Knowledge TRAIN®

PRINCE2® principles

About the author

Simon Buehring is Knowledge Train's owner and founder. Simon has worked on projects since 1989 in the UK, Southeast Asia, New Zealand and Japan.

Since graduating in 1988 with a Masters' degree in Information Technology from Kingston Polytechnic, Simon has gained a wealth of real-world experience. His work on projects has spanned over 30 years and includes working as a software engineer, team leader, consultant, technical director, and project manager including time working for the BBC, HSBC and IBM.

In 2005, Simon set up Knowledge Train with a passion to help others learn the best ways of managing projects. Since then, he has established Knowledge Train as a highly reputable PRINCE2 project management training company with a focus on delivering the very best in training and customer service.

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Introduction

PRINCE2 is composed of five integrated elements: principles, people, practices, processes, and the project context. This study guide describes the PRINCE2 principles. It is one of four study guides designed to prepare you for attending the PRINCE2 Foundation course.

This guide to the PRINCE2 principles is one in a series of four study guides designed to prepare students for attending a PRINCE2 Foundation course. The other three – PRINCE2 practices, PRINCE2 processes, and People – are available to download as ebooks.

These ebooks have been updated so they are based upon the 7th edition of PRINCE2 which was released in 2023. We recommend you read all four ebooks.

Read on to gain comprehensive insights on all seven PRINCE2 principles and start preparing yourself for the PRINCE2 Foundation exam.

In PRINCE2, its seven principles are the foundations upon which everything else in the methodology is based.

The 7 principles in PRINCE2 are:

- Ensure continued business justification
- Learn from experience
- Define roles, responsibilities, and relationships
- Manage by exception
- Manage by stages
- Focus on products
- Tailor to suit the project

Universal

PRINCE2 is based upon these principles for a very simple reason. Being principles-based, it means the framework can be applied to any type, size, or scale of project. In this way, the principles can be universally applied, both to a small in-house company project based here in London, or equally to a massive international aid project spanning many borders commissioned by the United Nations.

Best practices

These principles have also been proven in practice over many years to be the most effective ways of managing projects i.e. they are based upon modern best practices in project management. This means they can be applied directly on projects and the project management team does not need to "re-invent the wheel" by creating their own project management method from scratch.

Empowering

The principles are also empowering to the project management team because they can give them added confidence and an ability to shape and manage their projects.

So, let's now look at each of these principles in turn.

Ensure continued business justification

The first principle of PRINCE2 emphasises that the project must always remain desirable, viable and achievable, otherwise it must be closed. **Desirable** refers to the balance of costs, benefits, and risks; **viable** refers to the ability to deliver the products; and **achievable** refers to whether the use of the project's products is likely to result in the outcomes and benefits expected. The word 'continued' in this principle emphasises these are questions to be asked not only when the project starts up but must be asked continuously throughout the project.
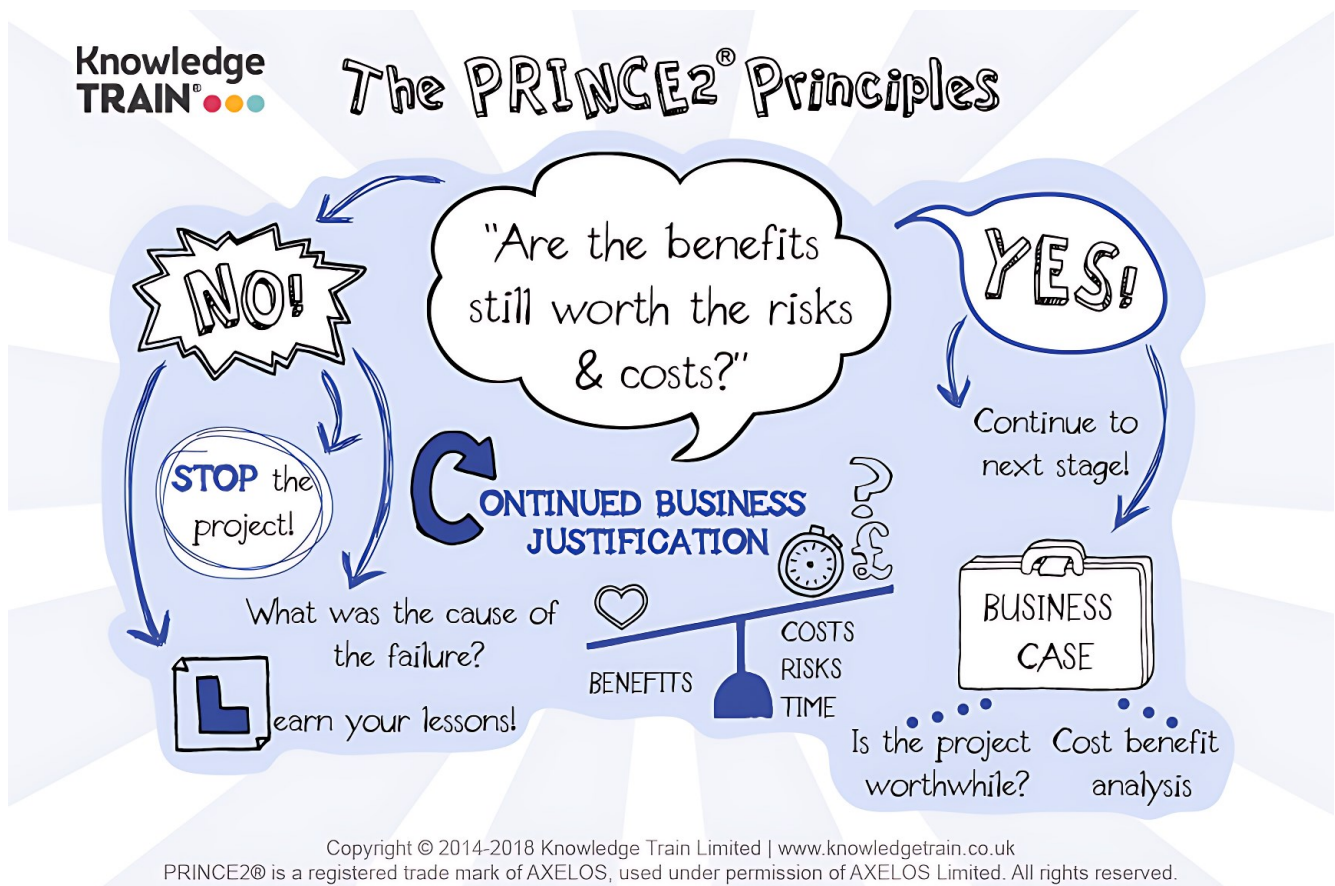
Business case

The business case is updated throughout the project, as well as being used when starting up the project. If the factors underlying the business case change in such a way that the expected benefits are no longer likely to be realised, then the project should be closed prematurely.

Changes detrimental to the business case are often linked to the economy; for example, in 2008 the credit crunch led to many major building projects being brought to a halt.

Applies to compulsory projects
This principle also applies if the project is compulsory (e.g. required to achieve compliance with new legislation) – the organisation will require justification of the chosen project, as there may be several options available that yield different costs, benefits and risks.

Benefits tolerance
The business case contains the reasons for running the project, with the expected benefits documented in measurable terms. In PRINCE2, the benefits expected from a project are subject to tolerances; if they drop below those tolerances, then the business case is no longer viable.

For example, if a project is mandated to make a profit, then the mandate should identify the threshold of profit that determines the viability of the business case. If the expected profit drops below that threshold, due to changes in circumstances, the project should be stopped.

Update stage-by-stage
In PRINCE2, project work should be broken down into stages, for ease of manageability. The business case is updated by the project manager at the end of a stage and the project board will be presented with this updated documentation when they assess the project at a stage boundary.

Checking ongoing viability
At a stage end the project board decides if the business case remains viable, before authorising the plan for the next stage. If the viability of the business case raises concerns during a stage, a project issue can be raised to bring the matter to the attention of the project board as soon as possible, and before the end of stage assessment.

Premature closure
In the event of a project being closed prematurely, the organisation must ensure that lessons are learned about the cause of the failure. In addition, every attempt should be made to derive maximum benefit from any outputs and outcomes that had been achieved by the project.

Benefits are not always financial

For most commercial organisations, the business justification for projects is often a financial one i.e. will there be a return on investment (in terms of money). But the business justification can be made in other ways too.

Consider a proposal to equip a residential apartment block with a water sprinkler system in case of fire. Such a project would have clear benefits (in terms of saving people's lives in a fire) but it probably cannot expect a return in investment in purely financial terms. The decision to invest in such a project would therefore need to consider the wider benefits to society of keeping its citisens safe.

Learn from experience

As humans, we are inclined to repeat our mistakes. PRINCE2 addresses this tendency with its requirement for reporting the lessons which we learn from projects. This requirement is so important it is elevated to that of a principle within the method.
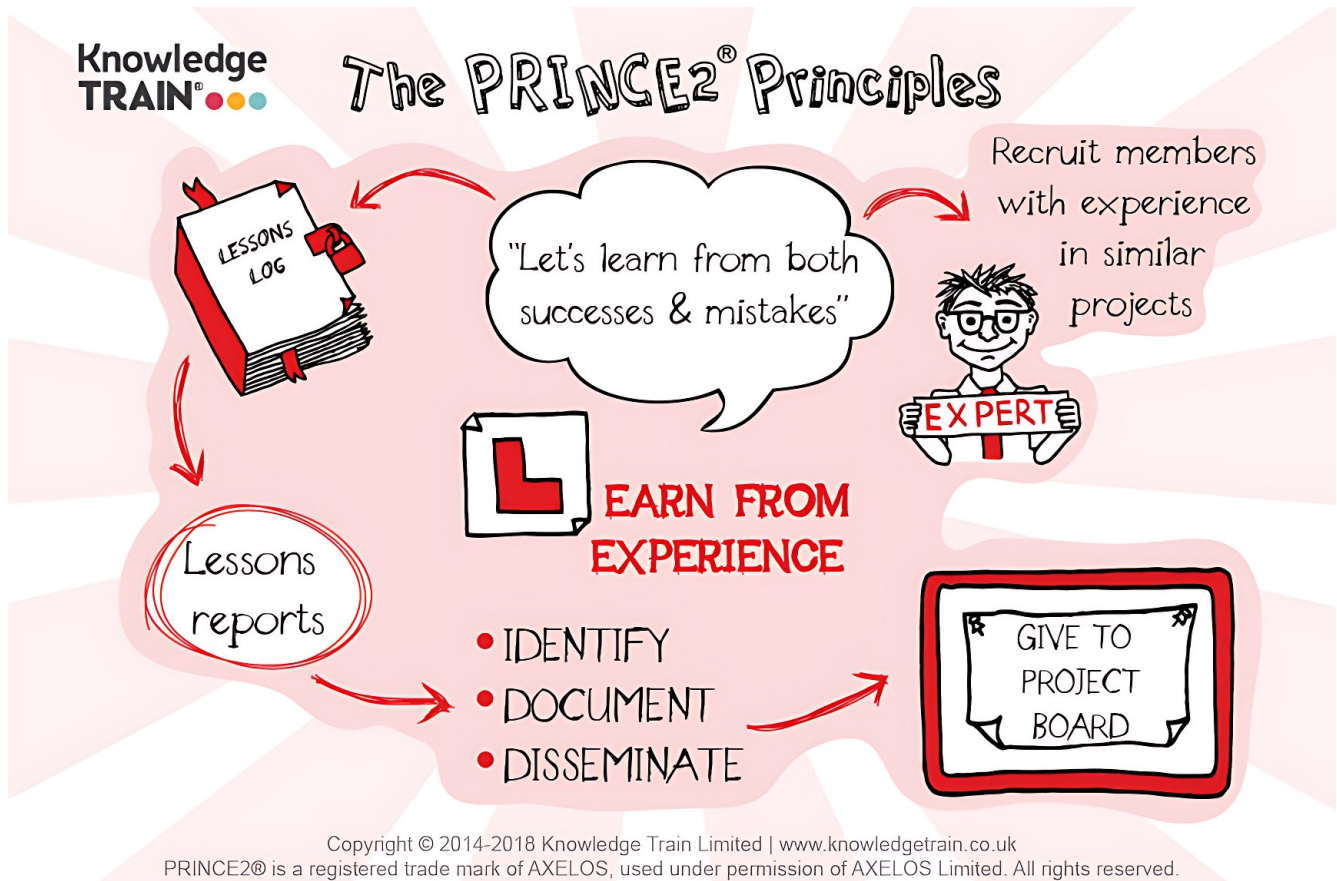
Remain alert to lessons
Throughout a project the project manager should remain alert to potential lessons to be learned. These lessons can be identified in the many reports generated by the project management team.

Project manager's responsibility
A responsibility of the project manager is to identify, document and disseminate lessons, via lessons reports to the project board. Members of the project board distribute the lessons reports to appropriate parties within the organisation's various projects.

Lessons log
Aside from lessons identified during the current project, PRINCE2 also
emphasises the importance of lessons learned from previous projects. In
PRINCE2, the very first activity the project manager performs during the
starting up a project process is to create a lessons log, in order to document
previous lessons. Lessons reports may then be generated at the end of each
stage and are a required output of the closing a project process.

Auditing
When assessing whether an organisation's approach to project management
is compliant with PRINCE2, assurance auditors may require evidence that
lessons are being 'learned', i.e. proof that steps have been taken to avoid
repeating previous mistakes.

One potential source of evidence is an adapted quality control process if the
original strategy was modified after being found wanting.

For example, suppose the quality management approach for a software
project called for 'user acceptance testing' but some users recruited for the
testing were found to lack the necessary experience. In later testing
procedures, a more focused category of user could be recruited, in response to
the lesson learned about inappropriate users.

Hiring based upon lessons
Recruiting an individual with experience in a similar project, or purchasing
documentation from a previous project, can be an effective means of avoiding
past mistakes. A number of high-profile project managers from the Olympic
Games in Sydney, Australia, were recruited to work on the London 2012
Olympic Games project management team – they brought with them their own
lessons learned.

Lessons repository
An organisation's project management office (PMO) should create a repository
of lessons reports, ensuring that lessons are made available to future projects.
Learning from experience is crucial to PRINCE2's 'best practice' approach to
project management.

Ensure defined roles, responsibilities, and relationships

The 'ensure defined roles, responsibilities, and relationships' principle emphasises that each person involved in a project should be aware of the particular contribution that he/she is expected to make to that project.
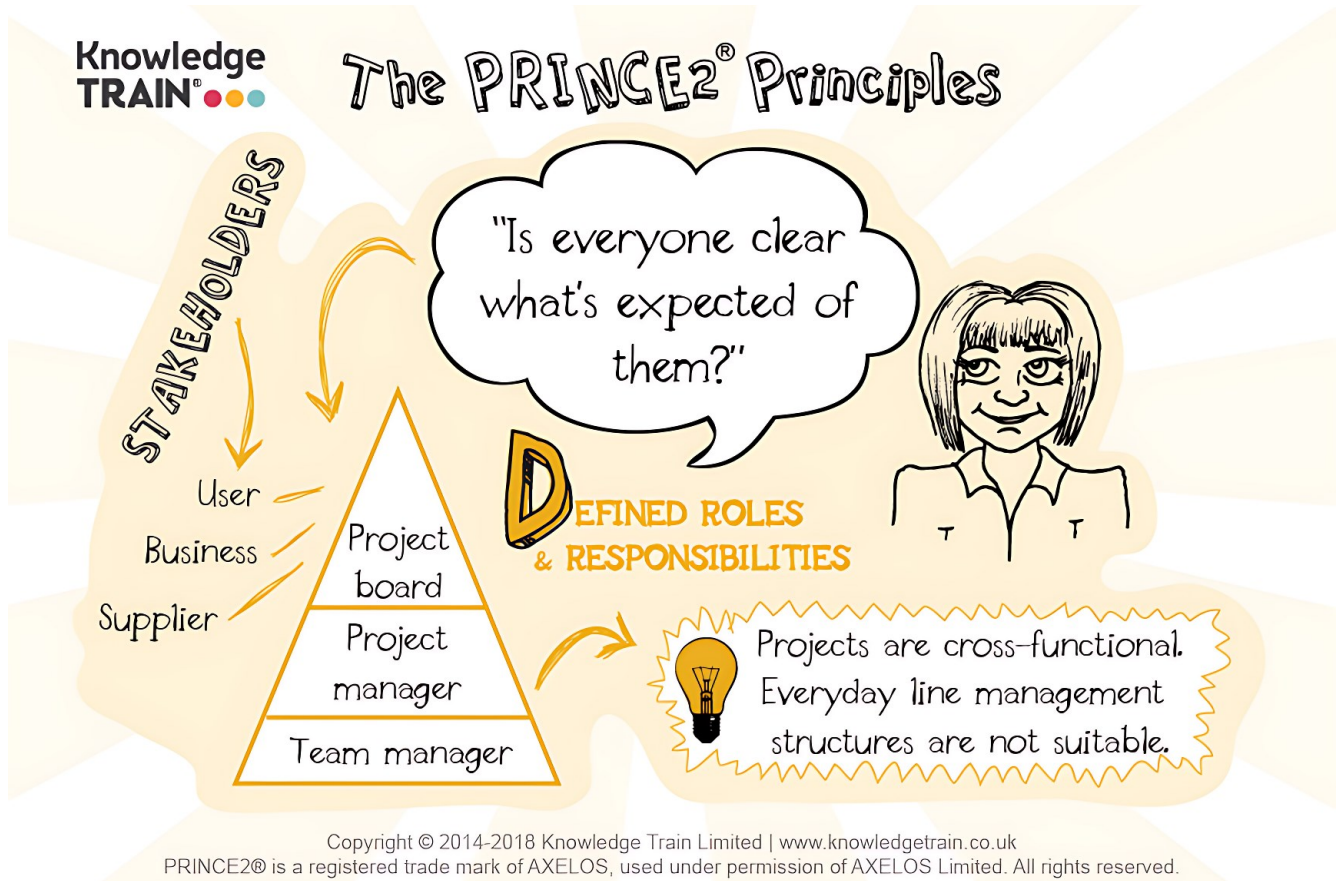
If everyone understands what is required of them, the chances of delivering a successful project are greatly improved. Any confusion about what should be done, by whom, and when is likely to be detrimental to the project's progress.

For example, a lack of clear leadership is a common cause of project failure. With defined roles and responsibilities in place, the risk of project failure due to inadequate leadership can be reduced.

Levels of management
The principle requires a management hierarchy – from the project board at the top, to the project manager below, and then down to the team manager. The hierarchy ensures that the project is managed using three clearly defined levels of management.

Project board

On a PRINCE2 project, the project board consists of three roles: executive, senior user, and senior supplier. Only one person fulfils the executive role, but any number of people may perform the other roles. If the project board members are unable to agree on a particular issue, the executive acts as the decision maker.

Small projects

For small projects, the project board may consist of just the executive, who will perform all three project board duties. If the project is large, the project board is likely to be complex, consisting of a cross-functional representation of many elements of the participating organisations.

In PRINCE2, the project board is part of the project team, which also includes the project manager, project support and team managers.

Stakeholders

Moreover, PRINCE2 identifies three stakeholder interests: business, user and supplier and the project board is designed to represent all three interests.

Business

The business interest (in the PRINCE2 manual this is referred to as the 'business' or 'business layer') sponsors the project, endorses its objectives, and aims to ensure that the business investment provides value for money.

User

The user interest refers to members of the business who, after the project is completed, will use the project's products to enable the organisation to gain the intended benefits, or they will support, maintain, and operate the products during their lifetime.

Both user and business interests collectively represent the same organisation.

Supplier

The supplier interest represents those who provide the resources and expertise required by the project. They may be internal or external to the customer organisation. All three stakeholder interests must be represented within the project for it to succeed.

Manage by exception

On a PRINCE2 project, tolerances are established for each project objective (time, cost, quality, scope, benefits, risk, and sustainability). Limits of delegated authority are also defined, so that it is clear who has authority to take a decision about corrective action if tolerances are exceeded. The activities associated with directing, managing, and delivering the project must be performed within agreed tolerance levels.
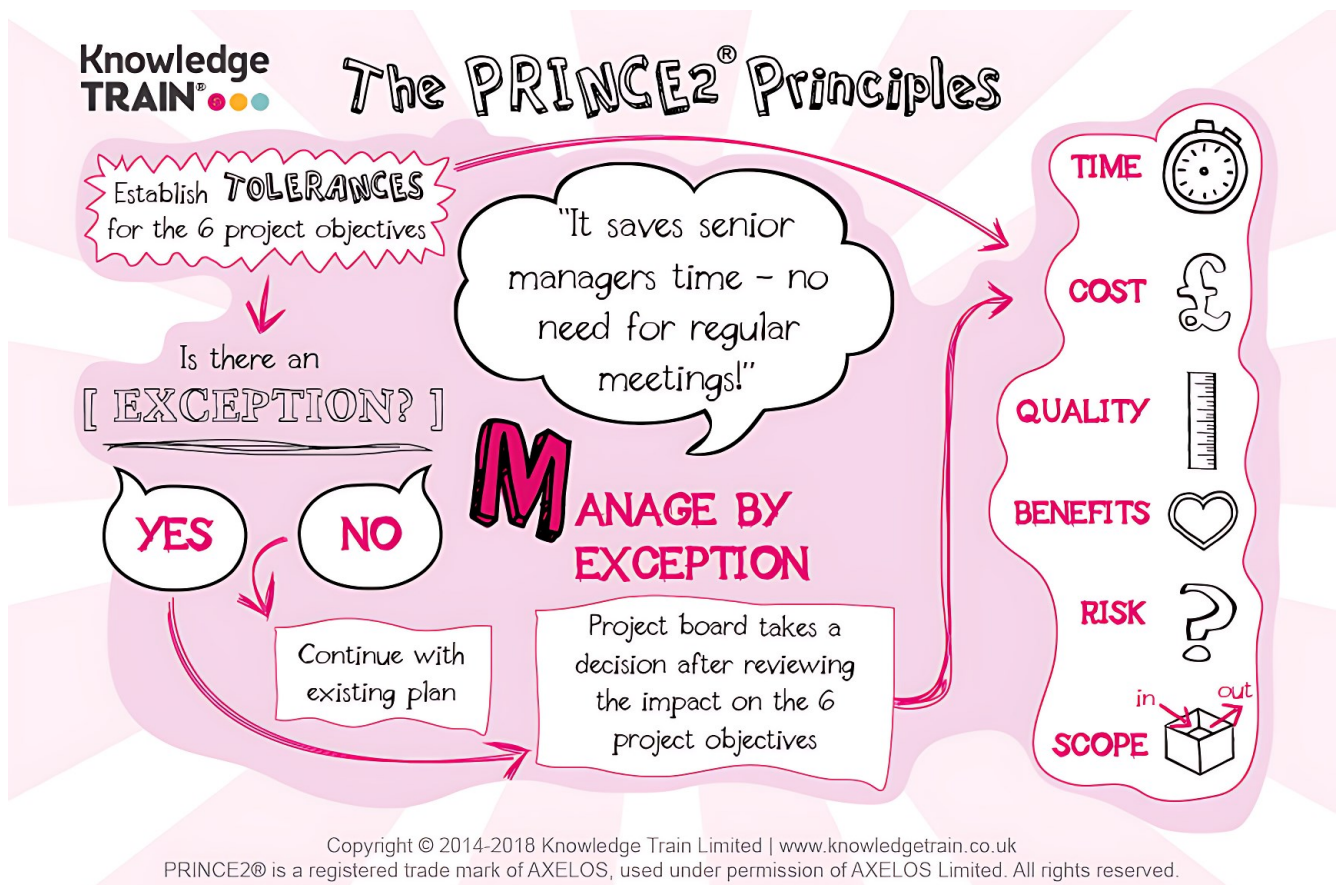
Highlight reports
On a PRINCE2 project, regular highlight reports keep the project board informed about progress. This leaves the project board members free to carry on with their own activities, beyond those required for the directing of the project. Only if a tolerance level is forecast to be exceeded (known as an 'exception' in PRINCE2), does the project board address the issue through the assessment of an exception report.

Tolerances
There are 7 performance targets for which tolerances are set on a PRINCE2 project. These are: time, cost, quality, scope, benefits, risk, and sustainability.

Project tolerances
When the project is commissioned tolerances are agreed for each of these elements at the project level by the business layer. Changes to these project-level tolerances can only be made by the business layer.

Once an exception to a project-level tolerance occurs, the project board must escalate the problem to the business layer for a decision.

Stage tolerances
Stage tolerances are calculated by the project manager when planning each stage. They are then approved by the project board when it approves a stage plan. Similarly, work package tolerances are approved by the project manager when a work package is authorised.

Work package tolerances
If a team manager raises an issue, indicating a deviation from work package tolerances, the project manager must assess the issue and take corrective action, unless the stage tolerances will be affected. If the issue will affect the stage tolerances, the project manager must create an exception report, and escalate the matter to the project board.

Benefits of 'managing by exception'
By working in this way, the project board 'manages by exception' i.e. only gets involved when key decisions need to be taken (when an issue exceeds agreed tolerances) and hence is a very efficient use of senior management time. Note that in PRINCE2 if the 'manage by exception' principle is performed, there is no need for regular progress meetings between the project board and the project manager.

Manage by stages

According to this principle each stage of a project must be properly planned, monitored, and controlled. A PRINCE2 project requires a minimum of two stages – the first one being called the 'initiation' stage (during which the project is planned), and then at least one more which covers the delivery of the project's specialist products.
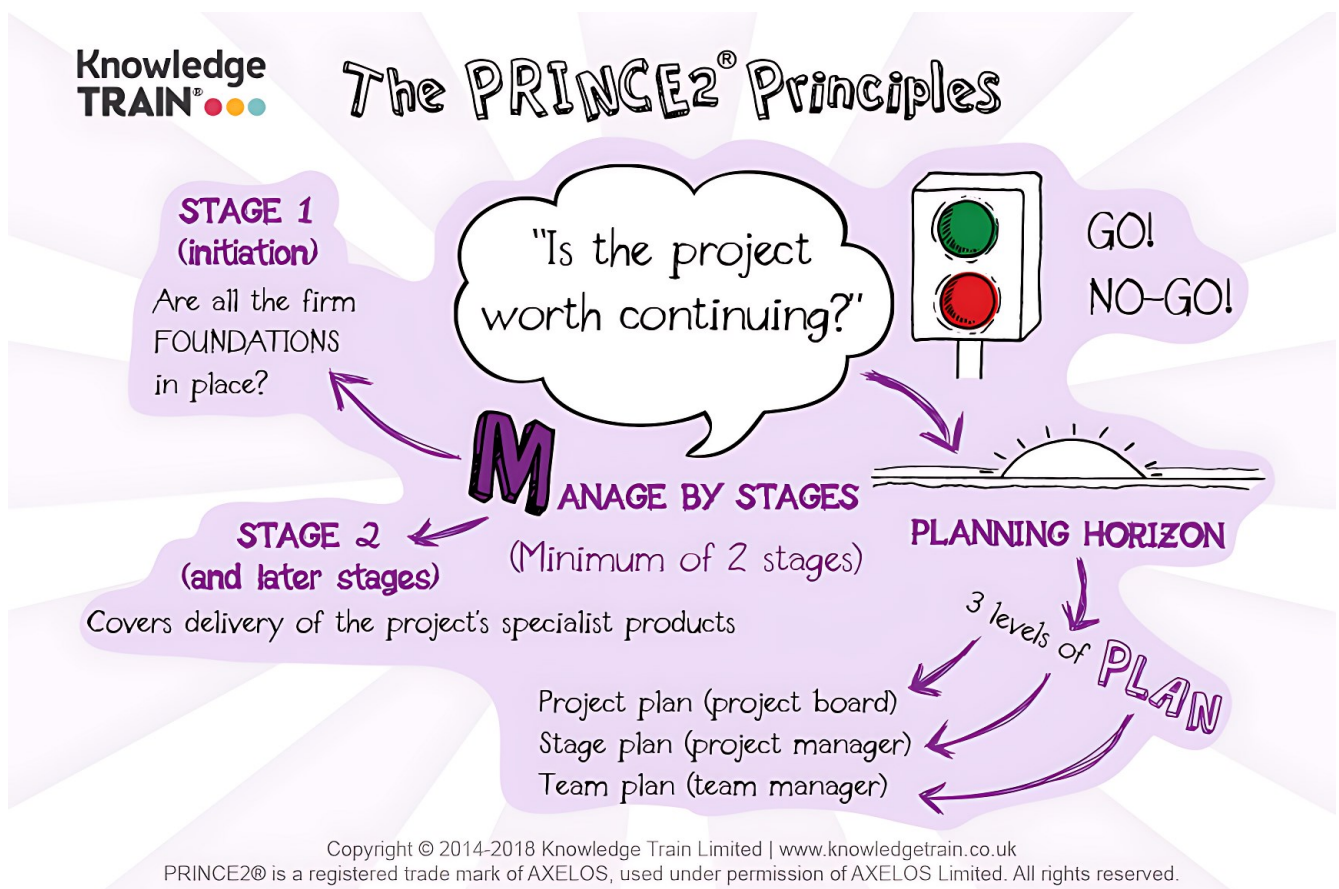
Initiation stage
The requirement for an initiation stage ensures that a project is not started before detailed forecasts of costs and timescales have been completed. If the project skips this stage, there is a risk that it will ultimately cost considerably more than originally anticipated.

Project initiation documentation (PID)
At the end of the initiation stage, the project board assesses the viability of the project by examining the project initiation documentation (PID). In accordance with this principle, a project that is given the go ahead will be assessed again by the project board at the end of each management stage during its lifecycle.

After each assessment, the project board may decide that the project should continue or be prematurely closed it if it is no longer viable.

Planning horison
It is a general rule of planning that every plan should be made only to a manageable and foreseeable level of detail (called a planning horison). PRINCE2 recommends three levels of plan – project plan, stage plans and optional team plans; each is appropriate for the level of management which uses it.

The project board uses an updated version of the project plan to help it monitor and control progress. The project manager, who is responsible for the day-to-day management of the project, uses the current stage plan, and team manager(s) use team plans to an appropriate level of detail.

Stop/continue
Each management stage in PRINCE2 acts as a 'stop/continue' decision point for the project board. It's where it decides whether the project is still viable and if so, can commit to the next stage by approving the plan for the next stage.

If the decision is 'continue' then effectively this gives permission for the project manager to spend the money authorised by the project board for the next stage and is thus a less risky approach to taking investment decisions when compared with taking one big decision at the start of the project.

If the decision is 'stop' then the project is no longer viable, and the project should be prematurely closed.

Stages are a control for the project board
Stage boundaries therefore enable the project board to control the project on a stage-by-stage basis, whilst delegating day to day management of the project to the project manager.

To help the decision of the project board, the project manager updates the project plan at the end of every stage with the 'actuals' from the current stage and 'forecasts' for the remainder of the project. Before taking a decision therefore, the project board has up to date information about the project which helps it assess the ongoing viability.

Focus on products

PRINCE2 recognises the importance of delivering products that meet their agreed quality criteria, hence the 'focus on products' principle.
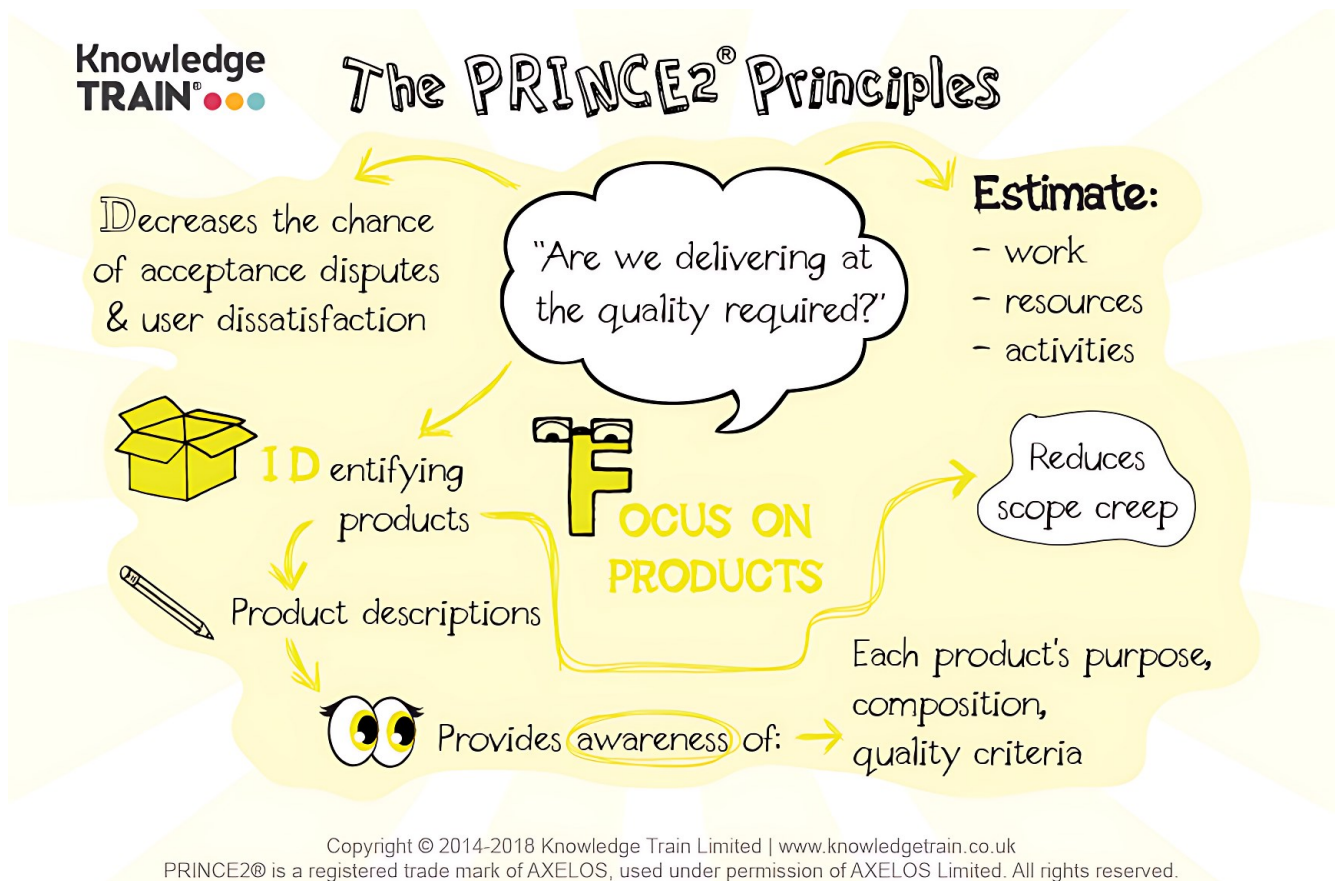
When products are successfully delivered, they lead to project benefits, and so it is extremely important that they are planned and delivered effectively. If the stakeholders' expectations are to be fulfilled in accordance with the business justification, everyone involved with the project must agree on and fully understand the nature of its products. Otherwise, the aim of the project will be open to interpretation – and considerable confusion is likely to ensue, impeding the project's progress.

Product-based planning
Whereas some project management methods focus on activity planning, planning in PRINCE2 starts with identifying products. Product-based planning is a crucial aspect of the PRINCE2 approach to managing projects; it helps the

project team reduce the risk of scope creep, as well as making issues such as acceptance disputes and user dissatisfaction less likely to occur and potentially less damaging.

Product descriptions
As part of PRINCE2's product-based planning technique, product descriptions are developed and agreed, and these effectively describe what is to be delivered by the project. They help to ensure that everyone involved in the project is aware of each product's purpose, composition, and quality specifications. They also enable the project team to estimate how much work will be involved in bringing each product to fruition, what resources will be required, the activities required, and how the products will be tested and approved. The agreed products define the project's scope, as well as providing a foundation for planning and control activities.

Tailor to suit the project

The final principle 'tailor to suit the project' highlights a key advantage of using PRINCE2 – its adaptability.
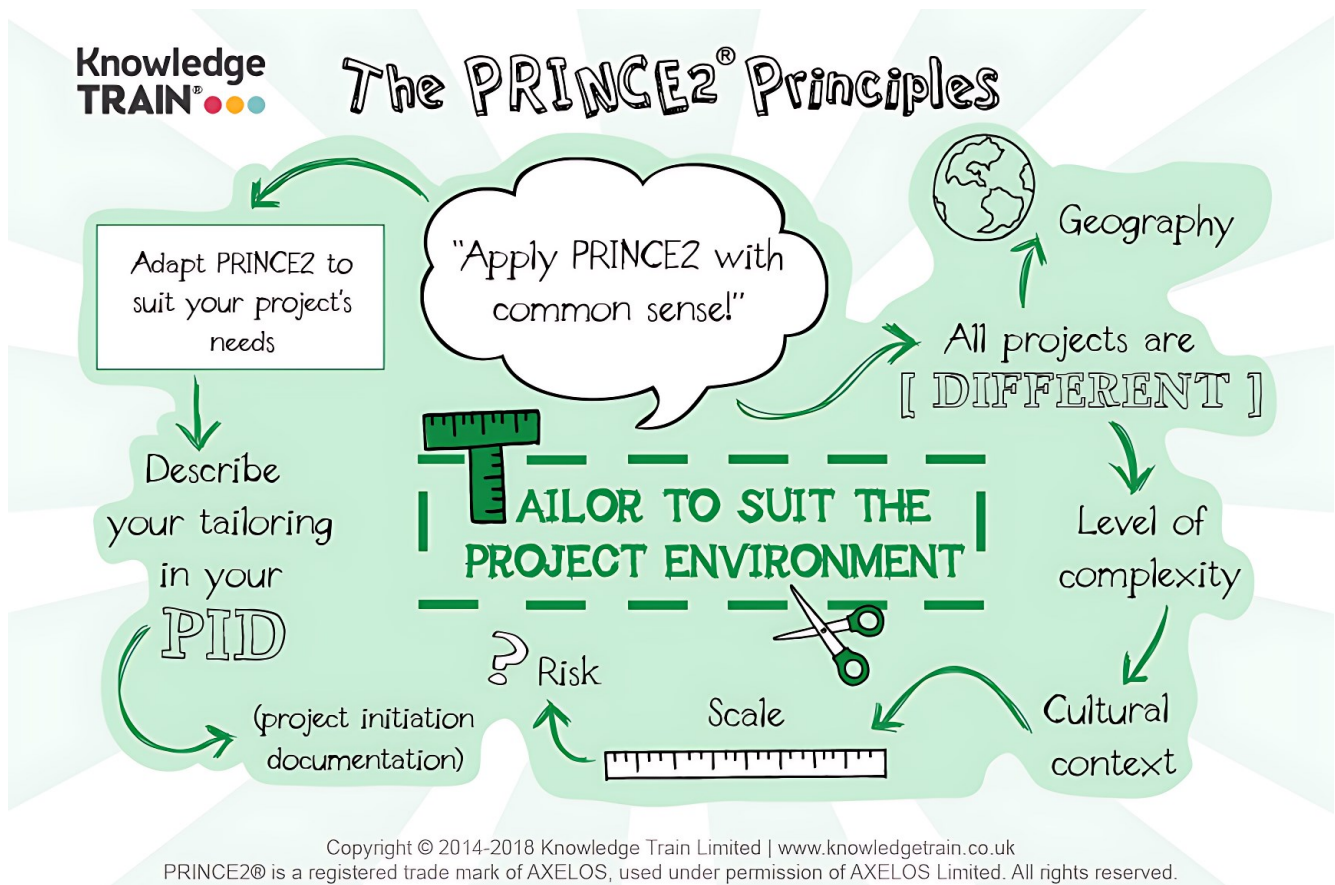
The verb to 'tailor' refers to the appropriate use of PRINCE2 so that it matches the needs of each project. PRINCE2 recognises that all projects are different in terms of their cultural context, geographical location, level of complexity, scale, and risk. This principle allows you to adapt the PRINCE2 methodology to suit the needs of your project – and still comply with the PRINCE2 approach to project management.

For example, one element of PRINCE2 that is routinely tailored is the schedule for project board meetings. Such meetings are not a requirement of the PRINCE2 methodology; regular highlight reports are considered sufficient. In many organisations, however, regular meetings are part of the corporate culture. They can be accommodated by PRINCE2, thanks to the tailoring principle.

If your organisation tailors PRINCE2, you should document the changes made to the method and describe these in the project initiation documentation (PID). In this way, the changes can be audited and provide evidence of compliance with PRINCE2 and business standards.

Tailoring whilst remaining compliant
When you are tailoring PRINCE2, you must bear in mind that no part of the method should be ignored or removed. Even on a small project, you will need to address risk, quality and change control. If the method is changed too much, you will be in danger of running a 'PINO' (that's 'PRINCE2 In Name Only') project.

Organisations can address the PINO problem by referring to the PRINCE2 Maturity Model. Organisations can use the model to establish their level of compliance with PRINCE2.

Tailoring goals
The goal of the tailoring principle is to adapt the PRINCE2 method to the needs of your project thereby avoiding the creation of a 'template-driven' project management method in which everything is done unquestioningly. Remember that PRINCE2 focuses on decisions being taken by those with delegated authority based upon timely information, rather than focussing on documents, templates, and meetings.

Summary

Hopefully you've learned something about the PRINCE2 principles after reading this ebook. As a trainer on a PRINCE2 course, I often hear students refer to their employer as being one which manages their projects according to PRINCE2. After delving a little deeper, it becomes apparent that these organisations are usually not managing their projects according to PRINCE2 at all.

There is only one simple test of whether a project is a PRINCE2 project and it's nothing to do with how many documents are written by the project management team. Nor is it to do with whether all the guidance in the PRINCE2 manual is being followed. The test is simply whether the project is applying all seven of the PRINCE2 principles.

PRINCE2 therefore is not a rigid and ancient text written down on tablets of stone which cannot be challenged and changed. On the contrary, it's a very practical and workable set of best practices which can be applied to any project, no matter what type of project, scale or level of complexity and risk.

It's by applying these principles sensibly on your project that you will gain the greatest benefit of the world's most popular project management methodology.

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