PRINCE2® (not) for suppliers

PRINCE2 not for (internal) suppliers

Everyone who understands PRINCE2 will realise that the approach is not meant for (internal) suppliers. Many disappointing results (bureaucratic, template driven) originate from wrong usage of PRINCE2 by (internal) suppliers. Especially in IT environments PINO (PRINCE In Name Only) frequently occurs.

Those who state that PRINCE2 is suitable for usage by (internal) suppliers, usually show a lack of knowledge and understanding of the approach. Also often a finger is pointed at the "Tailoring" principle: PRINCE2 should always be adjusted to the environment of the project. But when this principle is applied while undermining other principles, the cure will be worse than the ailment.

This paper will show how PRINCE2 can still be sensibly applied in a supplier's environment.

PRINCE2 is a method for customers

The importance of the Customer/Supplier model

PRINCE2 is based on the vision that within projects the customers and suppliers cooperate to achieve the required results. The customer and the supplier however have opposite

Nico Viergever

Website:
http://www.viergever.info
Email:
nico@viergever.info

Nico Viergever has over 20 years of experience managing change and consulting for improving project management and programme management.

He is a prominent PRINCE2® en MSP™ expert and trainer.

Management, Consultancy, Coaching and Evaluation.

interests. The justification for the customer to invest in a project is different for the supplier to take part of a project. The customer requires a sensible investment (long term) while the supplier seeks more turnover and profit (on the short term). The official manual, *Managing Successful Projects with PRINCE2™*, discusses the two Business Cases (customer and supplier), but possibly not in sufficiently explicit term. Especially when internal suppliers are involved, politics can and will lead to problems caused by different, misunderstood perceptions.

The Customer/Supplier model forms the heart of PRINCE2. The principles of *Continuous Justification*, *Roles and Responsibilities* and the *Focus on Business Products* all indicate the leading role that the customer should take in a project. To protect the customer's interests (*Business Case*), also the Project Manager should come from the customer or should at least be independent from the (internal) supplier[1]. A Project Manager from the supplier's side will almost every time lead to a focus on the interests of that supplier and a focus on technical products that will not satisfy the expectations of the customer (users) and for that reason lead to communication problems between users and developers.

> The customer in de *Project Board* has two roles.
> The *Executive* owns the Business Case, is ultimately accountable for the expected benefits, the expected cost and the risk.
> The *Senior User(s)* will be held accountable for the benefits realised by the usage of the products. As a consequence the Senior User(s) will be responsible for the specification of quality criteria and eventually acceptance.
> A special type of user will be responsible for operational support and maintenance. Because this department or function will have to know and maintain the delivered products, they will also have to specify their quality criteria and eventually accept the products. As an example, consider IT support under the ITIL approach.
>
> Obviously this will only be the case if support is independent from the project's supplier. If there is no distinction between project development and support, supplier's interests will be dominant at the expense of user's acceptance and quality; and ultimately at the expense of added value.
>
> The (internal) supplier(s) will be represented in the *Project Board* in the role of *Senior Supplier*. This role will be accountable for the quality of the delivered products and is expected to supply resources and to express an opinion about the viability of plans.

Projects with a technical motive – IT projects

This is the most important reason for het failure by many IT projects. IT does not deliver business products, but technical products. A Project Manager from an IT supplier will also almost always serve the interests of their employer (*Business Case*) and of their colleagues (technical work) with the highest priority.

If a project is seen by the customer as an "IT project" and not as a business change project, if the CIO takes responsibility as sponsor, or rather in PRINCE2 terms as *Executive[2]*, the focus will be wrong. Not on long term added value, but on the short term delivery of tools. Possibly the operation may succeed, but will the patient die or will the patient get better? Consider the consequences of ERP projects. Or consider an "IT integration project" at the Dutch Public Sector in 2008. After an original estimated budget of 6 million Euros, with a final very uncertain estimate of 125 million the project was prematurely stopped after already over 80 million was spent and (almost) nothing of value was delivered. In my opinion the key reason was that it was an IT project with IT staff in charge.

Just the labels "IT project" or "ERP project" indicate a project driven by tools or technical considerations. The future user will probably have the same perception and will act passively. The *Business Case* will confirm the wrong focus, but only after critical inspection. Vague reasons such as not quantified cost savings or standardisation will not create motivation. A *Business Case* with this lack of concreteness will probably also not have been prepared by the customer and owner of the project. It will have been prepared by the (internal) supplier.

---

[1] Because the *Senior User* is ultimately responsible for the quality criteria, the Project Manager should not necessarily be a subject-matter expert. Far more important will be a focus on the process and on measurable products and an "open mind".

[2] The term "Sponsor" is not used by PRINCE2. The term Sponsor indicates a lack of commitment; consider a sponsor of a sport club. A sponsor will not take the required responsibility. That is why PRINCE2 uses the term *Executive* as the owner of the *Business Case*.

Two opposing Business Cases; long term and short term.

Customers and (internal) suppliers have different interests. Only (internal) suppliers, such as a CIO or an IT department, will disagree. In Figure 1 a diagram presents the differences. A project will be started because an improvement is possible or because of a necessity. A project means: enabling change. An often heard remark is that people (users) do not want to change. Reality however is that people usually do want to change but do not want to be changed. Change forced upon them by external parties, for example by (internal) suppliers, will in most cases meet resistance. Change where necessity is felt and where the benefits are understood, will in general be supported: *what's in it for me?*

Projects are about change from the existing situation at the start of the project to a new situation after the project. The project will deliver Business Products to enable new, beneficial behaviour by the users. As a consequence Business Products should be tools recognised by the users and even more so, products with quality requirements specified by the users.

> PRINCE2 makes a distinction between three types of Business Cases as justification for the project:
> 1. A positive *Business Case* expecting measurable improvements (*Benefits*).
> 2. A negative *Business Case*; the project is necessary but does not deliver improvements. Think about Legal requirements.
> 3. A negative *Business Case* to mitigate risks but the project does not deliver improvements. Think about Y2K (Year 2000) projects.
>
> A supplier will usually see only one type of *Business Case*: profit (or in case of an internal supplier: more budget, influence, power).

The points made in Figure 1

- The diagram below (Figure 1) shows how the *Business Cases* from the customer and the supplier conflict: the cost of the project for the customer are directly related to the benefits for the (internal) supplier. That will be turnover in a commercial environment; power, influence and higher budgets for an internal supplier.
- Also Figure 1 shows the different perceptions by customers and (internal) suppliers. A customer should have an interest in the long term. What is the required improvement or change? Suppliers however have a focus on the delivery of products during the project and usually have an incomplete or sometimes even incorrect vision on the improvement for the customer. After all they do not take part of the environment of the customer and usually are internally focused: on their work.
- A product has a life span that spans from the initial idea through development and usage to eventually being abandoned. A project is in the PRINCE2 vision responsible for the development or for the change of a product. Therefore a product will have a longer life span than a project. A product can in time be changed by several projects.
- Products do not deliver value or benefits unless they are used. It is the *Senior User's* responsibility that benefits will be realised, usually after the project. This is the reason why the Senior User will be responsible for the specification of products with measurable quality criteria before development begins. Specification based on the conviction that products will be required to realise benefits. A complaint often made by IT staff is that "users never know what they want". The reason will probably be that discussions are too early on a too low level (technical products, not *Business Products*). A result of a leading role of the (internal) supplier.

- To ensure (technical) support of products, usually agreements will be made with other departments: functional support, technical support, a helpdesk. These departments can be considered as a special group of users. They will also have to specify their measurable requirements before the work starts.

- Because realistically not everything can be defines at the start, PRINCE2 describes the principle of *Manage by Stages*. Not everything in het project will be planned in detail but detailed plans will be made and executed stage by stage. Also here the philosophy of the focus on *Business Products* is important. The *Executive* and *Senior User* will (almost) certainly be unable too assess the planning and results of Technical Products and technical phases.

- After each *Management Stage* an assessment will take place to review the reasons and viability of the project as well as the status of the project. *Business Case* and *Project Plan* should be updated to reflect the current status.

- Another benefit of the *Focus on Business Products* and working with *Management Stages* will be that per stage workable products will be delivered. In case of premature closure the project will always have delivered something useful resulting in improvement (but obviously less than was originally expected). When the focus is op technical products, this will be far less likely. A useful *Business Product* will in most cases be delivered only at the end of the project when the technical side and the (internal) supplier are dominant. In case of premature closure done investments will not result in value.

> An example of an environment where the internal supplier is dominant with subsequent consequences.
>
> In an organisation where the IT department had a lot of power and influence, a director of an IT department told me with great pride about an IT tool that was of the greatest importance for the main work of the organisation. I assumed that they used a well known commercial tool with an excellent reputation. But the director told me that this tool did not meet the needs because the organisation was too special. The director's department according to her created a far better tool (I wisely did not show my already raised doubts about de quality of the IT department). She continued to tell me that they actually had created nine (!) of these tools. The first two did not meet the needs, but the third was generally in use. But the IT department was not happy with the third tool and was adamant it could be improved. So they created six more versions. Unfortunately the users did not understand how good the six different tools were and they were not used. Still only the third version of the tool was used.
>
> This is not an unique incident. Lots of waste is caused by projects steered by (internal) suppliers. Suppliers with the opinion that the users simply do not understand…
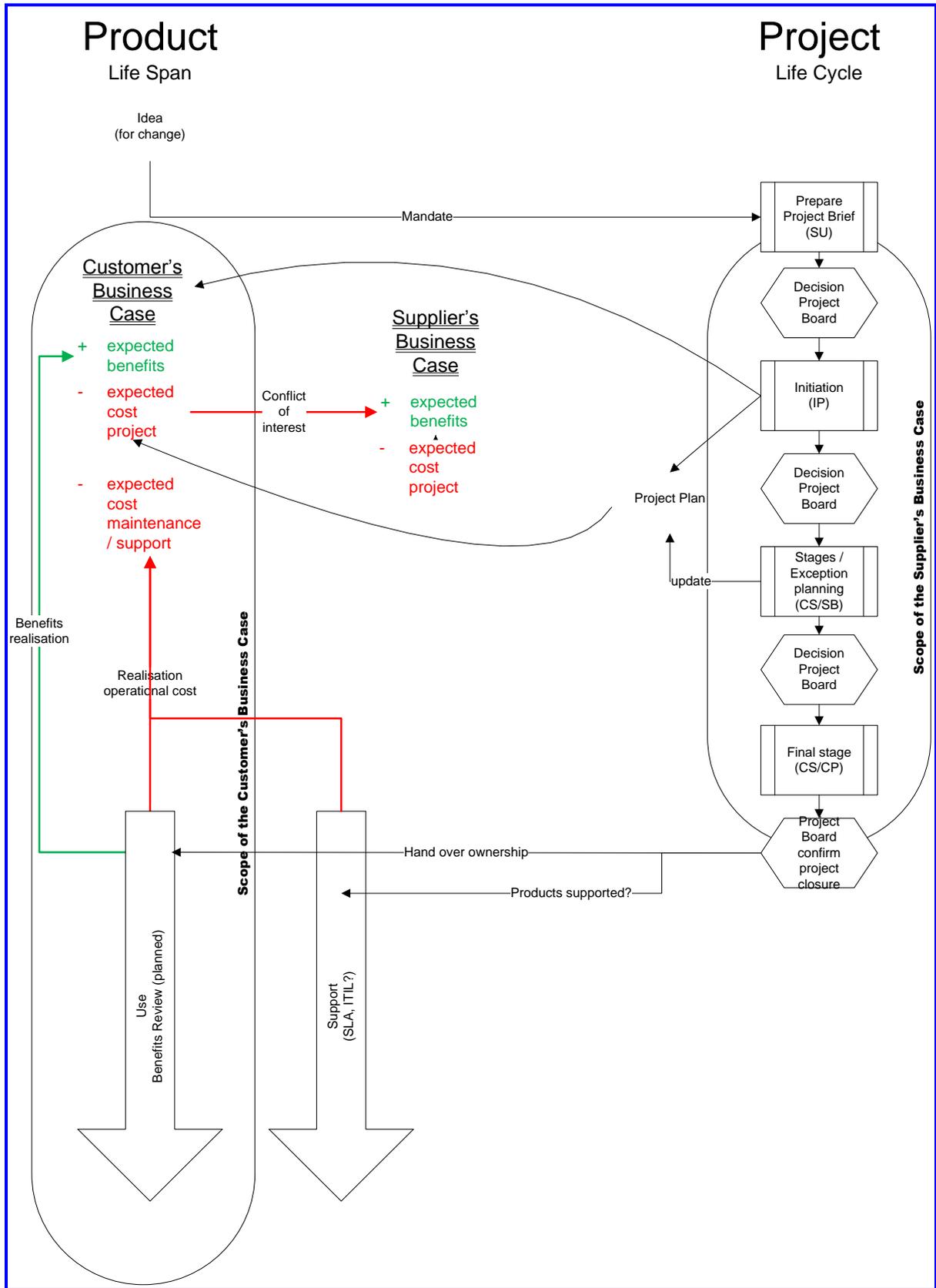
- If the principles are properly applied, the *Project Board* can limit itself to taking the main decisions while staying up to date through reports and ad-hoc verification. This is called "*Manage by Exception*". To enable this, the Project Manager needs tolerances as part of the plan (and the *Business Case*), a bandwidth within which escalation to the *Project Board* will not be required.

NVi
Project Management

Product
Life Span

Project
Life Cycle

Idea
(for change)

Mandate

Prepare
Project Brief
(SU)

Decision
Project
Board

Customer's
Business
Case

+ expected
benefits

- expected
cost
project

Supplier's
Business
Case

Conflict
of
interest

+ expected
benefits

- expected
cost
project

Initiation
(IP)

Decision
Project
Board

- expected
cost
maintenance
/ support

Project Plan

update

Stages /
Exception
planning
(CS/SB)

Decision
Project
Board

Benefits
realisation

Realisation
operational cost

Scope of the Customer's Business Case

Scope of the Supplier's Business Case

Final stage
(CS/CP)

Project
Board
confirm
project
closure

Hand over ownership

Products supported?

Use
Benefits Review (planned)

Support
(SLA, ITIL?)

Figure 1, Products and projects; different perceptions by customers and suppliers

PRINCE2 for suppliers; how?

Two Project Managers?

An option that is frequently used is the option of two Project Managers. Both the customer and the supplier supply a Project Manager. Who will be the boss? Having two captains on one ship is not particularly sensible. Many suppliers will claim in this situation that there will be equality and distribution of tasks, fro example external communication versus internal communication and managing the specialists. If the customer's Project Manager is asked, the answer will be that there is only one "boss": the Project Manager supplied by the customer.

When the PRINCE2 model is applied, there will be only one conclusion: the supplier's Project Manager is not a Project Manager, but a Team Manager under the control of the customer's Project Manager.

A trap is that the customer's Project Manager is supplied by the internal supplier, for example the IT department. The consequences of not understanding the conflicting *Business Case* of the internal supplier will often have severely negative consequences.

A Project Manager by the supplier; other views?

PRINCE2 is strongly based on the quality vision by Edwards Deming, probably best known for the Deming cycle:
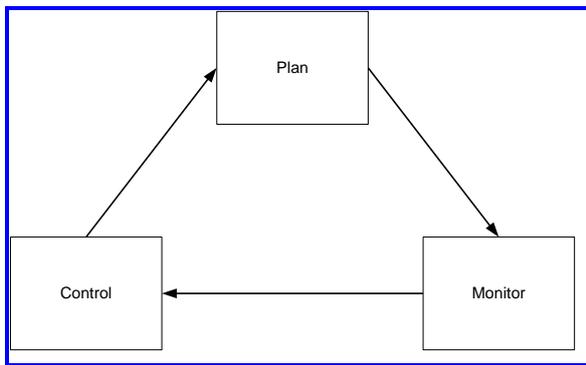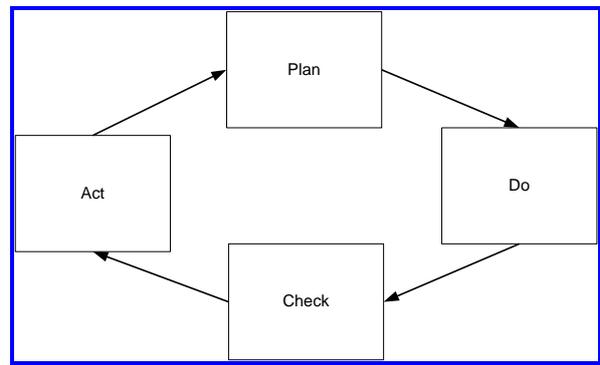

Figure 2, Deming Cycle for managers

Figure 3, Deming Cycle for delivery

Especially in Japan Deming gained an enormous status because of his vision on integral management of quality and effectiveness. Apart from the Deming cycle he became famous for his statistical analysis of quality and because of many related statements, such as: The customer of a process is the next process. This statement forms the basis for the rest of this article.

A project serves the purpose to deliver products to users who subsequently in a relatively stable (*Business as Usual*) situation can provide their services to external and internal customers. As stated before also maintenance, support and helpdesk can be a part of the customer of a project. After the project they will provide their services to the end-user of the products of the project.

The project will require the quality criteria from the users to create products. After acceptance (confirmation that the product satisfies the requirements) by the user, delivery is complete and the user will become the owner, as Figure 4 shows.
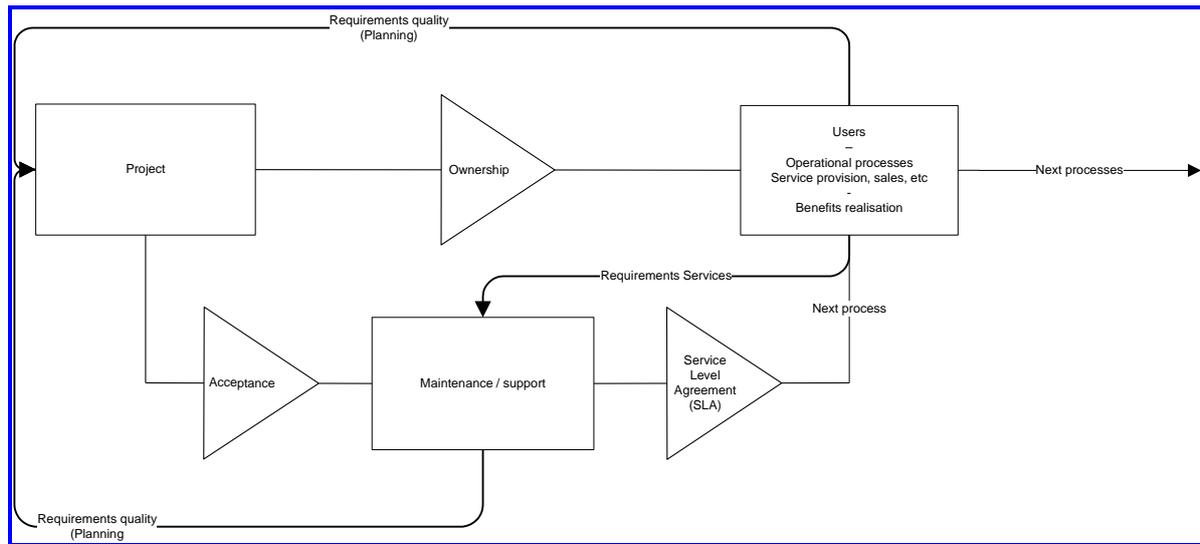
Figure 4. The customer of a process is the next process

Within a project the Project Manager is responsible for delivery of the Business Products according to the requirements of the users. This means that the Project Manager has to make sure that the requirements are specified and that technical teams deliver the required quality. In a small project the Project Manager will take on the role of Team Manager; in a larger, complex project separate Team Managers will be appointed, normally supplied by the (internal) supplier. PRINCE2 project management therefore implies more than managing teams. The most important part for a PRINCE2 Project Manager is handling the environment of the project: communication, reporting, risks and issues (changes, problems, etc.). That makes the focus on the *Business Case*, a properly functioning *Project Board* and a focus on *Business Products* the highest priorities, not managing technical teams.

Depending on the nature of the project sometimes it will be possible to contract out a part. In this case the supplier can set up an "own" subproject; see Figure 5.

The Project Manager will assign work to a Team Manager in the form of a *Work Package*. After the acceptance of the assignment by the Team Manager the work will take place. If the assignment is contracted out, the supplier will need to apply more control because of the viability of their own *Business Case*. The supplier will see their Team Manager as Project Manager.

To control dependencies within the planning and with other teams and projects, also in case of a contracted out part of a project it will be sensible to have the supplier in the *Project Board* in the role of *Senior Supplier*. Especially in this case communication will be of the highest importance and the risk of misunderstanding severe.

The person filling the role of *Senior Supplier* will in their own organisation probably have a commercial role (Account Manager?). Here will be the responsibility to deliver to the customer. The products will be produced and will have value to the supplier because they are delivered to the customer for money in return. In a PRINCE2 project creation of value will be part of the responsibility of the *Senior User*; in the supplier's subproject the Account Manager will have this role. This role – and the contracting out of a part of a project – is obviously only possible in situati0on where the product is specified clearly (Fixed Time, Fixed Cost, Fixed Quality, Fixed Scope) as part of the assignment. That is why this model might well be workable in construction. But in projects where

behaviour will be changed, for example with a (large) IT component, contracting out and this approach will be almost impossible, unless the customer is willing to accept very high margins for the supplier and/or a lot of uncertainty and changes. The supplier will usually work on basis of time and material.

This also explains why many public tenders by Public Sector lead to high cost of extra work. On basis of vague specifications of requirements for a large scope, selection of the supplier will be based on cost and vague promises. A bad bargain is dear at a farthing; quality pays.

If the Account Manager is not only held accountable for turnover but also for profit in his or her company, this person should also take responsibility for the role of *Executive* for the supplier's project. If accountability for profit is placed somewhere else in the company and the assignment is to be authorised by another person, then this person should fill the role of *Executive*.

Obviously it will also be an option to appoint those who act as *Supplier Assurance* (if delegated) in the "customer's project" to a directing role in the subproject for the supplier (dotted lines).

An (internal) resource manager by the supplier will assigned to the role of *Senior Supplier* to ensure that sufficient staff, means, knowledge and skills will be available.
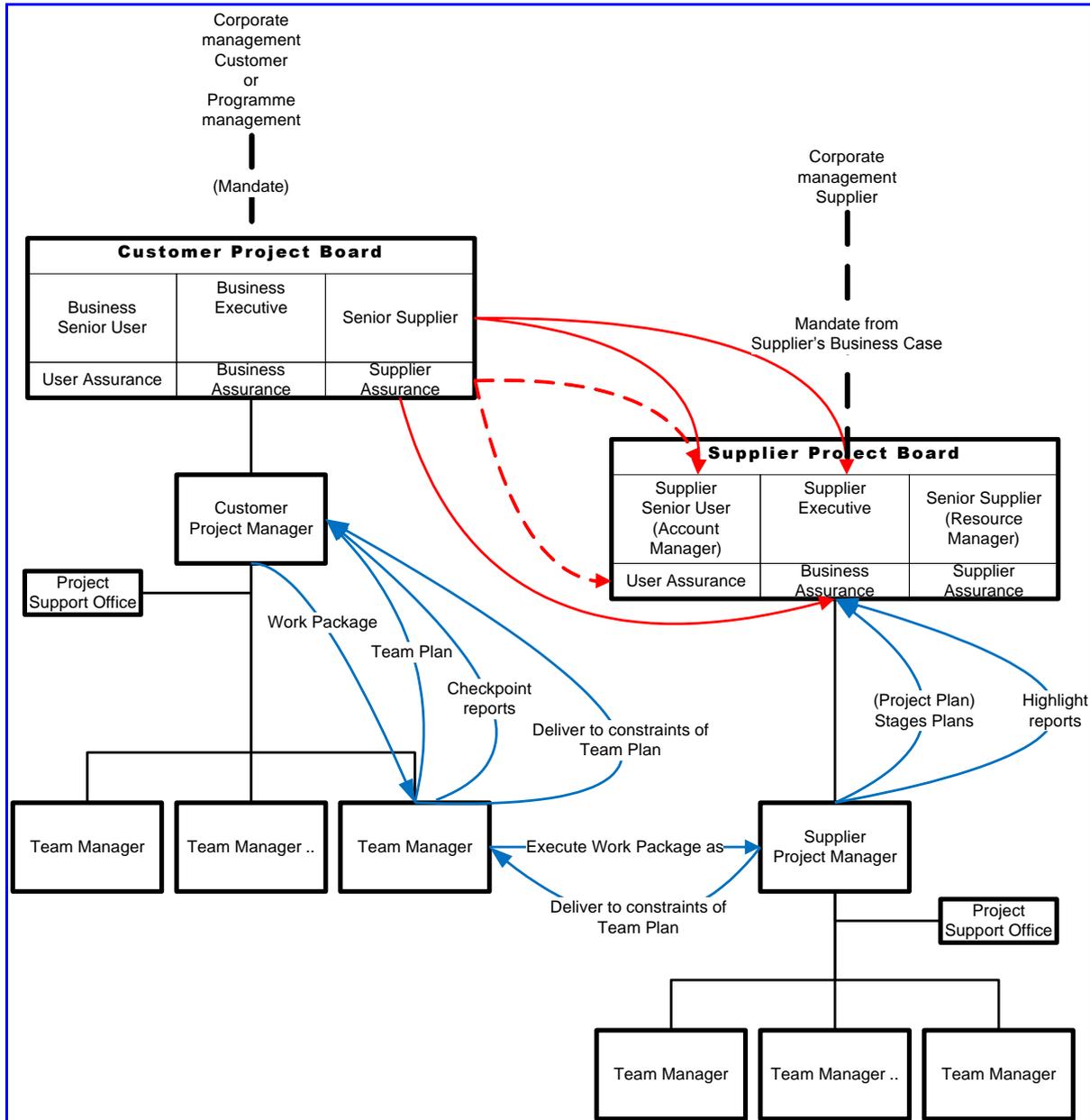
Figure 5, Project organisation; the project and the subproject for the supplier

As Figure 1 shows the customer's Business Case sits on a higher level (is leading) than the supplier's Business Cass. In line with that also the *Project Management Team* for the customer's project sits on a higher level than the supplier's one, as Figure 5 shows.

Issues and risks of this approach

Clear requirements?

The model can only work if the assignment (*Work Package* around the *Product Description(s)* with measurable quality criteria) is completely clear, not just in terms of time and money. Also the model will only work under the condition that very limited communication will be necessary about scope and quality between the supplier on one side and the Project Manager and the users on the other side. Where this is often quite possible for Construction projects (*turn-key*), this will be mostly unworkable, even impossible for projects with a soft side: change in the organisation, tailor-made IT.

In these cases the team should work under complete control by the Project Manager based on time and cost/material.

Who is the boss? Clear roles.

PRINCE2 states quite rightly that direct communication will occur between the Team Manager and the Senior Supplier without the Project Manager being involved. Unfortunately on this topic the PRINCE2 2009 version contains a number of dangerous suggestions. According to PRINCE2 2009, the Project Manager should not be able to see all details of a *Team Plan* because it would contain confidential information from the supplier.

> PRINCE2 discusses six dimensions to be managed as part of the plans:
> - Time
> - Money (and other resources)
> - Quality
> - Scope
> - Risk
>
> And as part of the Business Case:
> - Benefits

Supplier Assurance (part of the *Senior Supplier* role) should even play an active role drafting and approving a *Team Plan*.

A *Team Plan* (optional, when necessary) seals the agreements between the Project Manager and the Team Manager and is to be approved by the Project Manager. Confidential agreements between the Team Manager and the Senior Supplier should not be part of a *Team Plan*, should be excluded from the PRINCE2 framework, unless discussed as a risk like in the PRINCE2 version of 2005 and previous ones. The suggestions in the PRINCE2 2009 version on this topic increase the risk of internal politics and undermine the role of the Project Manager and therefore the principles of Roles and Responsibilities and of Manage by Exception.

The model described above contains the same risks of unclear roles and communication, but now these risks are made explicit.

Figure 5 shows explicitly that the Team Manager will receive instructions from two sides:
- As Team Manager in the customer's project a *Work Package* by the Project Manager
- As Project Manager in the supplier's subproject based on the supplier's Business Case.

In the same way Figure 5 shows that there will now also be two forms of reporting:
- As Team Manager in the customer's project: *Checkpoints* to the Project Manager
- As Project Manager in the supplier's subproject: *Highlights* to the *Project Board*

It will be obvious that this approach may cause a lot of confusion and risks. The main risk will probably be caused by the distance between the customer's project and it's Project Manager on one side and the supplier's subproject with inconsistencies between the Checkpoints and the real situation: the supplier will intentionally or unintentionally keep quiet progress and problems and the customer's project will possibly find out too late. The model depends on clear agreements on responsibilities, scope, quality and communication.

Never IT projects?

In this article I mentioned that IT projects do not exist; in line with PRINCE2 there are only projects with a business justification delivering *Business Products*. But what if IT is the de Business? It is often claimed that project scan be started by an ITIL environment (maintenance and support). By an ITIL environment two types of issues can be identified:

* The product causes problems for the user, but the problems do not have a technical nature.
* The product causes (or may in the future cause) technical problems

In the first case, if the product causes problems for the user, the problems are on the level of a *Business Product*. The customer should take action to resolve the problem as described before. A project directed and owned by the customer with a valid *Business Case* will change the product after the definition of different quality criteria.

If problems are caused by (future) technical failure, the ITIL environment will start a project. The *Business Case* will in this case be justified the terms of a *Service Level Agreement* (SLA) can not be satisfied. In a commercial environment this will be obvious but also in case of an internal ICT department this should be the approach.

Examples could be:

* A new release of systems software, like a database system
* Replacement of hardware, like a server or cabling

It should be obvious that a user will not express a functional requirement or should want to have influence. If test by the users are necessary, these tests should take place under the responsibility of the IT supplier with the users being "contracted".

Why was I not told before?

Does this article reflect a different vision on PRINCE2 than the perception that is common within your organisation? Another vision than expressed during a PRINCE2 course? It is probably wise to consider the motivation of your supplier of PRINCE2 knowledge. Many PRINCE2 training and consultancy is offered by typical (IT) suppliers with their own *Business Cases* and their own perceptions. Many (internal) suppliers claim they supply PRINCE2 Project Managers.

From their own perceptions, not in line with PRINCE2, they may not agree with this article. Driven by their own interests and *Business Case* this article (and PRINCE2 as a whole!) may be a threat. According to this vision they will not be able to supply project managers, consultancy and training really in line with requirements.

This article is fully and verifiably consistent with the PRINCE2 theory. Following the principles as discussed in this article can and will lead to considerably better results, less waste of time and money, less frustration of staff and less risks.

Reactions on this article? Questions? I look forward to hearing from you!

Nico Viergever

Weigeliaplein 59
2563 PJ Den Haag
Nederland

Tel: +31 651334258

http://www.viergever.info

Email: nico@viergever.info

Op mijn Website zijn de volgende documenten over PRINCE2® en MSP™ te vinden:

➢ PRINCE2 in een notendop; de essentie van PRINCE2 in slecht vijf pagina's

➢ PRINCE2 Principes; worden de principes wel toegepast? Wat veroorzaakt de ineffectiviteit van PINO?

➢ PRINCE2 en MSP in relatie tot elkaar en andere methodes en aanpakken, zoals ITIL, PMBoK en Agile methodes. Raakvlakken en vooral culturele verschillen.

➢ PRINCE2 (niet) voor leveranciers; waarom PRINCE2 niet voor leveranciers bedoeld is en hoe zij dit model misschien toch kunnen toepassen

➢ Hoe voer je een methode als PRINCE2 in? Overwegingen, valkuilen en praktijkvoorbeelden

➢ PRINCE2 Life Cycle; hoe de Business Case zich ontwikkelt gedurende een project

➢ PRINCE2 Procesmodel; wat is de *process flow* en wie is verantwoordelijk voor welke processen?

➢ PRINCE2 tijdens Stages; een overzicht van PRINCE2 processen die tijdens Stages gebruikt worden

➢ Special: SPEER - ERP/SAP programma bij Defensie

➢ Special: Commissie Elias, ICT Projecten en cultuur

http://www.viergever.info/nl/downloads.aspx

On the topics of PRINCE2® and MSP™, the following documents are available on my Website.

➢ PRINCE2 in a nutshell; the essence of PRINCE2 is only five pages

➢ PRINCE2 Principles; are the 7 principles applied? What causes the ineffectiveness of PINO?

➢ PRINCE2 (not) for suppliers; why PRINCE2 is not aimed at suppliers and how they can possibly use the model

➢ Programmes and Projects; how do projects and programmes relate and interface? What is MSP and how to use MSP in combination with PRINCE2.

➢ How to implement a method such as PRINCE2? Considerations, pitfalls and examples

➢ PRINCE2 Lifecycle; the product life span versus the project life cycle

➢ PRINCE2 Process Model; shows the *process flow* and who is responsible for what processes

➢ PRINCE2 during Stages; details of the PRINCE2 processes used during Management Stages

➢ Method Integration; can ICT development approaches such as RUP, SCRUM, Agile, etc, really be combined with PRINCE2 (and MSP)?

➢ PRINCE2 and SLA; how does PRINCE2 cope with service level agreements and with support (ITIL) after the project?

http://www.viergever.info/en/downloads.aspx

PRINCE2® and MSP™ are Registered Trade Marks of the Office of Government Commerce in the United Kingdom and other countries