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1 Introduction

1.1 THE PURPOSE OF THIS GUIDE

The effectiveness with which organizations are capable of commissioning and directing projects is fundamental to their ability to adapt in constantly changing circumstances and to undertake large-scale innovation.

Projects in Controlled Environments (PRINCE2), established as one of the most widely used project management methods, is part of a wider framework of OGC best practice that addresses how inter-related projects are best coordinated and controlled in programmes, and how an organization should actively plan and manage its overall portfolio of change initiatives.

This guide is intended for senior executives involved in directing projects. Its purpose is to provide:

- Practical advice on directing projects using PRINCE2
- An understanding of the wider context of project delivery, including programme and portfolio management.

1.2 USING THE GUIDE

It is assumed that readers may already have some high-level awareness of PRINCE2 but a detailed knowledge is not required.

The guide is structured as follows:

- Chapter 1 (this chapter) addresses the defining characteristics of projects, explains the

relationship with programmes and portfolios, and introduces PRINCE2

- Chapter 2 examines the senior management (Project Board) roles
- Chapter 3 describes the duties and behaviours expected of Project Board members
- Chapter 4 summarizes the key Project Board activities
- Chapter 5 addresses the wider context of programmes and portfolios
- Chapter 6 illustrates the use of PRINCE2 and other OGC guidance as a diagnostic tool for troubleshooting.

The detailed sources for the PRINCE2 method are the two OGC guides: *Directing Successful Projects with PRINCE2* (TSO, 2009) and *Managing Successful Projects with PRINCE2* (TSO, 2009). This guide also draws from OGC's programme management manual, *Managing Successful Programmes* (TSO, 2007).

For precise definitions of the terms used in this guide, please consult the Glossary. Otherwise, the OGC *PRINCE2 Pocketbook* (TSO, 2009) is highly recommended as a handy and definitive reference publication.

A summary of other relevant OGC guidance is given in Appendix A.

1.3 ABOUT PROJECTS

In common usage, the term 'project' can be applied to a range of activities varying in scale from building a small-scale IT system to building

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the Channel Tunnel. So what do these two project examples (building an IT system and building the Channel Tunnel) have in common? And what distinguishes them from other forms of activity (specifically, 'business as usual' services)? Consider the following:

- Projects are the means by which we introduce change (the new IT system/Channel Tunnel)
- They are temporary (once the change is implemented, they finish)
- They are almost always cross-functional: that is, they involve people with specialist skills ('suppliers') developing something (the 'product' or 'products') for other people (who will be the 'users')
- Each project is unique in some way (unlike a production line or a regular service function)
- The previous four characteristics combine to make projects generally more risky.

It can be seen that the project phase is often considered part of a wider 'product lifecycle' – for example, the IT system, the Channel Tunnel, a vehicle model, a computer application, a pharmaceutical product etc. – as shown in the (simplified) diagram in Figure 1.1.

1.4 PORTFOLIOS AND PROGRAMMES

The extent of management required for a small project (such as the IT system mentioned above) will be very different from that for a very large one (such as the Channel Tunnel). More precise terms are needed to define the different scales of management framework required.

Few projects are standalone; most projects are linked in some way with others being delivered at the same time. For example, a project to deliver a new IT system could be linked to a project for staff training and another for updating the

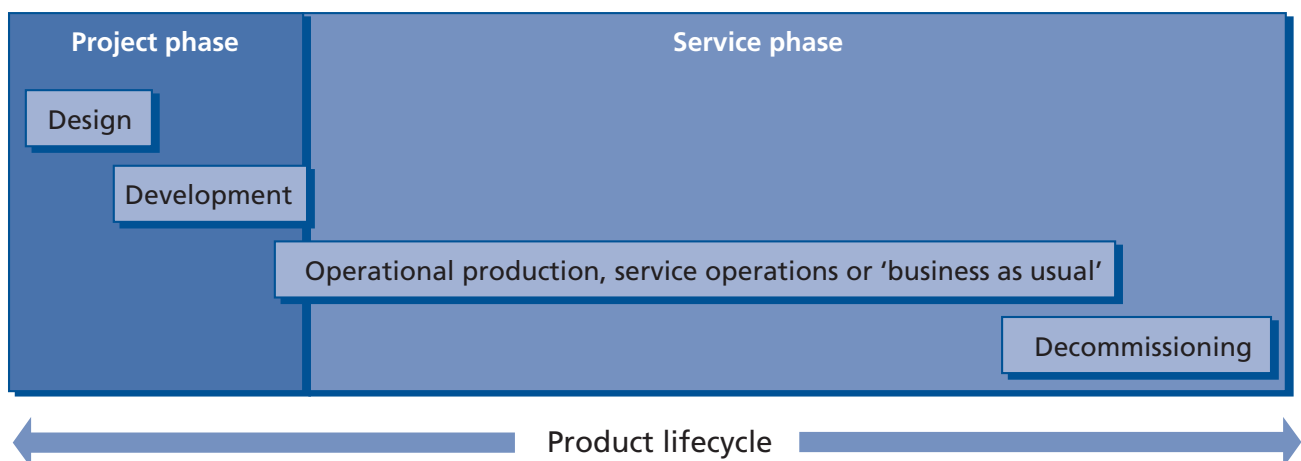


Figure 1.1 The place of the project in the product lifecycle

IT infrastructure; so it usually makes sense to coordinate the effort in a programme of linked projects.

In many organizations, programmes and projects will be delivered in a complex multi-project environment, where there will be competing priorities for scarce resources. There will be inter-relationships between projects and programmes – such as the impact on one project if another fails. In this context there is often also contention when resources are being shared between projects and services. The sponsoring organization or unit must manage its overall portfolio of investment in programmes and services.

Hints and tips

Although in the past, PRINCE2 has often been introduced to good effect on its own, it is generally recommended that the best approach to 'embedding' the full portfolio, programme and project framework in an organization is 'top-down', adopting portfolio management as early as possible. This makes it easier to identify projects that should be cancelled because they are inconsistent with the portfolio strategy and/or low priority.

The hierarchy of terms used in the OGC best-practice framework is outlined in Figure 1.2. Services represent 'business as usual' and are therefore outside the scope of this guide.

At the portfolio level, management decides on the optimum balance of services, change programmes and projects for the business or business unit (bearing in mind the resources available), and then determines the priorities and supervises the

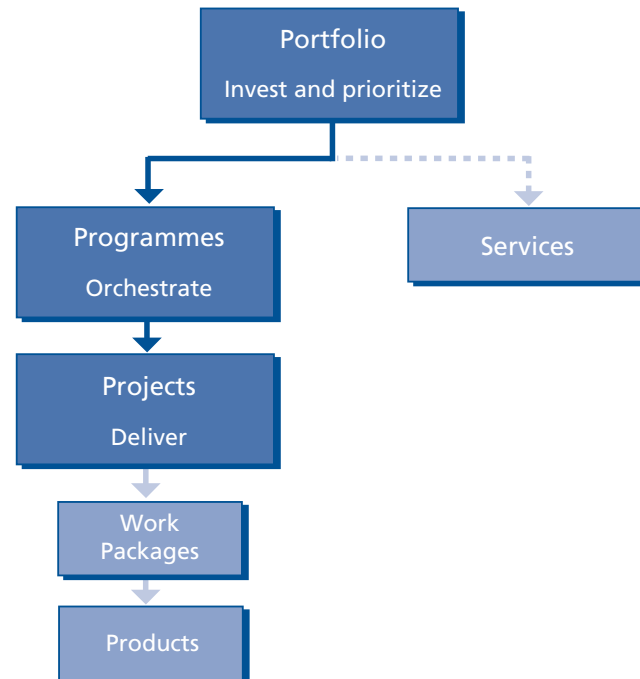


Figure 1.2 The portfolio, programme and project hierarchy

overall effort. Portfolio management (Pfm) is OGC's recommended approach for managing portfolios.

At the programme level, management defines the strategic outcomes and benefits required, then orchestrates the delivery effort. *Managing Successful Programmes* (TSO, 2007) (MSP®) is OGC's recommended approach for managing programmes.

At the project level, managers plan and control the delivery of change (and the focus is on products). PRINCE2 is OGC's recommended approach for managing projects.

Hints and tips

Defining the scope of programmes and projects requires considerable care to achieve effective management control without a burdensome management overhead:

- There may be free-standing projects (as well as programmes) in a portfolio
- Very large programmes may contain sub-programmes (as well as projects)
- Small feasibility study or proof of concept projects are frequently commissioned ahead of large investments in projects or programmes
- Very small projects may be more effectively managed as Work Packages.

Factors in determining the scope and governance structure for programmes and projects include: scale, complexity, risk and the skills/capabilities available.

Specialist engineering models (or project lifecycles) for specific types of project (construction, IT, pharmaceuticals etc.) can easily be integrated with the PRINCE2 management framework simply by identifying and defining the specialist products that the project must create (see Figure 1.3). PRINCE2 provides effective techniques for doing this, and many industry-specific standard project lifecycles are already well established.

The PRINCE2 project management method is used in more than 150 countries around the world, and its take-up grows daily. Originally developed by the OGC for the UK public sector, it is widely considered as the leading methodology in project management. More than 20,000 organizations are already benefiting from its pioneering and trusted approach.

For more information about PRINCE2's principles, themes and processes, and the benefits of using PRINCE2, see Appendix B.

1.5 WHAT IS PRINCE2?

PRINCE2 is a fully integrated framework of best practice for managing projects. It is expressed in terms of principles, themes and processes. Guidance is also provided for adopting PRINCE2 as a corporate standard (embedding) and adapting the method to fit different types of project (tailoring), emphasizing the method's flexibility.

PRINCE2 can be applied to any project regardless of scale, type, sponsoring organization(s), geography or culture: it is truly generic. PRINCE2 achieves this by isolating the management aspects of project work (team organization, planning and controls) from the specialist aspects such as design, construction etc.

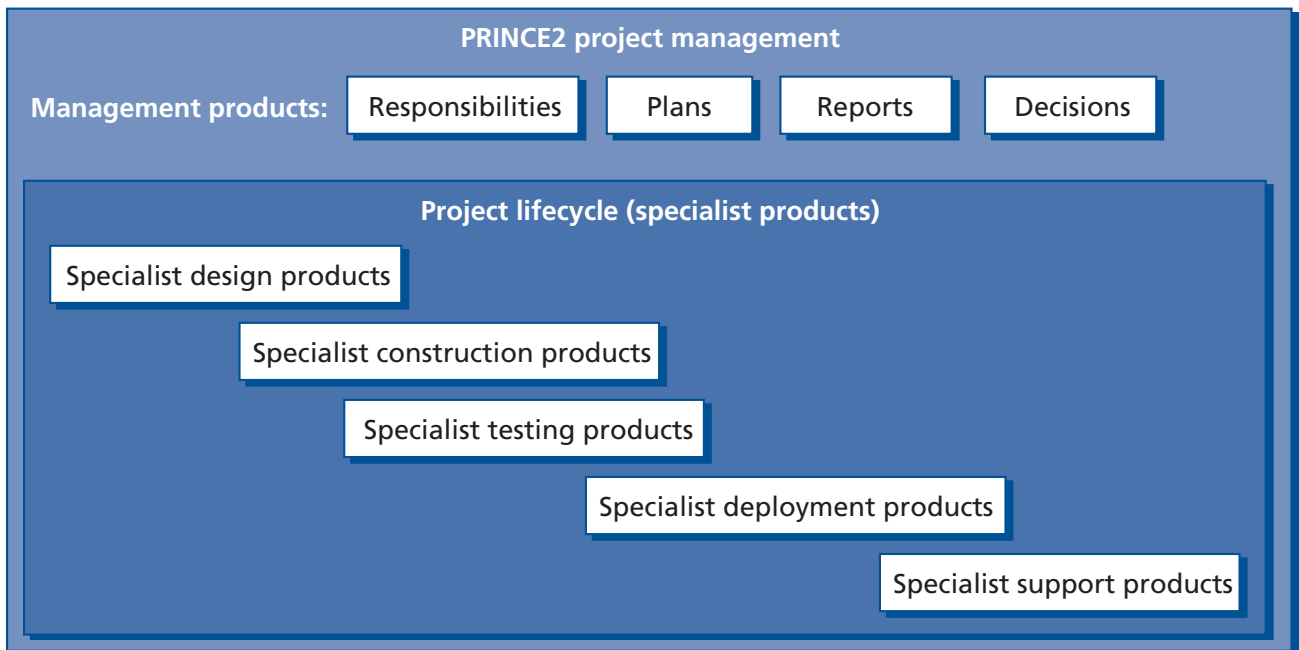


Figure 1.3 Generic project management with specific specialist application