



**An Introduction to the PRINCE2 project methodology  
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**Of interest to students of Paper P5 – Integrated Management.**

Increasingly, there seems to be a greater recognition of the importance and value of effective project management both as a communication and organisation tool, but organisations are still reluctant to evaluate the reasons why projects fail in their own business and how lessons might be learnt to prevent these problems occurring again in the future.

The aim of this article is to present a framework which can be applied within a modern business environment to enhance the chances of success.

There are a number of various empirical project methodologies which can be applied these include:

- PRINCE2® (PRojects IN Controlled Environments)
- PMBOK® (Project Management Body of Knowledge)

When studying paper 5 Integrated Management it is not necessary to understand all the of stages of the above methodologies but it would be useful to briefly present the basic principals of the PRINCE method as this is the most commonly applied approach in European industries

## What is a project methodology?

A project methodology can be thought of in the same terms as a recipe for cooking. It identifies what will be required and how these ingredients will be combined together to produce the perfect meal. In short, a methodology comprises of the following components:

- **Documentation** – such as project initiation and scoping documents
- **Technique** – a set of standard project management techniques required to plan and control the project (Critical Path Analysis, Risk Management Procedures etc)
- **Sequence**- the order in which the stages will be performed
- **Overview** – a picture of how the documentation and techniques fit together

The application of a structured project methodology during the development and implementation of a new information system helps to impose discipline on the process of the integration of activities within each of the stages which, in turn helps to ensure success. The purpose of the methodology can therefore give the organisation the opportunity to:

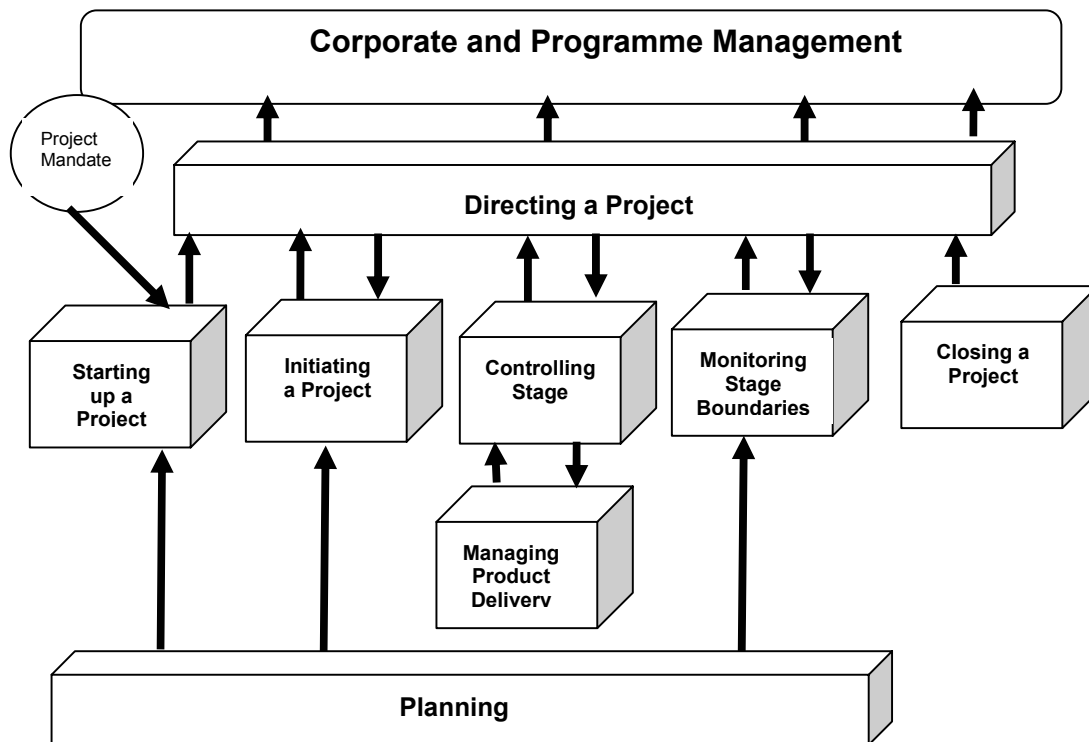
- Divide the project into smaller and easier to manage stages
- Measure the progress in terms of time, costs and quality
- Take corrective action if required to bring the project back on track
- Allocate the resources (human and physical) to the project

The above opportunities of the use of the methodology can be directly linked to the reasons why projects fail but, a strong project methodology does not replace the need for good project management skills (just as a cracking recipe does not replace the need for a good cook) but provides a systematic framework into which all of the activities of the project can be placed.

## PRINCE2®

PRINCE2® is a project management methodology standard in the UK and Europe, and is the required method for all UK government commissioned projects. PRINCE2® is in the public domain and offers best practice guidance on how to manage a project. The diagram below illustrates the structure of the methodology and is principally divided into the following stages:

- **Starting up the project** – occurs only once and creates and evaluates the business case
- **Directing the project** – formal organisational structures will be required throughout the life of the project including the Project Board and manager, the communication between the stages and the organisation will be continuous
- **Initiating the project** – this stage will identify *how* the project will be managed, the Project Initiation Document (PID) will form contract and terms of reference for the project as a whole
- **Planning** – plans relating to project deliverables are continuously produced throughout the lifecycle and of the activity which helps to ensure a consistent approach.
- **Controlling** – creation of documents which help to manage the day-to-day operations and include change control and quality assurance, this will be an iterative process.
- **Monitoring** – there is a need to have a feedback process and take action as necessary, authorisation from the Project Board is required.
- **Closing** – the project time is finite and there will need to be a final sign off procedure by the customer that objectives have been satisfied.



(Figure 3.1 – PRINCE2® overview)

None of the activities identified above have a greater importance than the other but they illustrate how the project can be viewed as a single flow and that relationships can be made between the elements.

A number of issues that are addressed with the application

- Business Case and Stakeholder Analysis
- Organisation
- Management of Risk
- Quality Management
- Planning
- Control

## **Business Case and Stakeholder Analysis**

The importance of the business case cannot be understated, as this is the stage which gives the organisation the opportunity to evaluate the need for the project and determine its anticipated contribution to strategic objectives. The business case will be used to obtain management commitment and approval for investment in business change.

The project board (strategic managers who are responsible for the creation of business and corporate strategies) not only develop and put forward the case for the new project but own it. It is this group who assess the desirability of the project and how it can affect business performance.

The project manager is responsible for the provision of the information to the Project Board to enable them to evaluate the projects in terms of its social, economic, and technical and operational feasibility. To enable the board to make a judgement in strategic terms, it will be necessary for the project manager to present an analysis of the contribution to financial and non-financial objectives to ensure the achievement of political and commercial objectives.

Therefore the business case must show: -

- Business need
- Customer
- Clear assurance of realistic and realisable benefits
- Tangible and intangible costs

Planning for the achievement of these objectives is crucial and should not be carried out in isolation therefore there must be process which carefully and systematically evaluate a business context.

## **Organisation**

Once the business case has been established and the ownership for the deliverables has been identified, there will need to be a formal process of structuring the roles and responsibilities of all of those involved in the project. This will help to enforce the involvement and commitment of senior managers, users, suppliers and IT staff throughout the project.

PRINCE2® defines the Project Manager as the person given the authority and responsibility to manage the project on a day-to-day basis to deliver the required products within the constraints agreed by the project board, whereas the Project Board is the executive. It is important therefore to state the responsibilities for the project as they can be separated into authority (control) and accountability (consequences of success and failure). The Board has the authority and is not held accountable for the success or failure of the project, whereas the Project Manager is held accountable but may not have the required authority over project deliverables and resources.

PRINCE2® aims to solve this dilemma with the creation of the Project Board who is accountable for the project as they *own* it i.e. they are accountable and responsible for the project, this helps to ensure that there is the authority to commit extra resources as and when required. This project board will be able to support the project manager more effectively by being able to react to problems more readily.

## **Management of Risks**

The success of the project is inherently reliant on the ability of those involved including the Board and Project Managers, to use their technical and business knowledge to evaluate and then control the risks.

The risks of the project must be evaluated in terms of the consequences of those risks occurring. For example the failure of a key supplier to deliver or the occurrence of uncertain events will negatively impact on the time, costs and quality of the project. If the organisation experiences a problem with a supplier being able to meet its delivery deadlines

there may be a need to source a substitute supplier, quality and costs issues may have to be put aside to keep the project on schedule. This can be clearly be illustrated by the Wembley Stadium project where the primary objective is to complete the project in time for the FA cup final on 13<sup>th</sup> May 2006. To enable contractor Multiplex to win the £737 million order they agreed fixed price contractors with all suppliers, when one of their steel suppliers was unable to deliver on time they were forced to enter into a variable price contract with an alternative impacting on the costs of the project and ultimately the organisations profit margins. The occurrence of this risks and the inability for Multiplex to identify contingencies has impacted severely on their public reputation, and the probable delay of the then handover to the new owners.

There may be some instances where the management of risks have positive impacts on the project; this is similar to the theory of Mintzberg's incrementalism whereby strategic objectives are achieved by an emergent strategy. For example there may be a requirement for additional technical resources to minimise time slippage, perhaps all the staff are fully employed on current tasks; therefore the manager will have no choice other than to contract in the services of an external expert. As this person has worked on a number of similar projects in other business environments they are able to contribute expertise, which perhaps enables additional customer features to be added to the solution at no extra cost.

The project manager must anticipate the expected risks i.e. the risks which can be quantified before the project commences, these will be recorded on the risk register, this is formal log of all risks, which helps to create evidence of the organisation's ability to reduce or mitigate that risk. It is possible that unknown risks will occur once the project has commenced, these risks must be addressed by the project manager with the application of a general contingency plan based on past experience. As discussed in chapter 2 it is vital that the organisation is dedicated to addressing the issues of risk management. The ability to have a detailed analysis of similar previous projects within the organisation and also a wider investigation of similar projects in the business environment will provide a source of information which is vital to manage these risks.

## Quality

Yardley (2003) also defines quality management as the ability to meet the project objectives and that the process supports three key elements: -

- **Planning** – relating to achievement of key standards such as ISO 9000 (International Standards Organisation – Quality Management)
- **Assurance** – evaluates performance on a regular basis
- **Control** – ensuring that the project deliverables satisfy quality criteria

To improve the reporting, estimating and allocation of project resources the manager can make sure of software project management tools (Computer Aided Software Engineering) such as Microsoft Project. These types of 'off the shelf' packages have a range of tools including Critical Path Analysis, Gantt Charts and Data Dictionary systems to name just a few which enable the production and standardisation of quality project documents in a faster and controlled way.

## Planning

The emphasis of PRINCE2® is that planning takes place at all stages of the project lifecycle, as it is an iterative process. These plans will require approval and commitment from the appropriate levels of the project organisation. As already discovered the most common reason for project failure is the failure to commit time to planning out the various aspects of the project before it can commence. The methodology must provide a framework for preparing and maintaining plans at an appropriate stage of the lifecycle. There will be a variety of documents, some for the project as a whole and others which relate to a specific activity or even team member.



- **Project Initiation Document** – outlining the
  - Background
  - Objectives
  - Deliverables
  - Business case – costs and benefits
  - Organisation
  - Acceptance criteria
  - Product description
- **Project Quality plans**
  - Purpose
  - Responsibilities
  - Quality criteria
  - Change control
- **Risk management**
  - Analysis
  - Contingency
  - Risk log

Samples of these documents are freely available on the PRINCE2® websites for project managers to download and adapt to the specifics of their project.

### **Control**

If there are no plans in existence it will become impossible to control as there is no criteria against which to benchmark current progress and therefore take necessary action to bring the project back on target, therefore planning and control are intrinsically linked.

The application of the PRINCE2® methodology enables a greater degree of control to be achieved through the existence of resource and cost plans, and the requirement to maintain the viability of the business case. This last point is difficult to achieve due to the dynamic environment in which the business exists therefore any plans relating to the attainment of business objectives must be continually monitored and controlled as necessary.

The formal organisation structure will also help to impose discipline on the control procedure as the roles and responsibilities of project members will have been clearly identified within the quality plans. The reporting procedures will also be defined as it will be necessary for the team members to report back to the project manager on the progress of the activities.

Change is a continuous process and a project manager who does not expect change to take place during the life of the project cannot have a real understanding of the complexities of project management. Change is necessary to ensure that the outcome is delivered to the satisfaction of the customer, but there must be a process in place to ensure that this is effected in the most effective and efficient manner possible.

## **Conclusion**

By applying aspects of PRINCE2® it is possible to create a workable methodology which can be applied within in modern business environment. PRINCE2® attempts to standardise the process of project management with the provision of standard documents such as a risk log, project quality plans etc, these benchmarks give the opportunities for the development of practices for corporate planning, staff training and performance tracking. The possible limitation of this prescriptive approach is that it may stifle the creativity and innovation of the manager.

## **References**

Yardley, D. (2003) Success IT Project Delivery: Learning the Lessons of Project Failure.  
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## **WWW references**

PRINCE2® (2005)

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