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David Geoffrey Litten

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The Progress Theme

The purpose of the Progress Theme is to establish mechanisms to monitor and compare actual achievements against planned objectives so that a forecast can be made for project objectives and continued viability while controlling any unacceptable deviations.

Progress is the measure of the achievement of the objectives of a plan, and it can be measured at Work Package, Stage or Project level.

The Progress Theme supports **three PRINCE2 Principles**:

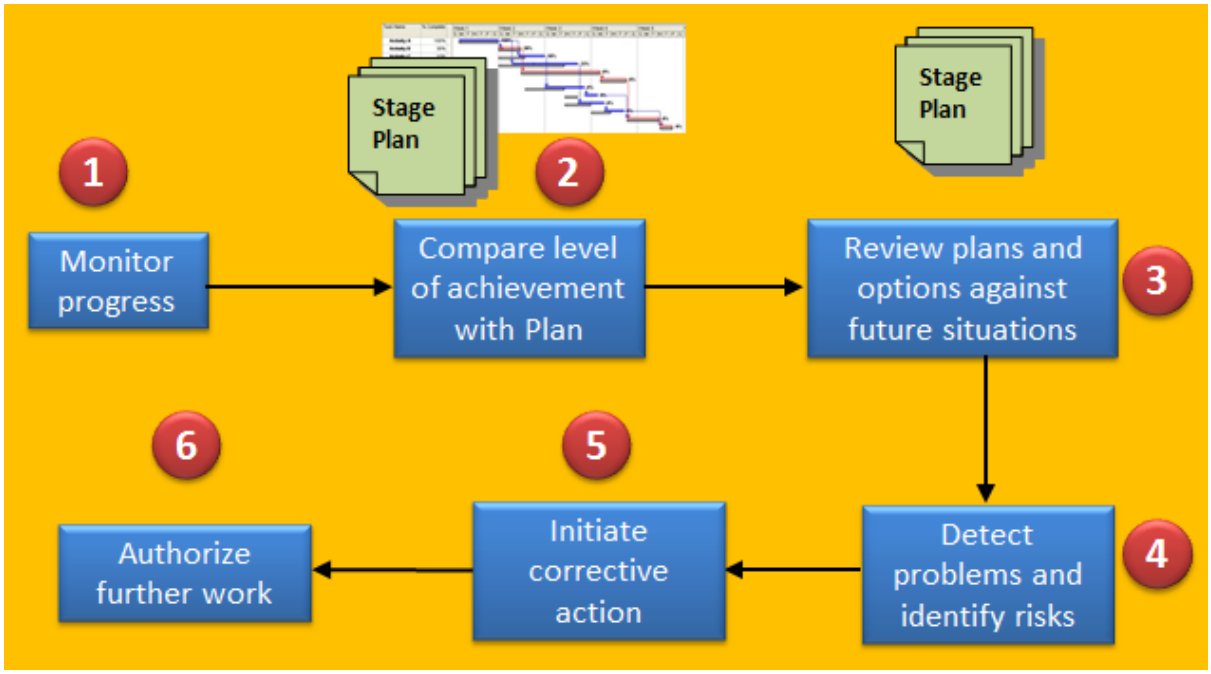
Continued business justification. The Progress theme provides the mechanisms for monitoring and control, thereby enabling the critical assessment of ongoing project viability.

Manage by exception. The Progress Theme provides the mechanisms for progress monitoring against allowed tolerances while the controls escalate to the next management level if tolerances are forecast to be exceeded.

It also provides such mechanisms for all management levels and up to corporate or programme management outside of the project.

Manage by stages. The Progress Theme facilitates this principle by delegating authority to the Project Manager on a stage-by-stage basis.

Controls are built into the project to ensure that progress is monitored and that problems are detected early and reacted to, and also that those plans are regularly reviewed and updated.

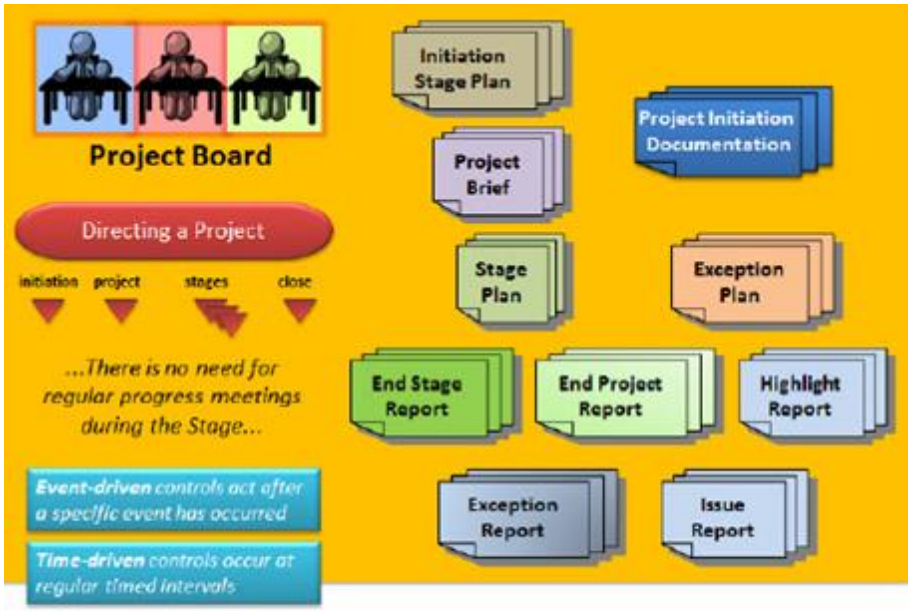


There are many different controls within PRINCE2, most of these are **event-driven** (an example being when the current Stage comes to an end, when the Project Board holds an End Stage Assessment).

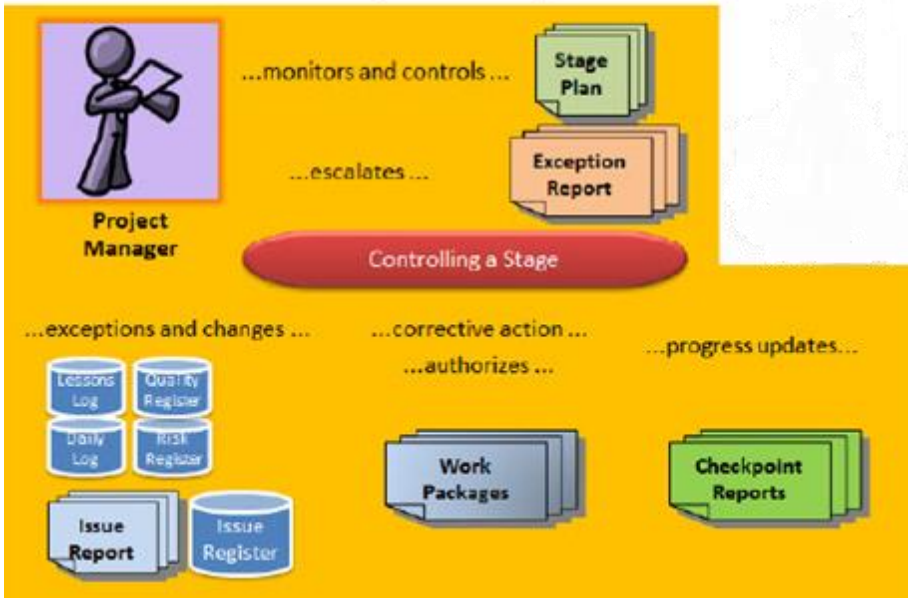
Two controls are **time driven**, the Highlight Reports and the Checkpoint Reports - these are time-driven because they are produced on a regularly timed basis.

The **event driven** controls are used when a particular event occurs - as above, when the end of a stage triggers an End Stage Assessment. The controls are split into two sections –

The controls used by the Project Board and Project Manager



The controls used by the Project Manager.



There are some important documents, registers, and logs in the above diagram, and although they have been described in other chapters, it is worth reminding you of their purpose:

The Daily Log

The purpose of the Daily Log is to record informal issues, required actions or significant events not caught by other PRINCE2 registers or logs. It is the Project Manager's diary.

It is used to capture issues and risks during the Starting Up a Project process (because the formal registers have not been set up yet).

The Work Package

The purpose of the Work Package is to contain a set of information about one or more required products collated by the Project Manager to pass responsibility for work or delivery formally to a Team Manager or team member.

The Lessons Log

The purpose of the Lessons Log is to collect lessons that apply to this project or future projects. There are two possible situations:

- Lessons that originate and are captured from other projects and can be useful input to the project's strategies and plans.

- Lessons that originate from within the project, and new experiences both good and bad, can be passed on to others via a Lessons Report.

The Lessons Report

The purpose of the Lessons Report is to pass on any lessons that can be applied to other projects. It is used to provoke action for positive lessons being embedded in the organizations way of working and so that the organization can avoid the negative lessons on future projects.

A Lessons Report can be created at any time within a project such as part of the End Stage Report as well as its creation as part of Closing a Project.

The Highlight Report

The purpose of the Highlight Report is to provide the Project Board and any other stakeholders with a summary of the current stage status at intervals defined by them. It is used by the Project Board to monitor stage and project progress.

The Project Manager will want to include any potential problems or areas where the Project Board could help.

The Checkpoint Report

The purpose of the Checkpoint Report is to report on the status of progress on a Work Package back to the Project Manager. The Work Package will state how often the Checkpoint Report is to be sent.

The Issue Report

The purpose of the Issue Report is to describe an issue, its impact assessment and recommendations. The issue may be a request for change, an off-specification, or a general problem or concern. It is only used for issues that are to be treated formally.

The Issue Report is first created when capturing the issue, but then updated as the issue process is carried out until finally the issue is closed.

The End Stage Report

The purpose of the End Stage Report is to give a summary of progress to date, the overall project situation, and sufficient information for the Project Board to make an informed decision about what to do next with the project.

The information in the End Stage Report, along with the Next Stage Plan will be used by the Project Board to decide the next step, and such actions may include:

- Authorize the next stage
- Amend the project scope
- Ask for more information
- Stop the project

The End Project Report

The purpose of the End Project Report is to review how the project performed against the version of the PID used to authorize the project. It is created during The Closing a Project process.

The Exception Report

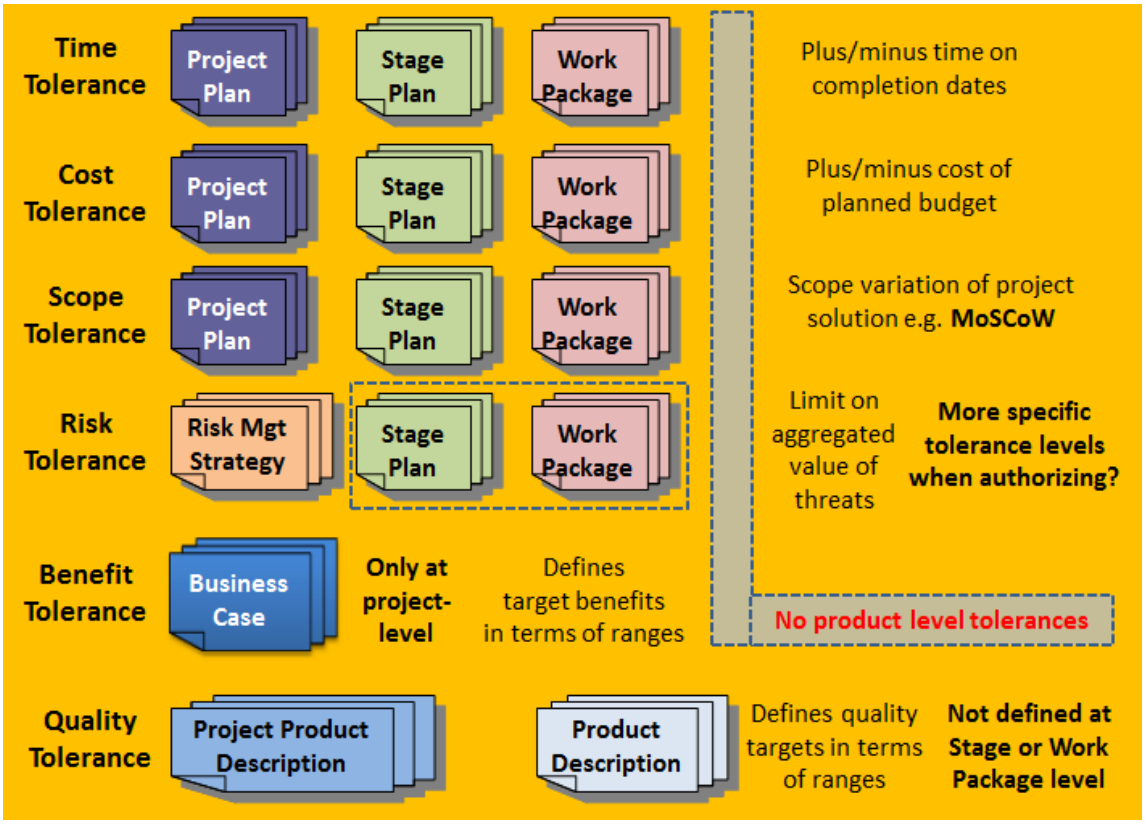
The purpose of the Exception Report is to be created when a Stage Plan or Project Plan is forecast to exceed the tolerance levels that have been set. It is prepared by the Project Manager, and used to inform the Project Board of the situation.

It contains a full description of the situation, offers options to recover or minimize the tolerance situation, and provides a recommendation from those options for the way to proceed.

Applying Tolerances

Of particular interest is the use of Tolerance within the context of Management By Exception.

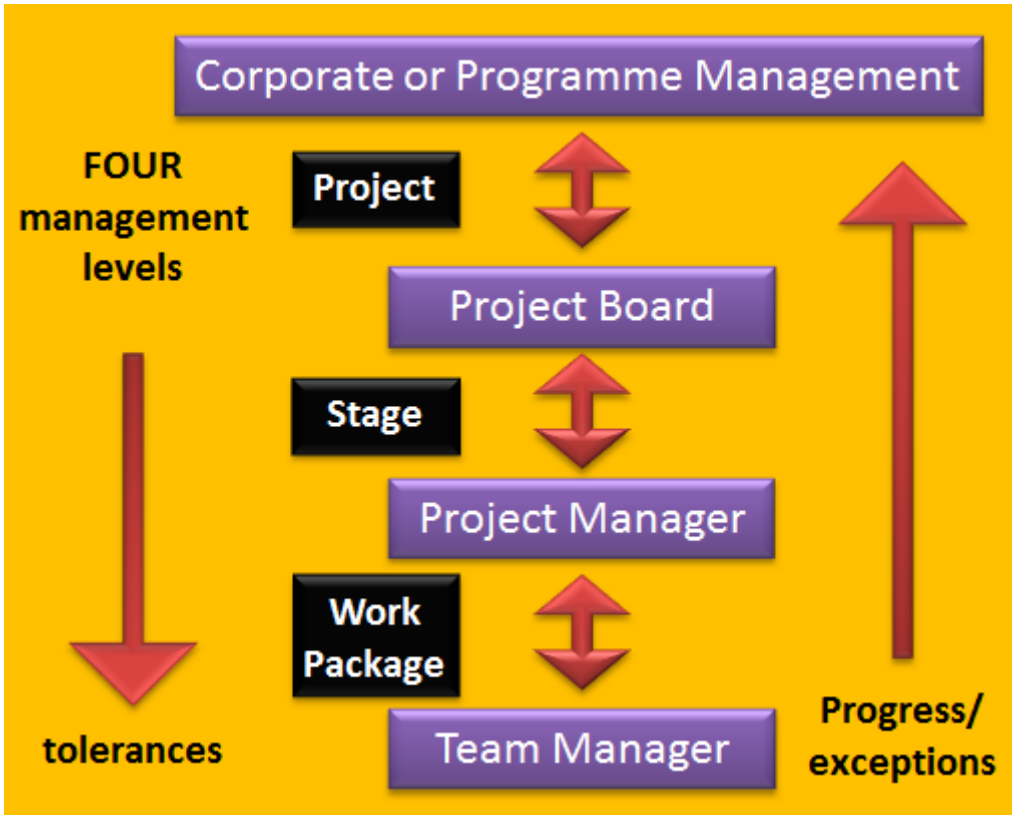
Tolerance can be applied to several aspects of the project including; time, cost, scope, quality, risk, and benefits. Below is a picture showing the six types of Tolerance, and the management document in which Tolerances are applied:



Tolerance is the permissible deviation from a plan without bringing that deviation to the attention of the next higher authority.

Tolerance is built into a plan to allow for small problems and estimating errors (plus and minus), and should not be confused with a contingency budget (there to cover contingency actions should the linked risk occur), and a change budget which is there to pay for any changes.

Tolerance forms a vital part of management by exception, and can exist at three levels:



- **Project level tolerances**. Only corporate management (who created the Project Mandate), have the authority to set project-level tolerances.

- **Stage level tolerances**. The Project Board has the authority to set these.

- **Work Package tolerances**. Optionally, the Project Manager may set tolerances at the Work Package level.

Progress controls ensure that each level of the project management team can:

- Monitor progress
- Compare the level of achievement with plan
- Review plans and options against future situations
- Detect problems early and detect risks
- Initiate corrective action
- Authorize further work

For Project Board and Project Manager levels, the many controls allow them to provide appropriate authorizations, receive progress updates, and manage exceptions and changes.

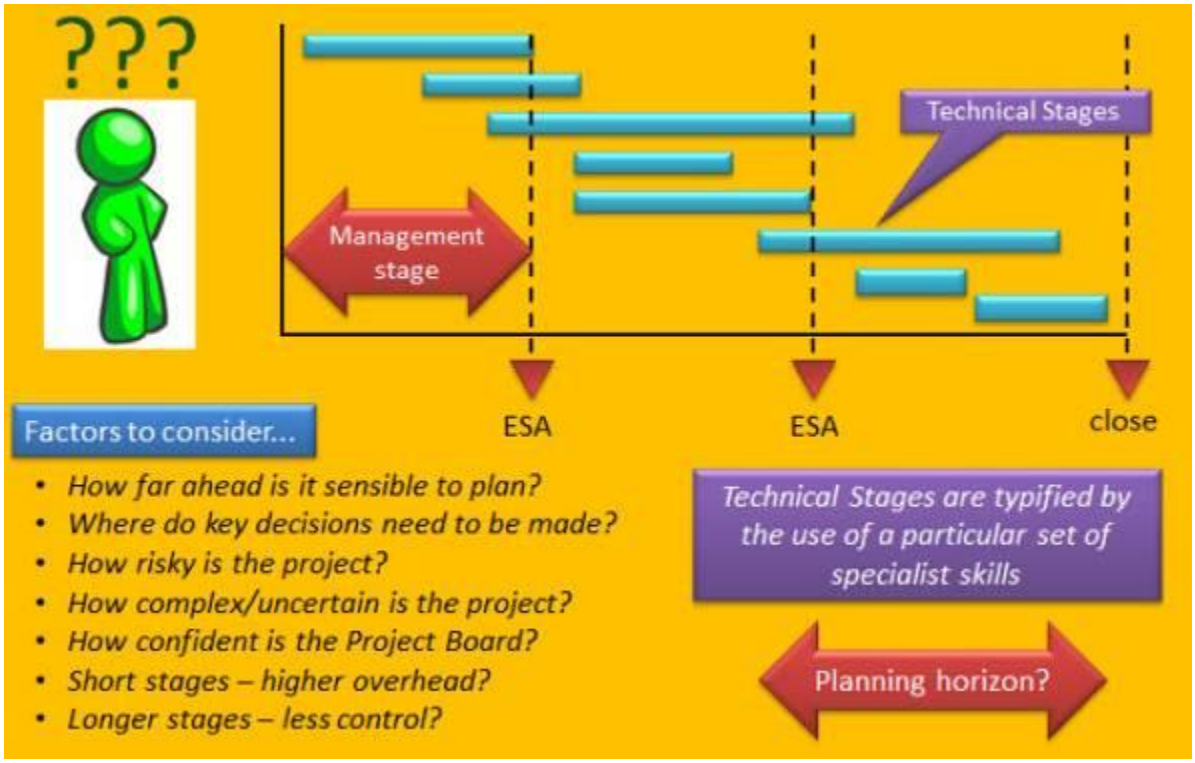
Work Package tolerances are set by the Project Manager, and if forecast to be exceeded, the Team Manager raises an issue so that the Project Manager can advise of any corrective action.

Stage level tolerances are set by the Project Board, and if forecast to be exceeded, the Project Manager raises an Issue, and sends the Project Board an Exception Report.

The Project Board may then request an Exception Plan which is reviewed by them at an Exception Assessment to approve it or otherwise.

Project-level tolerances are set by Corporate or Programme Management, and the Project Board must refer back to them should project tolerance be forecast to be exceeded.

Management Stages within a PRINCE2 project



Management stages are partitions of the project with management decision points. It is a collection of products and activities whose delivery is managed as a unit.

Management stages provide review and decision points, giving the Project Board the opportunity to assess the project viability at regular intervals, rather than let it run on in an uncontrolled manner.

When running my PRINCE2 training courses a very common question is 'how many management stages should my project have?' My first response is to remind the delegates that **there are two types of stages; technical stages and management stages.**

Technical stages describe what is often called phases; that is the way in which the technical work is broken down. Examples here are designed phrase, development phase, testing phase, and so on.

Technical stages often overlap in time whereas management stages do not.

Since projects have several specialist teams and specialist individuals involved, technical phrase work can often occur in parallel. Management stages however are entirely different, they can only occur one at a time, and must be managed in a different manner.

Choosing the most appropriate number of management stages, their duration, and where the end stage assessment occurs, is a factor of control within a PRINCE2 project.

How many stages?

The number of stages within a project is flexible and depends upon the scale/complexity and risk of the project. This number will also be influenced by the nature of the project and its duration.

There are a minimum of two stages within a PRINCE2 project, the Initiation Stage and at least one Delivery Stage.

The choice how many stages will be influenced by factors such as:

- How far ahead in the project is it sensible to plan
- Where the key decision points need to be on the project
- The amount of risk within the project
- The balance of too few, and not enough control verses too many with the resulting overhead/bureaucracy and additional costs.
- How confident the Project Board and Project Manager are in proceeding.

The first management stage in any PRINCE2 project is the Initiation stage, which is where the Project Plan is created (amongst other key documentation contained within the Project Initiation Documentation – the PID).

The Project Plan lays down the number of management stages and their timing as mentioned above. Every PRINCE2 project has at least two management stages; the initiation stage plus one delivery stage.

Most projects require several management stages for specialist product delivery.

The Project Board is given a Stage Plan for each next management stage and this is reviewed at each End Stage Assessment and the Project Board must give their authorization to proceed to the next stage.

In this way the Project Manager is given authority to deliver the project, one management stage at a time.

During each management stage the Project Board will receive a regular Highlight Reports to advise them of stage progress, and this is part of managing by exception without the need for progress meetings.

Stage Tolerance is also set at each End Stage Assessment for the next stage, so that the Project Board can be confident that should the project deviate beyond tolerance, that the Project Manager will bring this to their attention via an Exception Report during that management stage.

It is clear that the number of management stages, their duration, and therefore when end stage assessment points take place, set the amount of management control within a project.

Since a typical Stage Plan contains resources and hence costs, the Project Board must think carefully about the application of management stages to the project.

The number of management stages within a project is clearly a balance between risk and cost as well as other factors.

For example a high risk project would tend to have shorter management stages since the Project Board would want to review progress and the overall project status more often.

Since Project Board members are usually senior managers, the amount of time and effort they spend on the project needs to be kept to a minimum. So that having a project with many short management stages and hence End Stage Assessments is not a good idea.

You can see that there must be many factors that influence the number of management stages within a given project, and here are some that are worth considering:

Stage cost

If, for a particular organisation, the project is seen as high cost, increasing the project down into management stages may be helpful in committing money to the project.

Although the total project budget maybe agreed, the release of funds can be limited to that needed for each stage at the time each stage is authorized by the project board. Another cost aspect is the maximum amount of money that an organization feels comfortable with when allocating each stage.

If an expensive stage requires too much money, then it may be split into two stages in order to control cash flow. There will naturally be points within the project where a significant spend is expected, for example letting a contract for project equipment or resources.

It makes sense to ensure that an End Stage Assessment takes place prior to a large spend.

The value of this approach, is that the Project Board gets the opportunity to review the status of the project at the End Stage Assessment, and only when it make sense for a project to continue, the next stage (with the significant expense) is authorized.

Project Manager and Team Manager/Team experience

If a Project Manager is not very experienced, and the specialist team has not worked together before, this would suggest that the Project Board may need to set shorter and more regular management stages so that they can exercise a reasonable amount of control.

The shorter management stages mean that the Project Board will have more opportunity to review the project status at stage boundaries so that they can make better informed choices and hence reduce the risk to the project.

The reverse situation is also true; for example if a Project Manager is known to be experienced, then the Project Board may be happy for less yet longer, management stages.

Management Stages risk and complexity

As already mentioned, high risk projects need shorter management stages and hence more of them.

It should also be clear that in a typical project each stage has different characteristics depending upon what products need to be created.

The Risk Register is created during the Initiation stage and contains all of the known risks.

Each risk has various data within risk register. Some of this data includes;

- Risk probability
- Risk impact
- Risk proximity (when the risk may occur)
- Risk severity (probability x impact)

By observing which risks may occur in which of the management stages, decisions can be made about end stage assessment points and stage duration.

Project Complexity

This by its very nature leads to increased risk. In a similar manner to the above, the Project Board will tend to break the project down into several shorter management stages in order to exercise greater control within such a complex project.

Product creation points

When looking at of the project schedule (normally in the form of a Gantt Chart), it is easy to see where key products must be completed. It makes good sense to harmonize and end stage assessment at the point when a key product completed.

These ties back to cost as well, since the completion of a major product will typically represent a major spend within a stage, and for the reasons given above, it would make good sense to schedule an end stage assessment.

Another factor which influences where the boundary of management stages occur, can be driven by the need for a decision point. An example might be the placement of a contract or a key acceptance meeting.

You can see that these management stages within a project are a powerful control point for the project board.

Duration of Management Stages

Management stages are normally different in their duration, and the work within each stage is different; indeed, it would be very unusual if a project had stages of identical duration.

If this did occur, I would suspect that the Project Board did not understand the purpose and application of PRINCE2 management stages.

Business decision points

Organizations often set departmental fiscal budgets at the start of a business fiscal year. Although this makes for good fiscal control, it can give a problem to the project funding.

If the time-frame of a particular project traverses this fiscal boundary, then it may be necessary to align an end stage assessment of one management stage with the end of the fiscal year.

There may be other key business points within an organization, for example a departmental audit or a major review, and these too, may need to be harmonized with an end stage boundary of management stage.

PRINCE2 defines management stages as partitions of the project with management decision points, they also equate to the commitment of resources and authority to spend.

A management stage is a collection of activities and products whose delivery is managed as a unit.

Every project using PRINCE2 will have a minimum of two management stages: the Initiation stage where the Project Initiation Documentation is created, and at least one delivery stage, so-called, because a delivery stage is where the specialist products are created and approved.

Therefore management stages only occur one at a time; they do not overlap.

There are many advantages of splitting a project into a series of management stages:

- Providing at the end of the stage, an End Stage Assessment, to allow review and decision points for the Project Board to assess the project viability at regular intervals rather than letting it run on in an uncontrolled manner.

- Stages give the ability to make key decisions prior to investing in the detailed work and cost of the following stage.

- Management stages also facilitate the 'management by exception' principle by delegating authority to the Project Manager on a stage by stage basis.

The Project Board will release the project to the Project Manager one stage at a time, and only after considering the business case, project plan, next stage plan, and End-Stage Report.

The next stage will only be authorized if there is sufficient business justification for the project to continue.

With management by Exception implemented, there is no need for "regular progress meetings".

Don't' get confused, the end stage assessment is fundamentally a business review (although progress information is gathered and presented).

The Project Manager will have the authority for day-to-day management and control of a stage as long as the agreed tolerances are forecast not to be exceeded.

By virtue of this, the Project Board can manage by exception while reducing the administrative overhead of being involved while still being satisfied that the project remains in control.

When considering how many management stages within a project, there are several key questions that need to be asked to help define this number. For example:

- How far ahead in the project is it sensible to plan?

- Where do key decision points need to be?

In addition, if the project is a risky one then management stages will tend to be shorter in duration. The confidence of the Project Board and Project Manager in the project, will also determine how many stages and how long particular stages needs to be.

There is clearly a balance between too many short stages bringing an increase in overhead, versus few long stages resulting in less control.

The number of stages in a project should be chosen by asking the question “where do the end stage assessments need to be so that project viability can be checked?”

It is important that management stages are not confused with technical stages. These are often called phases, and refer to sensible groupings of products and techniques.

Technical stages of the overlap, whereas management stages do not.

Technical stages are typified by the use of a particular set of specialist skills. Whenever a technical stage spends beyond a management stage boundary, the technical stage should be broken down so that each management stage contains a whole number of specialist products.

The Risk Theme

Taking a simplistic definition of risk; “an event that has yet to happen, it may or may not happen at some point in the future, but if it does it will have an impact on my project”, you may be fooled into thinking that risk management is hard. But you would be wrong!

The purpose of the Risk Theme is to identify, assess and control uncertainty and, as a result, improve the ability of the project to succeed.

PRINCE2 defines risk as “An uncertain event or set of events that, should it occur, will have an effect on the achievement of objectives”

Many projects fail due to poor risk management which is totally unnecessary as there is a very logical and straightforward approach to the management of risks within a PRINCE2 project.

By taking the mind-set of “what could possibly go wrong with my project” and making a list of such situations, then working out how to either prevent or minimize the risk (at a minimum just to control it), would greatly reduce the number of failed projects.

Performing risk management will protect your project by preventing or controlling situations that would have, as a minimum, caused problems, and at a maximum, potentially ruin the project.

PRINCE2 includes a well-documented risk theme that covers all potential project and organisational risks.

In keeping with this fact, PRINCE2 defines risk as “an uncertain event or set of events that, should it occur, would have an effect on the achievement of objectives”.

The first step in risk management is to develop the **Risk Management Strategy**, and is the chosen approach so that you clearly understand how risks will be handled during the project. This is the project risk “how-to” document!

As part of tailoring PRINCE2 according to the individual project risk environment, the Risk Management Strategy will define your risk approach for a particular project and this forms part of the Project Initiation Documentation created within the Initiation stage.

As part of managing risk, responses for each risk will be determined, and such responses will require actions and resources to carry them out. Therefore risk management does not come free but instead needs to be budgeted for accordingly. This is called the Risk Budget.

The Risk Budget has several advantages as it makes clear what portion of the project funding will be put aside for each risk, and since this budget forms part of the whole project budget, the Project Manager already has the authority to use it.

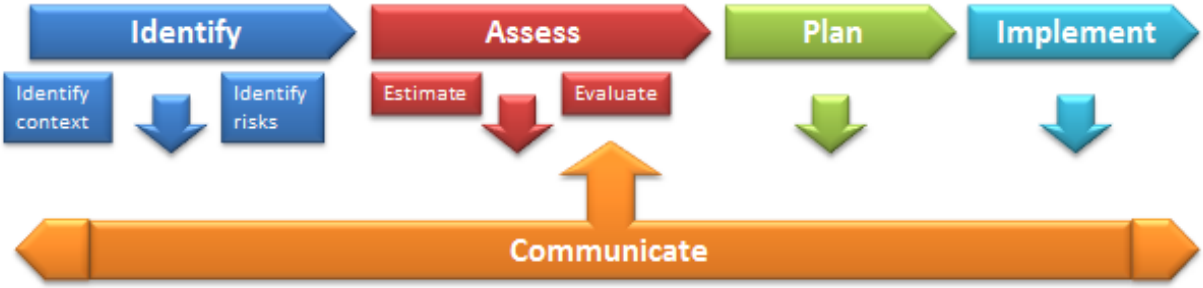
The key management tool used here is the Risk Register which provides a record of all identified risks within the project and includes their status and history.

Risk Theme support of the continued business justification Principle

The Risk Theme recognizes that risk management is an ongoing activity throughout the project life, and without this there cannot be sufficient confidence that the project will meet its objectives, and hence whether it is worthwhile to continue. Hence effective risk management supports the continued business justification Principle.

The PRINCE2 5-Step Risk Management procedure

PRINCE2 has a procedural based risk management model consisting of four elements, with a fifth element called 'communicate' which works in parallel with the previous four elements:



The Risk Management procedure is split into FIVE main steps:

- **Identify**. Identify the specific objectives that are at risk – and to formulate the Risk Management Strategy, capture the risks and place on the Risk Register.

- **Assess**. Estimate the probability, impact, proximity and severity of each risk

- **Plan**. Prepare responses to the risks – Avoid, Reduce, Fallback, Transfer, Share, and Accept

  For Opportunities the response choices are, Exploit, Enhance, Share, and Reject.

- **Implement**. Carry out the risk/opportunity actions, monitor and report

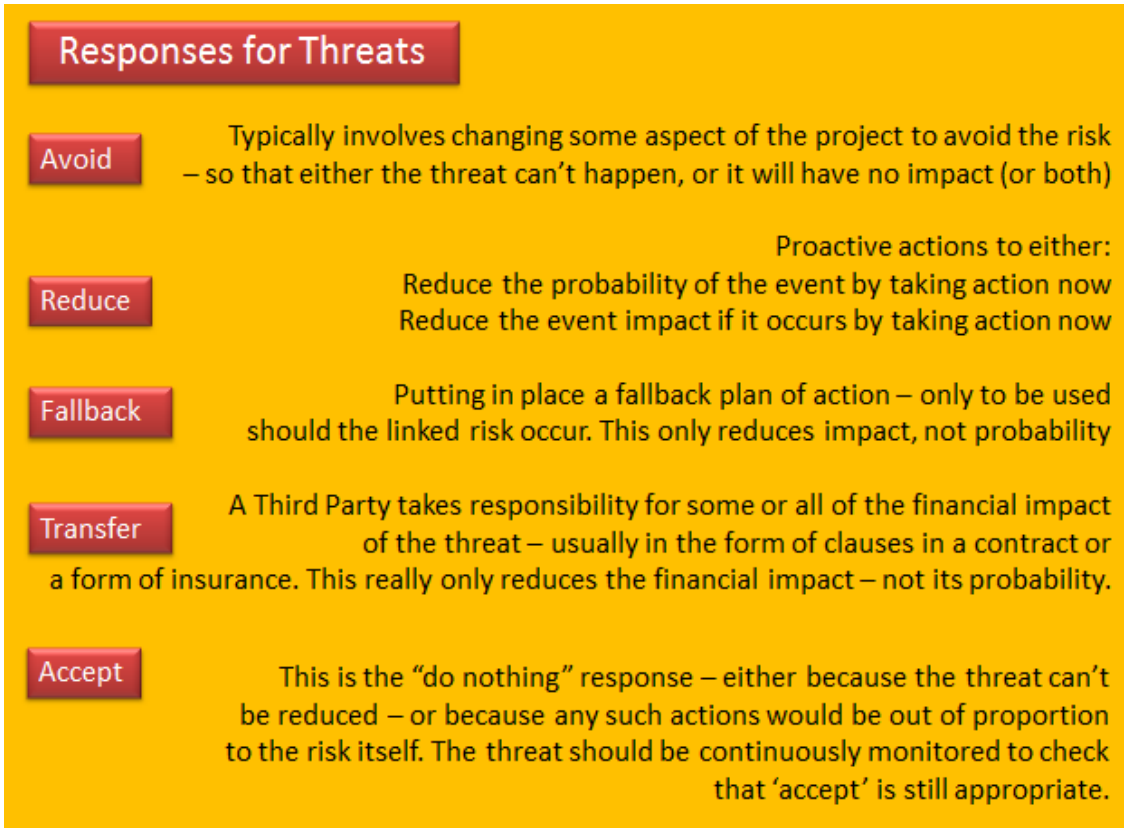
- **Communicate**. Ensure internal and external communication on the aggregated risks.

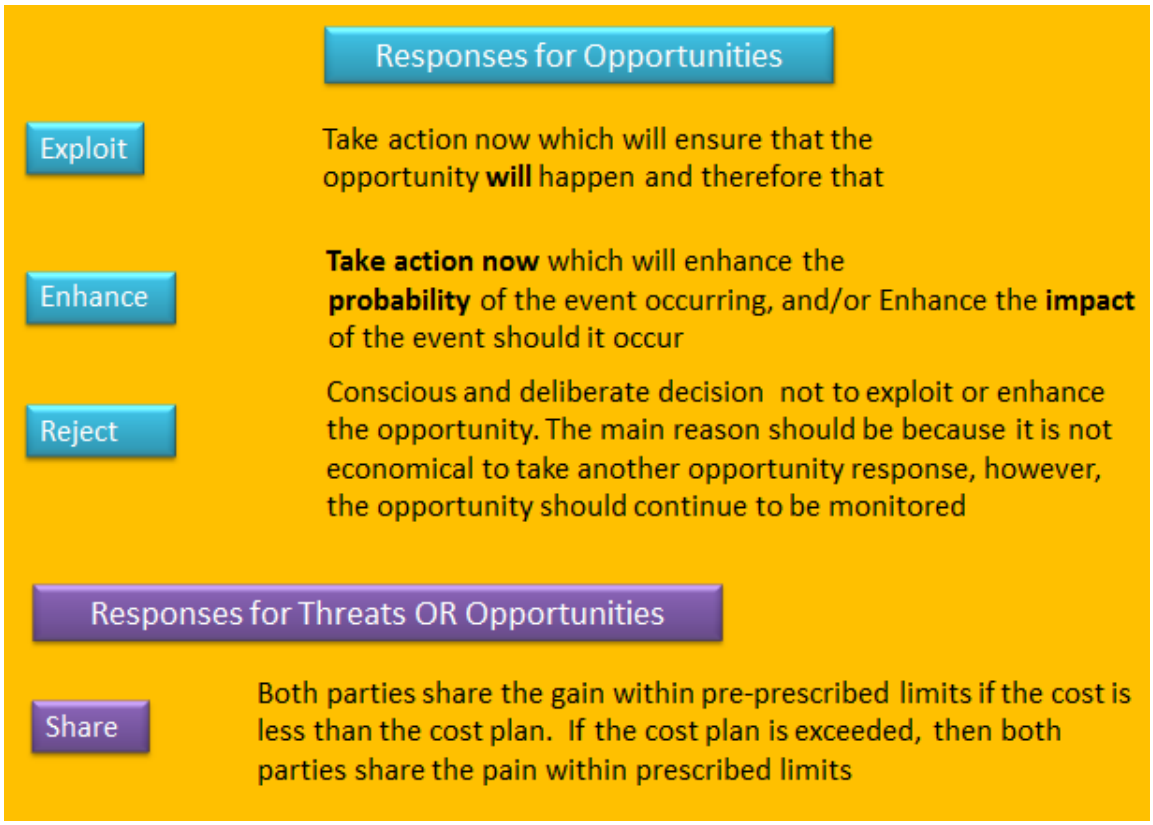
Threat or opportunity impact should be considered under the following headings:

- Time
- Cost
- Quality
- Scope
- Benefit
- People/resources.

Risk Response Types for Threats and Opportunities

You would want to use the following responses in terms of reducing or removing **Threats**, but maximizing and enhancing for **Opportunities**:





Once a plan is signed off, then monitoring and reporting can take place. This will normally consist of checking that the actions are having the desired effect, watching for warning signs and trends, and ensuring that the overall management of risk is effective.

Risk management is an on-going and iterative activity throughout a project and its stages.

The total risk situation should be checked at key points - particularly at those times when the Project Board needs to authorize a Next Stage Plan or Exception Plan.

The risk situation should be included in the regular **Highlight Report** sent from the Project Manager to the project board.

Also the risk situation should be checked when:

- Planning, authorizing and accepting Work Packages
- Examining project issues, as part of management by exception
- When closing the project – operational risks that need to be managed by others after closure.

Since PRINCE2 projects are the mechanisms for change, they will always include risk aspects when changing from the old to the new ways of working, and must use risk management in order to be successful.

More precisely, risk is really uncertainty and it is this that must be managed.

In the context of a PRINCE2 project it is the project objectives that are at risk, and it is important to establish and maintain a cost effective risk management procedure.

To perform effective risk management we need to understand risk causes, the probability, their impact and timing, and select a suitable response or set of responses for each risk.

Care should be taken not to spend more avoiding the risk than the impact of the risk itself.

Risk management starts at the very beginning of PRINCE2 and is a continual activity carried out throughout the life of the project, without this, it would not be possible to have the confidence that the project is able to meet its objectives and should continue.

In other words, risk management threatens the Business Case and hence the continued business justification principle.

A simple way of describing a risk is, an event which may or may not occur at some point in the future, but if it does occur it will have an impact on the project objectives.

There are two types of risk; those with a negative impact and those with a positive impact: risks which have a negative impact are called **threats** and those with a positive impact are called **opportunities** – both have the common characteristic of uncertainty.

A risk management system is one which first identifies risks and then assesses them, followed by the planning and implementation of risk responses.

Having been first identified (usually done in a risk or planning workshop) in terms of their impact, and timing, the overall of risk associated with the project is called the aggregated risk, and this needs to be understood and agreed by the Project Board for effective risk management within PRINCE2.

Each risk will now need an appropriate response followed by the assignment of a Risk Owner, and then the monitoring and controlling of those responses. The Risk Owner can optionally delegate the management of a particular risk to a role called the Risk Assignee.

In the Starting up the Project process, the Project Manager will use the Daily Log to capture and manage any known risks; these will be used as part of the evidence put before the Project Board to decide whether or not to proceed into the Initiation Stage.

The **Risk Management Strategy** will be created in the Initiation stage and describes how risk management will be embedded within the project.

The purpose of the **Risk Management Strategy** describes the specific risk management techniques and standards to be applied to the project, and the responsibilities for achieving an effective risk management procedure.

At the same time, The Risk Register will be created and any risks currently within the Daily Log will now be transferred to this register.

Using The Project Brief and the Project Product Description as inputs, The Risk Management Strategy will include the following information:

- The risk management procedure to be applied
- Tools and techniques to be used
- Records and reporting
- Timing of risk management activities
- Risk responsibilities
- Risk tolerances
- The Risk Budget if it is to be used

One aspect to consider here is the project board's attitude towards risk-taking as this will influence the amount of risk that is acceptable and the most effective responses required.

This is called the project board's 'risk tolerance' or 'risk appetite', and is not the same as the term tolerance when applied as part of management by exception.

The Risk Budget

This is a sum of money included within the project budget that is used to fund the risk responses to the project's Threats and Opportunities.

The Risk Register

This is a project management tool used to contain information on all of the identified threats and opportunities within a project.

The purpose of the **Risk Register** is to provide a record of all identified project risks, their status and history. It is used to capture and maintain information on the entire project identified threats and opportunities.

It will contain information such as

- The category and description of the risk
- Risk probability
- Risk impact and expected value
- Risk proximity and risk responses
- Risk current status
- The Risk Owner.

Project Support will normally maintain the Risk Register for the project manager.

It is vital that risks are clearly and unambiguously described, and it is useful to consider each risk in terms of

- **The risk cause** (the source of the risk)
- **The risk event** describing the area of uncertainty
- **The risk effect** describing the impact of the risk should it actually occur

An example here could be: "As a result of heavy rainfall in the last 24 hours (**Risk cause**), many local roads are flooded (**Risk event**), and as a result of this, local drivers may experience severe delays or be unable to reach their destinations (**Risk effect/impact**)

The **Probability** of a risk is the likelihood of it occurring if no response actions were taken.

The **Impact** of a risk is the impact if it were to occur on one or more of the project's objectives. The impact could be on the impact to benefits, time, cost or quality for example.

The Risk Proximity would be how close to the present time the risk event is expected to happen. Proximity could be expressed as a time frame, or within a stage, within the project or beyond the project.

Risk Appetite or tolerance. This is the organization's risk appetite or unique attitude toward risk taking, and ultimately will help setting tolerance levels. Traditional institutions such as banks have a very low risk appetite, whereas, say, a venture capital project would have a much higher appetite.

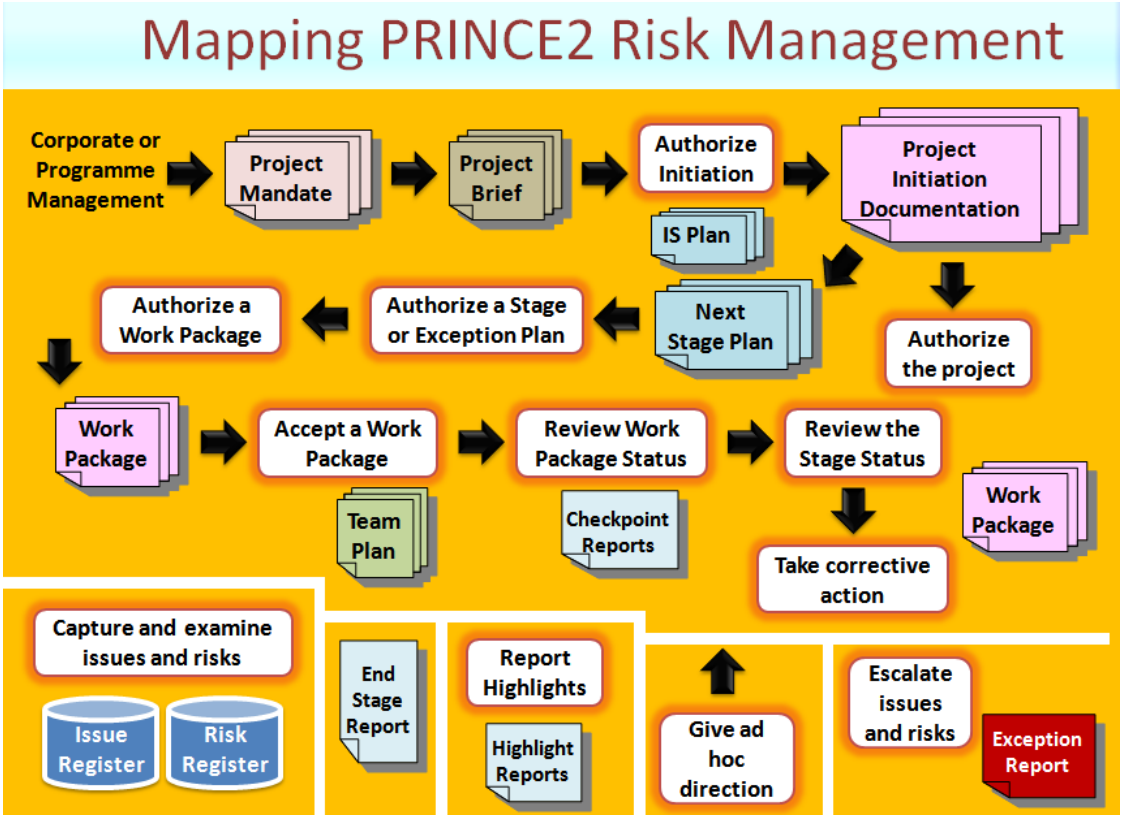
PRINCE2 Risk Management Road Map

Risk management is an on-going process throughout an entire project and should not be thought of as just a 'front end' activity. The recognition of potential risks or new or emerging ones could occur at any time.

It is helpful here to note that there are key points within a typical PRINCE2 project where risk management needs special attention. The whole purpose of risk management is to identify those threats and opportunities that potentially have an impact on the project meeting its objectives.

The risk management responsibilities of the Project Manager are to ensure that such responses are having the desired effect and therefore maximizing the potential for project success.

The diagram below helps to show exactly where these key points are:



The trigger to start a new project comes from either corporate or programme management in the form of the Project Mandate which should provide the terms of reference for the project and identify as a minimum, the prospective Executive of the project board.

It may also contain any known risks so therefore risk management is used pre-project.

The Project Mandate is refined within the Starting Up a Project process to create the Project Brief containing the project approach, Outline Business Case, and the Project Product Description containing the customer's quality expectations and acceptance criteria.

Within the above PRINCE2 management products, there may be many PRINCE2 risk management triggers, for example, the project approach may be a 'risky' one.

In addition, a plan for the initiation stage is prepared. Whenever a PRINCE2 plan is created, the risk management activities are also carried out, resulting in new or modified risks being identified and an appropriate response is added to the newly created Risk Register.

In addition to adding the risks in the Risk Register, each plan will have PRINCE2 risk management responses added. The Project Board will now decide whether or not to authorize the Initiation stage.

Their '**risk tolerance**' or '**risk appetite**' along with the information of all known risks, plays a key role in the Project Board making an informed choice with regard to the project risk, and when the Project Board use the 'authorize the initiation' activity, it helps them decide whether or not to proceed to the Initiation stage.

During the Initiation stage the Project Initiation Documentation is prepared and assembled and will be brought before the Project Board in the activity 'authorize the project' to make a decision whether or not proceed to the first, or only, delivery stage.

When creating the Risk Management Strategy document (which defines how risk management will occur in this particular project), along with the Project Plan and Business Case, the newly refined risk situation will again play a key role in the project board's decision whether to proceed or not.

In parallel with the above, the Project Manager will use the Managing a Stage Boundary process to create the Next Stage Plan, and this again will trigger risk management to determine, refine known risks, or enter new risks.

The Project Board will use the 'authorize a stage or exception plan' activity to approve or otherwise this Next Stage Plan, where the Risk Management Strategy document and the aggregated risk impacts will be considered as part of making their decision.

As you will notice both the Project Initiation Documentation and the Next Stage Plan must be approved if the project is to proceed to the first (or maybe only) delivery stage, and again, the total risk management situation provides key evidence about making such a decision.

After all of these control activity points, the Project Board will set appropriate Stage tolerances, and the choice of risk tolerance may be set (risk tolerance will be documented within the Risk Management Strategy document).

What this means, is that during the delivery stage, the Project Manager will use the risk tolerance metrics that the Project Board have set, and providing the stage is forecast to complete within such tolerances, the Project Manager need take no further action.

If however, (using risk tolerance as an example here), tolerance is forecast to be exceeded, then the Project Manager must raise this as an issue on the Issue Register and bring this to the attention of the Project Board via an Exception Report.

The Project Board will then make a decision what to do next, most likely, to request the Project Manager to create an Exception Plan for review at an Exception Assessment (EXA).

Risk Management within the Stage

Returning to the point where the Project Manager is given authority to control and manage the first delivery stage, the first action is for the Project Manager to issue one or more work packages to the specialist team(s).

During the planning of the relevant stage, PRINCE2 recommends that work packages and their optional Team Plans are developed in parallel.

This makes good sense as it ensures that the risk situation for both Stage and Work Packages are considered, so that when the Project Manager issues such work packages they contain any relevant risk management information along with appropriate responses.

By the same token, the specialist team or Team Manager needs to agree to carry out the Work Package via the ‘accept a Work Package activity within the Managing Product Delivery process.

As part of accepting it, the risk management situation and responses are possibly refined by the Team Manager, and such changes also need to be agreed.

The Team Manager may create an optional Team Plan, and in doing so will carry out risk analysis and embed the appropriate risk management responses in that plan.

Now let us consider the key points within a typical PRINCE2 stage in relationship to risk management:

- The Project Manager will receive regular Checkpoint Reports (the frequency of these are described within the relevant Work Package), from the specialist team or Team Manager.

  These will include information on the risk management and status within each Work Package, and are included so that the Project Manager may have confidence that the work package remains on track to deliver the agreed product quality.

- The Project Manager will use the activity 'review work package status' to review the risk situation within that specific Work Package.

- A typical PRINCE2 management stage will contain several work packages, and so it is important that the Project Manager uses the 'review stage status' activity to ensure that risk management is being effectively applied within the current stage.

The Project Manager is responsible for taking proactive action in a timely manner whenever needed, and this takes the form of using the activity 'take corrective action' to implement the activities that will bring the stage back on track if required.

This will often be needed due to changing risk status and implementing risk management actions to counter this.

Of the many reasons why corrective action may be needed, would include modifying risk responses so that they are effective or carry out risk analysis on new emerging risks and hence result in adding new activities to existing or new Work Packages.

The activity 'capture and examine issues and risks' is used to carry out the above.

During the stage, the Project Manager will create regular **Highlight Reports** for the Project Board and other key stakeholders to be kept up to date with the overall risk situation.

Each **Highlight Report** should contain the status on risks' during the stage so that the Project Board has confidence that risk management in general, and such risks in particular, are being managed effectively.

As a result of examining issues and risks, it may be that stage tolerances are impacted by one or more risks and it maybe that the Project Manager can take no effective corrective action.

In such a case, the Project Manager raises an **Exception Report** to bring this matter to the attention of the Project Board so that an informed choice can be made about what to do next.

Management by exception is a vital part of the Risk Management Strategy within a PRINCE2 project. Throughout the stage, there is a 'communication conduit' activity between the Project Manager and the Project Board called 'give ad hoc direction'.

This will be used as and if needed by either the Project Board or the Project Manager to ask questions, seek answers, give advice and guidance, or to give directions from the Project Board that the Project Manager should follow.

For example if the Project Manager needs to seek advice and guidance with regard to a risk situation, then the Project Board may be contacted in an informal manner to obtain such advice.

As another example, it may be that the Project Board has knowledge of a new or emerging risk that needs to be brought the attention of the Project Manager so that effective risk management can be applied.

For each risk, a suitable Risk Owner/Risk Actionee must be assigned. It may be that for certain external or commercial risks that one or more members of the Project Board are appointed as a Risk Owner.

This again may trigger the 'give ad hoc direction' activity to inform the project manager.

When using the PRINCE2 process **Closing a Project**, there may be existing risks that have yet to happen, but if they did would do so after the project has finished and when the end products are being used in their operational areas.

In such a case, the Project Manager will capture such information within the Follow-on Action Recommendations document to ensure that such risk management continues to be managed and controlled after the project has closed.

Risk Responsibilities

The Project Manager is responsible for ensuring that risks are identified, recorded and regularly reviewed.

The **Project Board** has four risk responsibilities:

- Keeping the Project Manager informed of any external risk exposure to the project
- Agreeing or otherwise to the project managers planned risk actions
- Ensuring that there is a balance between the level of risk and the business case benefits
- Keeping corporate and other senior stakeholders informed of any risks that may affect their objectives.

Each risk should be allocated a **Risk Owner** who is responsible for managing the risk, and a **Risk Actionee**, who is responsible for carry out the risk actions (they may be the same person).

The Project Board and Project Manager may themselves own particular risks. All risks and their details are entered on to the Risk Register. This is kept updated throughout the project.

New risks may arise, and existing risks may change - for example become more, or less, likely, and their impacts may increase, decrease, or change. As a result of risk status change, new actions or countermeasures may need to be planned.

The proximity of each risk should be considered – expressed as a time from today, or a specific date. This is helpful in prioritizing risk actions, and determining the severity of a risk due to the time frame when it actually might occur.

Every project should have a Risk Management Strategy, describing the procedures for capturing and registering risks, and a means of control – the Risk Register, which is used to capture and maintain information on identified threats and opportunities.

PRINCE2 Fast Trak

PMPrimer Tube

The Progress Theme – Part One

The purpose of the Progress Theme is to establish mechanisms to monitor and evaluate actual achievements against planned objectives so that a forecast can be made for forecast objectives and continued viability. Progress is the measure of the achievement of the objectives of a plan, and it can be measured at Work Package, stage or project level. Controls are built into the project to ensure that progress is monitored and to detect problems early and react, and that those plans are regularly reviewed and updated.

There are many different controls within PRINCE2, most of these are event-driven apart from two, the highlight reports and checkpoint reports - these are time-driven (produced on a regular timed basis).The event driven controls are used when a particular event occurs - such as the end of a stage triggers an end stage assessment.

The controls are split into two sections - the controls used by the Project Board, and those used by the Project Manager. Of particular interest is the use of Tolerance within the context of Management By Exception. Tolerance can be applied to several aspects of the project including; time, cost, scope, quality, risk, and benefits.

Tolerance is the permissible deviation from a plan without bringing that deviation to the attention of the next higher authority. Tolerance is built into a plan to allow for small problems and estimating errors (plus and minus), and should not be confused with a contingency budget (there to cover contingency actions should the linked risk occur), and a change budget which is there to pay for any changes.

Tolerance forms a vital part of management by exception, and can exist at three levels: Project level tolerance. Only corporate management (who created the Project Mandate), have the authority to set project-level tolerances. The Project Board has the authority to set stage-level tolerances, and optionally, the project manager may set tolerances at the Work Package level.

THEMES

The Progress Theme – Part Two

Progress controls ensure that each level of the project management team can:

- Monitor progress
- Compare the level of achievement with plan
- Review plans and options against future situations
- Detect problems early and detect risks
- Initiate corrective action
- Authorize further work

For Project Board and Project Manager levels, the many controls allow them to provide appropriate authorizations, receive progress updates, and manage exceptions and changes.

Work Package tolerances are set by the Project Manager, and if forecast to be exceeded, the Team Manager raises an issue so that the Project Manager can advise of any corrective action.

Stage level tolerances are set by the Project Board, and if forecast to be exceeded, the Project Manager raises an Issue, and sends the Project Board an Exception Report. The Project Board may then request an Exception Plan which is reviewed by them at an Exception Assessment to approve it or otherwise.

Project-level tolerances are set by Corporate or Programme Management, and the Project Board must refer back to them should project tolerance be forecast to be exceeded.

THEMES

The Risk Theme – Part One

A risk is an uncertain event that, should it occur, will have an effect on the achievement of objectives. It consists of a combination of the probability of a perceived threat or opportunity occurring, and the size of its impact on objectives. Every project has risks since projects cause change, and change results in uncertainty – hence risk. The project manager is responsible for ensuring that risks are identified, recorded and regularly reviewed.

The project board has four risk responsibilities:

1. Keeping the project manager informed of any external risk exposure to the project
2. Agreeing or otherwise to the project managers planned risk actions
3. Ensuring that there is a balance between the level of risk and the business case benefits
4. Keeping corporate and other senior stakeholders of any risks that may affect their objectives.

Each risk should be allocated a risk owner who is responsible for managing the risk, and a risk actionee, who is responsible for carry out the risk actions (they may be the same person). The project board and project manager may themselves own particular risks. All risks and their details are entered on to the Risk Register. This is kept updated throughout the project.

New risks may arise, and existing risks may change - for example become more or less likely, their impacts may increase, the increase, or change. As a result of those, new actions or countermeasures may need to be planned. The proximity of each risk should be considered – expressed as a time from today, or a specific date. This is helpful in prioritizing risk actions, and determining the severity of a risk due to the time frame when it actually might occur.

Every project should have a Risk Management Strategy, describing the procedures for capturing and registering risks, and a means of control – the Risk Register, which is used to capture and maintain information on identified threats and opportunities.

The Risk Theme – Part Two

The Risk Management procedure is split into FOUR main steps:

1. **Identify** Identify the specific objectives that are at risk – and to formulate the Risk Management Strategy, capture the risks and place on the Risk Register.
2. **Assess** Estimate the probability, impact, proximity and severity of each risk
3. **Plan** Prepare responses to the risks – Avoid, Reduce, Fallback, Transfer, Share, Accept and for opportunities, Exploit, Enhance, Share, Reject, for opportunities
4. **Implement** Carry out the risk/opportunity actions, monitor and report
5. **Communicate** Ensure internal and external communication on the aggregated risks.

Risk or opportunity Impact should be considered under the following headings: Time, cost, quality, scope, benefit, and people/resources. Once a plan is signed off, then monitoring and reporting can take place. This will normally consists of checking that the actions are having the desired effect watching for warning signs and trends, and ensuring that the overall management of risk is effective. Risk management is an ongoing and iterative activity throughout the project and its stages.

The total risk situation should be checked at key points - particularly at those times when the project board needs to authorize a Next Stage Plan or Exception Plan. The risk situation should be included in the regular highlight report. Also the risk situation should be checked when:

1. Planning, authorizing and accepting Work Packages

2. Examining project issues, as part of management by exception

3. When closing the project – operational risks that need to be managed by others after closure.

Here are the main points of the Risk Theme:

Here are the main points of the Progress Theme: