



2017
EDITION

Managing Successful Projects with PRINCE2[®]

PPM
OFFICIAL
PRODUCT



Foreword

PRINCE2® is widely considered the leading project management method. There are now people qualified in PRINCE2 in the majority of countries around the world. Many companies and governmental organizations are using the method to deliver change and develop new products or services. PRINCE2 provides a tried and tested method from which organizations can benefit.

The updated guidance will help organizations understand how the fundamental principles of PRINCE2 provide the basis of good project management. It also emphasizes how the method can be tailored to give an appropriate fit to a multitude of project sizes, types and environments. This latest evolution of PRINCE2 has been developed through consultation with project professionals to reflect their real-life experiences; something it shares with the previous iterations. It brings this experience together to provide practical guidance on managing projects in a wide variety of environments including those using agile approaches.

This new edition retains the familiar PRINCE2 approach to project management with its overall structure of principles, themes and processes. The theme chapters have been restructured to improve the flow and readability and accommodate the new material on tailoring. We have clarified the minimum requirements for running a project using PRINCE2 and differentiated these from the recommended approaches and techniques that can be used with PRINCE2. To reinforce this message we have also made changes to the qualification syllabus and examination design so that tailoring is explicitly tested in the practitioner exam.

Many projects today involve collaboration across organizational or even national boundaries. PRINCE2 provides a universal language that unites the project team with external suppliers and colleagues in other countries. In such environments a common understanding of what the project is trying to achieve, why the project is being undertaken and the benefits to be delivered, who is responsible for doing what, and what the project timescales are, are crucial to project success. These are all aspects where PRINCE2 can help organizations to better manage their projects.

The changes in this edition are all designed to make the method easier for individuals to use and for organizations adopting PRINCE2.

Good luck with your projects: whatever your delivery environment might be, there will be something in this publication to help you.

A handwritten signature in black ink, reading "Peter Hepworth". The signature is written in a cursive style with a long horizontal flourish extending to the right.

Peter Hepworth

CEO

AXELOS Global Best Practice

Contents summary

This manual provides the definitive explanation of PRINCE2. AXELOS examinations relating to PRINCE2 are based on this manual.

Managing Successful Projects with PRINCE2 comprises:

- **Chapter 1 Introduction** Introduces the structure of the method, its applicability and the structure of the guide. It describes what makes a project a PRINCE2 project and what PRINCE2 does not provide.
- **Chapter 2 Project management with PRINCE2** Explains the key concepts of project, project management and project managers, and introduces some sample project contexts.
- **Chapter 3 Principles** The principles that any project must follow to be a PRINCE2 project.
- **Chapter 4 Tailoring and adopting PRINCE2** How to use the inherent flexibility of PRINCE2 to tailor it for any project and build an organizational PRINCE2-based project management method. This includes common situations that the project manager may encounter.
- **Chapter 5 Introduction to PRINCE2 themes** Identifies and describes those aspects of project management that need to be addressed throughout the life of a project: the themes.
- **Chapter 6 Business case** Describes how a business case supports the continued business justification for a project and the PRINCE2 requirements for the business case theme. It provides guidance for effective business case management.
- **Chapter 7 Organization** How to choose the right roles to make an effective project management team and to work with other stakeholders. It describes what PRINCE2 requires for the organization theme and provides guidance for effective project organizations.
- **Chapter 8 Quality** Defines the role and importance of quality and quality management in PRINCE2, which is a product-focused project management method. It includes what PRINCE2 requires for the quality theme and guidance for effective quality management.
- **Chapter 9 Plans** Describes the value of planning for effective project management and the types of plan used in PRINCE2. It describes what PRINCE2 requires for the plans theme and provides guidance for effective planning.
- **Chapter 10 Risk** Proposes an approach to managing the inevitable uncertainties that affect projects, both in terms of the threats they can pose and the opportunities they may bring. It includes the PRINCE2 requirements for the risk theme and guidance for effective risk management.
- **Chapter 11 Change** Provides guidance for managing the different types of change that inevitably occur during the life of a project. The PRINCE2 approach to the change theme is described along with guidance for effective change control.
- **Chapter 12 Progress** Explains the importance of measuring progress to the achievement of a project's objectives and provides guidance for effective progress management. It includes the PRINCE2 requirements for managing progress and guidance for effective progress management.
- **Chapter 13 Introduction to processes** Provides an outline of a PRINCE2 project lifecycle described both in project stages and by using the PRINCE2 process model.
- **Chapter 14 Starting up a project** Describes the first activities for starting a project: check the justification; create the project management team; define the project management approach; and plan project initiation, including capturing previous lessons. Guidelines are included for tailoring the process.

- **Chapter 15 Directing a project** Covers the activities that the project board undertakes for decision-making throughout the project lifecycle to remain accountable for the success of the project. Also includes tailoring guidelines for directing a project.
- **Chapter 16 Initiating a project** How to get ready to start work on the project: agree the project management approaches and controls; confirm the plan; refine the business case; and assemble the project initiation documentation. It includes tailoring guidelines for the initiating a project process.
- **Chapter 17 Controlling a stage** Describes how to set up work for a stage, monitor progress, manage change (including taking corrective action), and deal with any issues that may impact the stage plan. Also includes tailoring guidelines for the controlling a stage process.
- **Chapter 18 Managing product delivery** Explains how product delivery is controlled by the project and team managers, setting criteria for the execution, delivery and acceptance of work packages. It includes tailoring guidelines for the managing product delivery process.
- **Chapter 19 Managing a stage boundary** Provides the project board with the information it needs to review the current stage and updated business case, and approve the plan for the next stage. Guidelines are provided for tailoring the managing a stage boundary process.
- **Chapter 20 Closing a project** Describes how to close a project on delivery of its products (or agreed variations to them) or prematurely because there is no longer a business justification to continue. It includes tailoring guidelines for the closing a project process.
- **Chapter 21 Considerations for organizational adoption** Provides more detailed guidance for organizations that want to create and embed their own PRINCE2-based project management method. Examples are provided of how organizations have tailored PRINCE2.
- **Appendices and glossary** The appendices provide further supporting information, including role and product descriptions, an example of product-based planning, and a health check. The glossary gives a list of the definitions of specialized terms used in the guide.

Conventions used in this manual

Processes, activities, themes, principles and management documents will always be referred to using the same key words or phrases, and are not otherwise distinguished, as they should be evident from their context.

The term ‘corporate, programme management or the customer’ is used throughout to refer to the organization that commissions a project. This organization can either be corporate management, programme management or the customer, but we have used this shortened form to aid readability.

Examples are highlighted in tinted boxes.

Abbreviations and acronyms have largely been avoided, and the few that are used are given in full at their first mention and listed below:

APM: Association for Project Management

KPI: key performance indicator

PID: project initiation documentation

PMI®: Project Management Institute

4

Tailoring and adopting PRINCE2

This chapter covers:

- what you can and cannot tailor
- who is responsible for tailoring and documenting
- examples of different project environments
- tailoring and embedding PRINCE2 in an organization

4 Tailoring and adopting PRINCE2

4.1 Tailoring PRINCE2



Definition: Tailoring

Adapting a method or process to suit the situation in which it will be used.

The seventh PRINCE2 principle states that PRINCE2 should be tailored for a project's particular circumstances (see section 3.7). 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 an organization does not have its own project management method, tailoring will be done directly from the PRINCE2 manual.
- If an organization has its own PRINCE2-based project management method, this will be tailored to suit the project.

Section 4.3 provides advice on tailoring the guidance in the PRINCE2 manual; this is also applicable for tailoring an organization's PRINCE2-based project management method, bearing in mind that the organization may place limits on the extent of tailoring permitted or required.

4.2 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.



Definition: Embedding

The act of making something an integral part of a bigger whole. Embedding is what an organization needs to do to adopt PRINCE2 as its corporate project management method and encourage its widespread use.

Section 4.4 discusses adopting PRINCE2 for use within an organization, including what to consider when tailoring PRINCE2 at an organizational level and different approaches for embedding its widespread use. Chapter 21 deals with this topic in more detail.

4.3 Tailoring PRINCE2 to suit different projects

4.3.1 What can be tailored?



Key message

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

Tailoring is concerned with the appropriate use of PRINCE2 on any given project, ensuring that there is the right amount of governance, planning and control, in accordance with PRINCE2's principles. The following aspects of PRINCE2 may be tailored:

- Processes may be combined or adapted (e.g. by adding or combining activities).
- Themes can be applied using techniques that are appropriate to the project.
- Roles may be combined or split, provided that accountability is maintained and there are no conflicts of interest. See section 7.2.1.10 for restrictions.
- 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 if more appropriate to the project and its environment.
- Terminology may be changed to suit other standards or policies, provided it is applied consistently.



Key message

Tailoring, as a PRINCE2 principle, is mandatory (as are all principles), so if the organization does not consider tailoring, it is not using PRINCE2.

PRINCE2's 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 organizations with a high level of project management capability or maturity (see section 2.6.5) are likely to find tailoring easier than those working in less mature organizations. They are also likely to take a different approach to tailoring, which reflects the higher level of skills and competencies in the organization.

Tailoring does not mean excluding any of PRINCE2's processes or themes. PRINCE2 is a web of interlinking parts: themes are used in processes; techniques bring themes to life; individuals fulfil project roles and create management products. If the practitioner omits any part, project management may be weakened and hence the likelihood of project success decreased.

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 in Appendix A for those management products that fulfil a particular purpose, supporting the themes and processes. Tailoring allows these to be split or combined into as many documents or information sources as needed. Each product description includes quality criteria which have been designed to meet the needs of a wide variety of projects, but are unlikely to be appropriate for all projects; hence they need to be tailored to suit the project's circumstances. Appendix A includes general tailoring advice in its introduction and each outline product description suggests a range of possible formats for each product.

A project manager may need to use specific product naming terminology (e.g. to reflect customer needs or practice within their own organization). Examples include:

- the use of PMI's 'project management plan' instead of PRINCE2's 'PID'
- the use of 'project closure report' instead of '**end project report**'.

Care should be taken when changing management product names to ensure that they still reflect the intended PRINCE2 purpose.

Project lifecycles can comprise as many management stages as necessary to manage the risk associated with the project. 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 the initiation stage and a delivery stage in this manual). Section 9.3.1 provides more guidance on management stages.



Tips

- Ensure any tailoring of PRINCE2 adds value. One of the advantages of using PRINCE2 is that it comprises roles, terminology and processes that people become familiar with and so clarifies project governance and facilitates team working and cross-organization cooperation; too much tailoring may negate these advantages.
- When tailoring individual elements of PRINCE2, check the impact on any other elements to ensure they are all consistent.

4.3.2 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 the PID, which is reviewed by the appropriate stakeholders and approved by the project board. Both the project board and the project manager may be advised by **project assurance**, **project support** roles or a **centre of excellence** (if one exists).



Tip

Management products comprise information that supports decision-making. 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.

Conversely, if the circumstances of the project require additional information, this should be added to the management product's composition.

Amend the quality criteria accordingly.

Team managers (see section 7.2.1.8) may suggest to the project manager any tailoring which would help them manage their work packages more effectively.

4.3.3 Tailoring is constrained and influenced by context

Figure 4.1 shows the environmental and project factors which constrain and influence how a project should be tailored.

The project processes and **procedures** should, when necessary, draw on the organization's own internal policies, processes, methods, standards and practices.

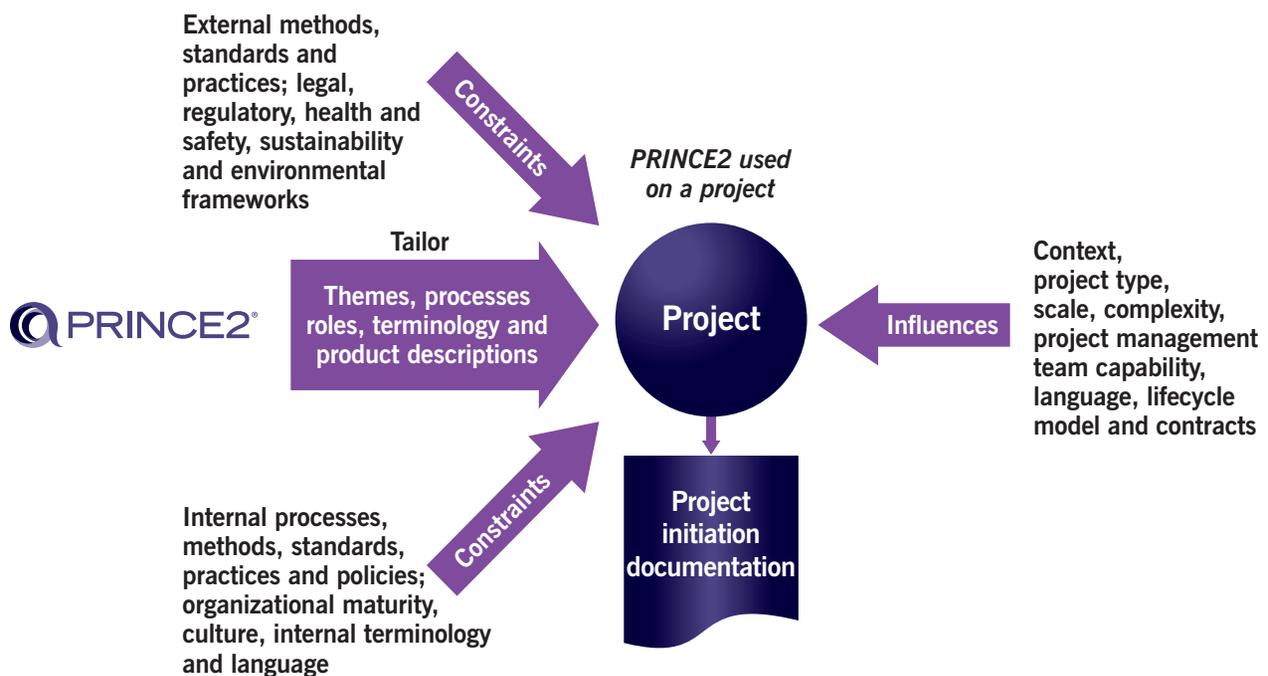


Figure 4.1 **Constraints** and influences on tailoring a project



Tip

Create a glossary 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.

Tailoring may need to take into account standards, policies, laws or regulations from outside the organization, including those relating to health, safety, sustainability and environment. In some regulated industries, such as rail or aerospace, mandatory certification points may determine the most appropriate project lifecycle and management stages to use.

The nature of the project itself influences how PRINCE2 should be tailored. The competence of those working on the project (how familiar they are with project management practices) often drives the level of detailed guidance needed. Contracts with customers or suppliers need to be taken into account when considering tailoring. The specialist products also have an influence, as specialists usually have their own working practices (such as for agile delivery). 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 (organization, portfolio or programme) to the project level is clear.



Key message

The tailoring guidance provided in this manual is not exhaustive, as the application of PRINCE2 is limitless. Guidance 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 is not specific to a particular project. The practitioner should consider the pros and cons of the tailoring choices as they relate to their specific project circumstances and ensure that:

- tailoring complies with the PRINCE2 principles and any overriding corporate standards or policy
- tailoring does not increase the risk of failing to meet the project's objectives
- the reasons for the tailoring choices are documented in the PID.

4.3.4 Some common situations

4.3.4.1 Simple projects

The perceived complexity or scale of a project is relative to the organization and context; a 'small' project in a large multinational enterprise is likely to dwarf a large project in a local company. For this reason, it is more

helpful to think in terms of ‘simple’ projects, rather than ‘small’. A simple project is one that the organization perceives as straightforward and of low risk.

Simple projects must adhere to the seven PRINCE2 principles (see Chapter 3); however, the degree of formality for managing the project may be relaxed provided the resultant risk is acceptable.

Tailoring example for a simple, two-stage project

On a simple project, the **project mandate** comprised a short email outlining the business need and expectations together with costs and timescales for the initiation stage of the project. This was used to approve the start of the project; no **project brief** was produced. The project management team used the project mandate to produce a simple PID, which included:

- the justification for the project
- a basic project plan with several product descriptions
- the details of all the controls to be applied.

A **daily log** was used to record risks, **issues**, lessons and quality results.

Following **approval** of the PID there was just one more management stage. The project manager held regular **checkpoints**, with verbal reporting, which enabled the production of **highlight reports** to the project board.

At the end of that management stage (and hence the project), an end project report was produced which also included the information for a lessons report, **follow-on action recommendations** and a **benefits management approach**. No stage plans, work packages, **team plans**, end of stage reports or **issue reports** were needed, as they were incorporated in other products in sufficient detail.

4.3.4.2 Projects using an agile approach

Agile has a very strong focus on principles. The Agile Manifesto (2001) and most of the agile frameworks and methods all promote a set of principles in some form. PRINCE2 principles align with these principles and are complementary to the agile way of working. Some of the 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 a 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 of a much shorter duration.



What does ‘fail fast’ mean?

Using **timeboxes**/sprints in agile delivery enables fast detection of possible failure of products. This fail fast effect reduces waste of resources and can be a useful learning experience.

PRINCE2's manage by exception principle should be implemented correctly and should 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 acceptable level of quality.

Product descriptions (sometimes written as **epics** 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 on the delivery of value (or benefit) in a timely manner without compromising quality.



Tip

In a 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 manager's need for reliable information.

For further information about the relationship between the project manager and an agile delivery team, see *PRINCE2 Agile* (AXELOS, 2015).

4.3.4.3 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 specify the desired result and (usually) pay for the project, and a supplier who will provide the resources and skills to deliver that result. As discussed in section 2.5.4, additional considerations apply if the relationship between the customer and the supplier(s) is a commercial one. 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 or work package. For this reason, it is good practice to ensure that contracts reflect and promote good working relations rather than inhibit them and that any tailoring to PRINCE2 respects the parties' contract obligations.

Taking a project from a supplier's perspective, the project lifecycle should be defined to take into account 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 and maintenance periods.



Tip

The PID and contract fulfil different purposes. One aspect of a contract is to describe who is liable if either party fails to fulfil its contractual obligations. The content of the PID should focus on practical management arrangements to make sure that each party can fulfil its obligations: the PID must reflect the contract conditions. Try to avoid including the PID as part of the contract documentation, as it may limit the project manager's ability to adapt it if the PID has to go through a formal contractual review for each change.

4.3.4.4 Projects involving multiple owning organizations

The guidance for tailoring PRINCE2 in a multi-owned project is similar to that for the commercial customer/supplier context, but in multi-organization projects tailoring can become extremely complicated. Project boards may have more members than can practically make effective decisions. If the parties have equal authority, a consensus has to be built on each decision, which can be time-consuming. As a result, project managers may begin to take decisions that are beyond their remit, in order to maintain momentum. For complicated situations, consideration should be given to adopting programme management as a more effective means of governance.

There is guidance on programme governance in *Managing Successful Programmes* (MSP) (Cabinet Office, 2011).



Tip

When the project is being sponsored by a number of separate organizations, ensure governance is unambiguously defined, especially with respect to who can make which decisions, how risk is allocated and what happens in the case of non-performance.

4.3.4.5 Projects within programmes

If the project is part of a programme, people undertaking programme management roles may also define, influence or constrain tailoring. As a project within a programme may have different contexts, including any combination of simple project, agile and commercial, all the guidance for those situations may apply to the project.



Tip

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

4.4 Adopting PRINCE2 in an organizational environment

4.4.1 Effective use of PRINCE2 in an organization

Few organizations undertake only one project; in large organizations there can be hundreds or even thousands of projects. Requiring each project manager to work directly from PRINCE2 to create a management approach and controls for each project is wasteful, not only in terms of the time needed to tailor PRINCE2, but also in terms of senior management, stakeholders and the project management teams having to learn new approaches for each project they work on. Furthermore:

- 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 is 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, many organizations find it more effective and efficient to develop their own project management method, based on PRINCE2 and tailored to suit their needs and circumstances.

The increase in business performance through the effective use of project management methods across organizations has been demonstrated through the use of maturity assessments: the higher the maturity an organization attains, the more effective it is in business terms (see sections 2.6.5 and 21.1.1.3).

Adopting PRINCE2 in an 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.

These activities are introduced in the following sections and covered in more detail in Chapter 21.

4.4.2 Tailoring PRINCE2 to create an organization's project management method

An organization's project management method should form a seamless part of the organization's overall governance and management system. Section 4.3 describes how PRINCE2 can be tailored for an individual project; the same concepts are applicable when creating an organization's project management method based on PRINCE2. In addition, rather than consider the circumstances of just an individual project, all the projects that the organization typically undertakes need to be considered, together with any other organizational, or externally adopted, policies, processes and practices (see Figure 4.2).

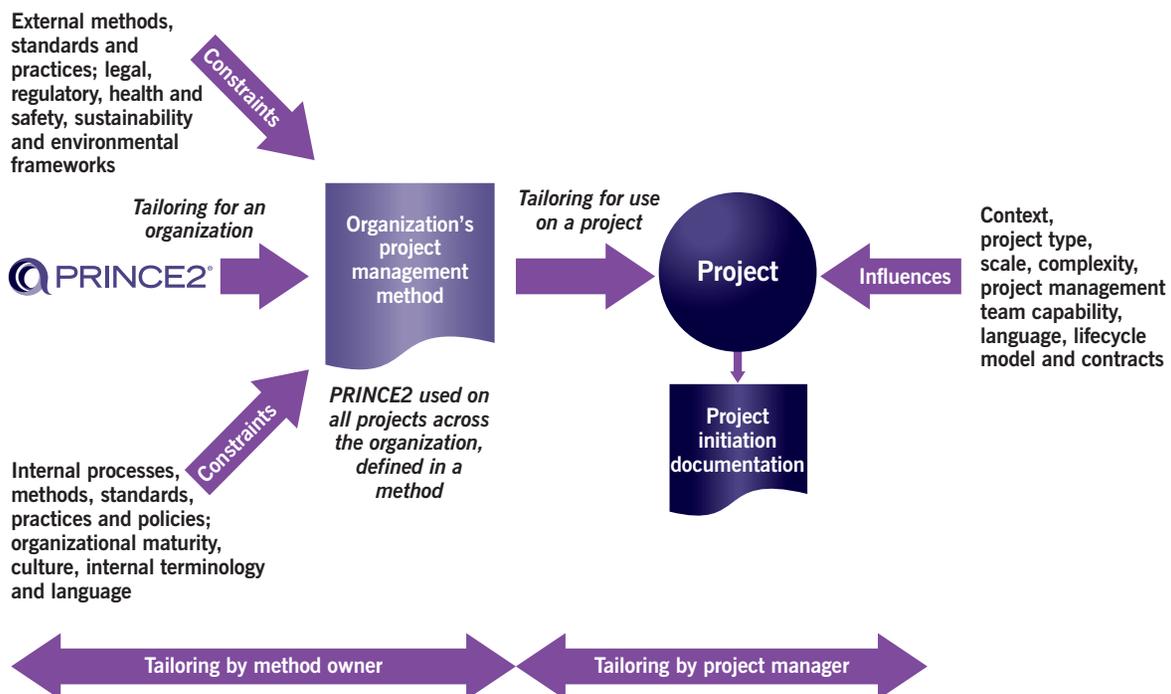


Figure 4.2 Tailoring PRINCE2 to create an organization's project management method



Tip

The way a method is drafted influences the extent to which it will be used. 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 web sites. The greater the consistency between the parts, the easier it will be for people to understand.

Tailoring PRINCE2 to create such a method would be undertaken by the owner of the project management method. A project manager would normally only have to deal with those aspects which are unique to the project being managed, as shown on the right of Figure 4.2.

For information about the role of a centre of excellence in managing an organization's methods, see *Portfolio, Programme and Project Offices* (Cabinet Office, 2013).

4.4.3 Embedding PRINCE2 in an organization

Encouraging the widespread use of PRINCE2 in an organization involves more than publishing a project management method. The method has to be consistently deployed, effectively introduced and used in practice. This requires changing the way the people in an organization work so that the outcome (in this case, widespread use of the project management method) can be realized. Such change cannot usually be accomplished in a single project, and managing the development and introduction of a project management method is often better undertaken as a programme.

The management of change is a specialist activity which refers to any approach to transition individuals, teams and organizations from their current way of working to a new way of working. The objective is for an organization to gain benefits by transforming the way it operates.



What is the difference between changing and transforming?

Transformation is a term, common to programme management, used to describe a distinct change to the way an organization conducts all or part of its business.



Tip

Do not confuse the 'management of change', as discussed here, with PRINCE2's change theme (Chapter 11). Different organizations, standards and methods often use the terms 'change management', 'management of change' and 'change control' interchangeably, so check the intended meaning in whatever context you are working.

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 (current state)
- designing how the organization will work when the transformation is completed (future state)
- identifying what changes are needed to move from the current state to the future state
- developing the necessary capabilities to meet the organization's needs (roles, processes, systems, behaviours)
- engaging those affected by the change and winning their support or, at least, consent.

In order to ensure that the project management method continues to be used effectively, the method must be managed on a day-to-day basis, with improvements being introduced, based both on experience in using it and to reflect any changes in the organization's context and operations.

See section 21.2 for more detail on embedding PRINCE2 in the organization.