in management stages, PRINCE2 provides the project board with distinct review periods, and gives the project manager the opportunity to create detailed plans for the subsequent stage.

In the next chapter, we will look at **how the project board manages by exception**.

5th Principle - Managing by exception the PRINCE2 way

In the third chapter of this book, I discussed the roles and responsibilities of the project management team, team members, and project managers. This principle goes further than simply defining management roles and responsibilities: it actually gives a process that defines how to manage a project. This process is called 'managing by exception'. It's possible that you've never heard this term before, so in this chapter I'm going to explain what it means and how it's put into practice.

Managing by exception – establishing the art of delegation

Managing by exception is a principle that establishes how management is delegated down the line of a PRINCE2 project. It delegates authority for decision-making (the project board), managing (the project manager), and delivering (project team members).

You only need to know what you need to know

If the project board were to become involved in every decision, it would distract their time and effort from other projects and their day-to-day work. Managing by exception is a supervisory principle which is used to avoid such a situation. Consider a simple project at home, such as decorating a child's bedroom:

The mum (the project board) decides what colours will be used on the walls and the doors, sets the budget, and asks that the project is completed within two weeks, give or take a day. She gives Dad (the project manager) the money, and tells him to spend up to that amount, and no more. If the paint is more expensive, then he's to let her know and she'll make the decision whether to increase the budget and proceed, or to make changes so as to stick within the budget.

Dad (the project manager) buys the paint, and enlists the help of their son – after all, it is his bedroom that is being decorated.

In the bedroom, Dad becomes the supervisor. He instructs his son (team member) as to what he wants done, how he wants it done, and when he wants it done by. "Give me a shout if anything goes wrong, or if you have a problem."

If the boy runs into an issue – for example, he can't get the radiator off the wall to paint behind it – he'll tell his

dad, and his dad will make the decision as to how to proceed. If it means getting a plumber in to do some extra work, and the cost of doing so is outside the budgeted amount for the job, then Dad might have to speak to Mum to get clearance for the extra work.

Along the way, Dad will be providing regular reports to Mum on project progress. The important thing is this: moving up the line, notification is only made if there is a big issue outside the set allowable tolerance. It's like 'no news is good news'.

What Mum wants, of course, is to set the project and have it completed with no fuss in two weeks, plus or minus a day (the project tolerance).

In the context of a PRINCE2 project, the project board won't hear from the project manager (except for the pre-agreed regular updates) unless there is a big issue that requires its attention.

How to manage by exception

In order to manage by exception, each level of project management must be confident in the ability of the level below it to play its part. However, there also has to be limits to provide guidance and protect the integrity of the project. These limits are set by reference to six tolerances.

The six tolerances of PRINCE2

The delegated authority at each level is set by establishing a tolerance against:

- Time
- Cost
- Quality
- Scope
- Risk
- Benefit

1. Time tolerance

These are limits on the amount of time by which delivery can exceed expectation – for example, no more than two days beyond the agreed delivery date.

2. Cost tolerance

The amount of deviance to budgeted costs. An example may be no more than 4% above budget without scaling.

3. Quality tolerance

An example would be for a project to produce a new car body that remains rust free for seven years, with a tolerance of $\pm 7\%$ (for the number of years).

4. Scope tolerance

There will be both mandatory and 'nice-to-have' requirements. The mandatory requirements have to be included, whereas the team can decide which 'nice-to-haves' are included. In the example of decorating the bedroom, the mandatory might be that every wall is painted, while the nice-to-have is that the radiator is painted in a matching colour.

5. Risk tolerance

There will be a risk tolerance set on the project. Something above this level has to be discussed with the project board – for example, if a supplier cannot provide a necessary component within the required timeframe.

6. Benefit tolerance

A project benefit is a measurable improvement created on the completion of the project (or a project milestone). These benefits are those received by the project's stakeholders. A question that is asked throughout the project is: "Is the project on track to realise its projected and expected benefits?"

In summary

Management by exception provides a framework for delegation and project management that allows each management layer to manage the layer below, without the need for constant supervision and interruption. It helps to keep the project on track, within the set constraints of budget, time, cost, etc. while giving each member of the team pre-defined scopes of autonomy.

Management by authority reduces the need for meetings, reporting, monitoring and measuring. It saves hours (even days) of bureaucracy that in itself can hamper project delivery.

In the next chapter of this book, we will look at **the focus on products**.

6th Principle - PRINCE2 and the focus on Products

The products of a completed project is measured by its success, and that success is measured by how the project's outcomes compare to expectations. Therefore, the theme of project quality under PRINCE2 focuses on customer satisfaction, the conformity of the project outcomes to requirements, and the suitability of the finished project.

In this chapter, I'll concentrate on how PRINCE2 requires and promotes focus on quality.

What is project quality?

Project quality refers to a number of factors under the PRINCE2 framework. These include:

- Products
- People
- Processes
- Services
- Systems

The easy measurement of quality is simply to ask if the product (or people, processes, etc.) meets expectations of stated needs, required specifications, or other requirements.

PRINCE2 project quality management

PRINCE2 coordinates the activities needed to direct and manage project quality. It sets the standards, procedures and responsibilities to maintain project quality by referencing three key aspects:

- Quality planning
- Quality control
- Quality assurance

Quality planning

Without a plan, there can be no control. Planning is about defining the requirements of the project. Every factor should have its quality criteria, methods and responsibilities of those involved defined.

Quality control

Control is mostly reactive, focussing on operational techniques of those involved in the project. This includes inspecting, testing and developing ways of eliminating the causes of underachievement through the project

cycle.

Quality control dovetails with the why, what and how of learning lessons in PRINCE2. In essence – inspect, test, learn and revise methods and techniques of operating to resolve inadequacies that cause quality deficiencies.

Quality assurance

Quality assurance checks the project's direction and management is commensurate with achieving its quality aims. It ensures that standards of work, supplies and policies comply with regulations and project management standards.

How quality assurance works in PRINCE2

Even though PRINCE2 defines quality assurance, it should be maintained independently. The responsibility falls on the project board independent of the project manager and project team. Project assurance provides a level of confidence to the project's stakeholders that the project will meet its objectives.

It's important to understand that project quality planning and control rests with the project (board, manager, and team), while quality assurance is then undertaken independently of these. Still, it is the responsibility of the project manager to ensure that adequate quality assurance is organised. An example of this would be a compliance audit.

When is quality assurance organised?

Quality assurance is part of the overall quality management strategy, and as such is prepared during the initiation stage of a project. This strategy determines how quality processes and strategies are applied to the project. This will give confidence to the customer and stakeholders about the quality of standards, techniques, procedures, tools and equipment used throughout the project.

The quality strategy formalises quality plans and controls, and outlines the arrangements for quality assurance, tests, checks, audits, and how lessons are learned. The metrics of quality measurement as well as responsibilities for quality will also be defined at this stage.

Who does what in PRINCE2 quality focus?

Taking the lead from the 3rd Principle of 'who is responsible for what project function', PRINCE2 requires:

- The **project manager** to prepare and document quality planning, control, and assurance. The project manager also ensures that team managers implement all project quality control measures.
- **Team managers** ensure that products are created in line with quality requirements, and report back to the project manager with regard to project status.
- Project **quality assurance** advises the project manager on all quality issues, and assures the project board and customer that the project is meeting its quality expectations.

In the next chapter, and wrapping up this book about the seven principles of PRINCE2, we will look at **how PRINCE2 requires an individual approach to projects.**

7th Principle - PRINCE2 and the requirement for an individual (tailored) approach

In this last chapter, I'll be looking at how the project method can be tailored or customised to the individual project. While PRINCE2 provides an accepted structure for project management, not all projects are the same. Tailoring of PRINCE2 allows the project to be planned, controlled and delivered according to the context and environment of the project at hand. I'll also explain what can be tailored and the approach to tailoring when employing PRINCE2 methodologies.

Why tailoring is essential within PRINCE2

By now you'll be aware that PRINCE2 is a project management method that links principles, techniques and themes. In other words, PRINCE2 is not a series of stand-alone elements. Its success depends on maintaining the relationship between each element.

It's a little like a car engine: the driver controls the accelerator, which determines how much fuel flows to the engine, where a spark is ignited to turn the fuel into energy, and that energy drives the shaft that determines how fast the wheels rotate. Each element is separate, but all are linked; while they could function on their own, without the other elements there would be no forward motion.

Tailoring, therefore, is not about leaving parts of the method out, but rather customising and adapting certain elements to the project environment. In short, tailoring allows the project manager to create the best and most productive solution while maintaining the standards, efficiency, and effectiveness that PRINCE2 engenders.

What PRINCE2 tailoring does and doesn't do

Tailoring does not remove any of the seven principles of PRINCE2 – each must be present for the project to be considered a PRINCE2 project. However, all other elements of a project can be tailored:

- Themes

PRINCE2 is also based on seven themes:

- Business case
- Organisation
- Quality
- Plans

- Risk
- Change
- Progress

Usually, project factors and environmental considerations are factored into strategies, management, and control of the project. However, adaptability is needed to integrate relevant corporate policies, processes and standards, as well as organisational biases.

For example, you may need to adapt strategies with regard to:

- Quality management, monitoring, measurement, review and reporting
- Communication management, the language used, and methods of communication

Management products, e.g. Project plans, highlight reports and registers.

Within PRINCE2, there are management products provided to assist in administering, controlling, and delivering the project outcomes. These may need to be adapted so that it is clear what the function of the management product is to everyone involved in the project. For example, a company may have its own templates, or adapt PRINCE2 products for specific use.

- Roles and responsibilities

The project organisational structure and individual roles within the project may need adaptation from the standard descriptions provided by PRINCE2 to align with the organisational structure. However, the activities within each role need to be assigned to a role within the project team. (We will examine these roles and activities in a later book.)

- Processes

There will be an inherent need to tailor processes for the individual project with regard to the environment, goals, roles, customer, and users. For example, a project brief might be supplied with the business case.

Approach to tailoring

Whatever the size of a project, you cannot use PRINCE2 in a 'pick-and-mix' fashion. Doing so will inevitably lead to project mismanagement and ultimate failure. If you've ever watched *'The Apprentice'* you'll have seen this in action – project managers invariably fail to follow a project management process, and results suffer.

The objective of tailoring must be to maintain control of the project while enabling greater efficiency and effectiveness. Adaptation of PRINCE2 elements requires the project manager to think about the project, the organisation, stakeholders, and project environment. The idea is to balance control and administration.

When considering the need for and scope of tailoring, ask questions such as:

- How can the themes be customised?
- What language is needed for effective communication?
- What roles need to be adapted to meet organisational, operational, and project requirements?

Summary

In this book, I've examined the seven principles of PRINCE2. This should give you a good foundation from which to begin the planning of your next project, knowing that PRINCE2 provides a structured framework guided by tried and tested principles at every stage through to and beyond completion.

For more information, or to discuss how we can help your project achieve the goals and success it promises, contact me or one of my team via our [online contact form](#), or if you prefer by telephone on 0400 117 669.