Application of PRINCE2 Project Management Methodology

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Abstract

The methodology describes the principle of setting a project in PRINCE2 project management. The main aim of the paper is to implement PRINCE2 methodology to be used in an enterprise in the service industry. A partial aim is to choose a supplier of the project among new travel guides. The result of the project activity is a sight-seeing tour/service more attractive for customers in the tourism industry and a possible choice of new job opportunities. The added value of the article is the description of applying the principles, processes and topics of PRINCE2 project management so that they might be used in the field.

Key words

Small and medium-sized enterprises, services, tourism sector, life cycle of the project, project management, PRINCE2 methodology.

JEL Classification: L 83, L 84, O 22.

Introduction

After joining the European Union, the business environment is characterized by a relatively high degree of openness of the economy, harmonization of national regulations with EU legislation, decreased income tax rates, a high level of employee protection (termination of employment), a limited capital market, a consolidated banking sector, rights, inflows of foreign investment, and improving choice of industrial green-field projects (Vochozka, Mulač a kol., 2012).

As reported by Kovář, Hrazdilová and Bočková (2016), small and medium-sized enterprises account for almost 90 % of the total number of enterprises with a share of 50-70 % of total employment and a share of 30-70 % of GDP. CzechInvest (2014) defines micro-enterprises, small enterprises and medium-sized enterprises as businesses with less than 250 employees whose annual turnover is below EUR 50 million or their annual balance sheet total is below EUR 43 million (Rodney Turner, Ledwith, Kelly, 2009).

Regarding the small and medium-sized enterprises, small enterprises are defined as those with less than 50 employees whose annual turnover or annual balance sheet total is below EUR 10 million. Micro-enterprises are defined as those with less than 10 employees whose annual turnover or annual balance sheet total is below EUR 2 million.
The small and medium-sized enterprises are supported by a document called Koncepce podpory malých a středních podnikatelů na období let 2014 – 2020 (Support for Small and Medium Sized Enterprises for the Period of 2014-2020) under Act 47/2002 on Support for Small and Medium Sized Enterprises. There are also a lot of organizations supporting these enterprises, such as the Czech Invest Investment and Business Development Agency, the Czech Trade (Government trade promotion agency of the Czech Republic), the Czech Export Bank, EGEAP (Export Guarantee and Insurance Corporation), the South Bohemian Chamber of Commerce, the Regional Development Agency of South Bohemia, the Agrarian Chamber of the Czech Republic, Information Centre of the EU (Strakonice.cz, 2014).

The advantages of small and medium-sized enterprises include less complicated management structures (Wautelet, Kolp, 2016), better market flexibility and addressing market gaps, creation of new jobs, and support for the development of towns and municipalities. On the other hand, they are limited by a low market share, a lack of capital and more difficult entry into foreign markets. Common failures of small and middle-sized enterprises include inappropriate choice of core business, localization, employees, and inefficient management and strategy (Smyth, 2014).

Tourism is defined (Ryglová, Burian, Vajčnerová, 2011, p. 18) as the activity of a person travelling for a temporary period to a location outside their traditional location, for a shorter period than specified, the main purpose of such activity is different from a professional or trade activity. Business in tourism industry is not a single year business; sometimes a businessman has to deal with a difficult season. The sector is dependent on natural and historical attractions, such as localization factors, natural and social attractions, and political and administrative conditions such as selective factors (cooperation, management, political situation) and implementation factors such as transport, accommodation (Lišková Dvořáková, Klufová, Škodová Parmová, 2016). Due to a growing standard of living and new technologies, tourism is more accessible to more people; it is an inherent part of the life of a consumer society. As the industry is progressively developing, it is necessary to respond to new and emerging markets, especially in the European Union and Asia. The area of environmental protection and sustainability for future generations and safety for travellers are priority issues. It is also necessary to consider changes in the preferences of consumers in terms of the age category, e.g. programs for generations 50+, growth of family income (in case of 1 %, spending is 2-2.5 % in the Czech Republic) and interest in self-education mostly language courses. It is always appropriate to approach consumers’ needs individually. In the Czech Republic there are about 1400 travel agencies, most of which are small businesses. The biggest competitors in the market include Čedok, Exim Tours a Firo – tour. Travel agencies and tourist offices services are defined by Government regulation 278/2008 Sb., on the contents of individual trades, as amended; and by § 2 of Act 159/1999 Sb., on conditions of business in the tourism industry, as amended (Česko, 2010).

The European Union divides countries into NUTS (French: La Nomenclature des Unités Territoriales Statistiques), (Politika Regionální, 2013) for statistical purposes and assessing the level of the regions and determining their support from EU funds. In the Czech Republic, there are the CZ-NUTS with the following levels: NUTS 5 - municipalities (České Budějovice), NUTS 4 - districts (České Budějovice), NUTS 3 - (South Bohemia region), NUTS 2 – Southwest region and NUTS 1 - the Czech Republic (Český statistický úřad, 2012).
The most important town of the region South Bohemia is located in the middle of the region near many natural (Třeboňsko) and cultural sites (Český Krumlov – UNESCO).

Integrovaný plán rozvoje území 2014-2020 (Integrated Territorial Development Plan 2014-2020), proceeded by Strategický plán rozvoje města (Town Development Strategy) aims to strengthen the competitiveness and quality of life of citizens in České Budějovice through the development of infrastructure, competitiveness, education and environmental sustainability of the territory. The integrated plan is held by the Statutory City of České Budějovice with the gradual involvement of users, i.e. municipalities, working groups in culture, education, sport and entrepreneurship and the public by the methodological instruction of the Ministry for Regional Development of the Czech Republic.

By Český statistický úřad (2014), the region of South Bohemia is the third most attractive region for tourism as reported by Strategie rozvoje cestovního ruchu v Jihočeském kraji v období 2009-2013 (the Strategy of the development of tourism in the region of South Bohemia in 2009-2013). The development of the industry is possible due to natural, cultural and historical heritage of the region. The strategic development vision is designed to support the competitiveness of business entities and human resources (Vnoučková, Urbancová, Smolová, 2015) with an emphasis on the natural, historical and cultural heritage, by increasing the availability of public and private services for residents, entrepreneurs and tourists, while respecting the principles of sustainable development. Next paragraph of project management is dependent on the people, i.e. the bearers (Kerzner, 2013). The PRINCE2 project management methodology application is based on experience of professional project managers (Şimşek, Gümüşkaya, 2013). The advantages of the methodology include usability, definition of project responsibility and reuse in project management with emphasis on the quality of the project output. The Cio Stuff journal (2011) compares the project management methodologies such as PMBOK, PRINCE2 and Agile. The results revealed that Agile is better for a small project and PMBOK is more useful if the project is managed by a single person (Yen, Peng, Gee, 2016). PRINCE2 offers a standard approach to management. Its project management methodology is mainly used by government and global organizations. PRINCE2 implements project management based on four pillars of the methodology, i.e. Principles, Themes, Processes and Adaptation PRINCE2. Principles are mandatory elements that guarantee project management. The themes point to the philosophical aspects of the project, realized through the processes at the beginning, during the implementation and at the end of the project.

The principles were based on experience from the previous projects (both successful and unsuccessful). If the project is to be managed with the support of the PRINCE2 methodology, the principles need to be respected because they are defined as universal, applicable to any project and supporting, offering the possibility of adapting to project management and its needs (see Figure 1).
Managing by stages allows a regular assessment of the last stage and proceeding to the next stage. An advantage of such attitude is a possibility to break the project up into manageable chunks (Guide, 2008). The number of stages depends on the size of the project and related risks (Bentley, 2010).

Space between paragraphs according to the template Prince2 methodology, the project should focus on products, i.e. the description, purpose, composition, origin, structure, qualitative criteria and methods. The product description guarantees determination of labour, resource requirements, interdependence and schedule of activities, tailored to any project environment. If PRINCE2 is incompatible with the environment, project management is not adequate.

A business case answers the question Why? A project must be based on a viable Business case. The business case must be verified before the project is realized. Project organization answers the question Who? It is a definition of roles, relations and responsibilities of all the people involved in the project. Quality answers the question What? It describes expected customer quality, including quality control. Plans answer the questions: How? How much? When? Plans are tailored to the size and needs of projects. The risk relates to the question: What if? Risk management and anticipation are an essential part of the PRINCE2 methodology. The change relates to the question: What is the impact? Development is related to the question: Where are we? Where do we go? Should we continue? (see Figure 2).
Figure 2  Organization and program management

PRINCE2 methodology defines the following processes during the life cycle of the project:

Starting up a Project - this process is gathering the information necessary for the project, appointing an executive and a project management team, decision on the attitude applied in the project, defining the quality expected by the customer, planning the work needed to prepare an agreement between the customer and the supplier, creating a project manager’s log (recording the first risks, etc.).

Initiating a Project - the aim of the process is to verify whether the project has business merit, including defining the project parameters. A document called Project Initiation Documentation is assembled and used to assess the success of the project. Furthermore, strategies for quality, risk, configuration and communication are assembled.

Directing a project - the process is owned by senior management whose goal is to delegate responsibility for project success to the Project Board. It means the standard setting of activities delegated by the project manager and his team. Higher management implements the preparation and approval of the project plan, the approval of the project implementation, the project viability check, the monitoring of the progress and the successful completion of the project.

Controlling a stage - this process describes the day-to-day activities of the project manager to monitor the progress of the project and to check the individual activities. Project Manager implements activities such as work approval, information gathering, risk monitoring, situation review, reporting, and possible corrective actions.

Managing product delivery - the process ensures communication between the project manager and the team of experts, especially if the project team comes from the
contractor. The process includes, for example, planning, verification, reconciliation and assignment of assigned team work according to the required quality, reporting to the manager and accepting the products.

Managing stage boundaries – the aim of the process is to finish a stage and to plan another, including updating a project plan; updating a project business case; updating the risk register; reporting stage end; and transition to the next stage.

Closing a project – covers the process to comply with the project manager’s request to terminate the project in due time after the project goals are met. The output of the project end phase is to record the scope of the project’s objectives, to confirm customer satisfaction with the product, to ensure measures appropriate for maintenance and support of the project, to gain experience from project implementation and to report on the contribution of the project.

The PRINCE2 methodology is the most common, as reported by Caulking, Davies (2007), and it is also recommended by the European Union and the governments of the member states. Unfortunately, it is not so widespread in the Czech Republic and Slovakia as noted by Rajnoha, Dobrovič (2017) and by Hrazdílová Bočková, Gabrhelová, Hilčíková (2015) too. Companies using PRINCE2 are usually foreign commercial agencies (Smithson, Charalabidis, Askounis, 2010) such as ČSOB, DHL, Fujitsu Siemens, ING, Tesco Stores, and Lease Plan. The most important subjects outside the Czech Republic using PRINCE2 include Deutsche post, NATO, OSN, EU and also some states such as Germany and the Netherlands.

The uniqueness of the PRINCE2 project management methodology is seen by the author of the paper in its versatility and adaptation to a particular environment. To determine the size of an enterprise, it is possible to follow the definition of medium and small businesses according to EU standards.

2 Methodology and objectives

In the paper (Application of PRINCE2 project management methodology) PRINCE2 methodology was applied to an enterprise in the sector of services.

The projects aim was to offer a more attractive programme of a sight-seeing tour with a more attractive range of sports activities for groups of less than ten people. It should provide customers with knowledge of the country including its cultural and natural heritage, culinary and gastronomy, travel options, e.g. by boat, plane, bus, bicycle or on foot. The clients may be offered leisure sports activities such as walking trips, cycling and mountaineering, rafting, sea kayaking and skiing, and unusual accommodation such as family farms with agro-tourism, farms and ranches, boarding houses, hotels and

sleeping outdoors „beneath the stars“. The clients could also try how to make sheep cheese and Bryndza (a type of sheep milk cheese), milking goats and cows, and picking herbal medicines, such as true lavender). The trips were realized in Central and Eastern Europe.
A partial aim of the paper was to choose a supplier of the project among new travel guides. The local residents from the Czech Republic, familiar with local cultural customs and traditions, respecting the civic life and the natural beauty of the area, who are currently unemployed, were engaged.

The result of the project activity was designing a more attractive tour / service program for tourism and tourism customers with the possibility of offering new jobs.

A target customer was defined after a questionnaire survey in March and April 2016. The gender-balanced target group consisted of sporty young people aged 18-36 from the locality of South Bohemia. There were 68 participants.

The added value of the paper is the description of applying the principles, processes and topics of PRINCE2 project management so that they might be used in the field.

The following hypotheses were prepared:
1. Using the PRINCE2 project management methodology, the success of the project is more likely to be achieved, when the PRINCE2 provided methodology is followed.
2. The PRINCE2 methodology is applicable to any business and project.
3. PRINCE2 is not used to create regular services such as newspaper sales.

3 Results and discussion

The paper presented a sample enterprise of the tourism industry. The legal form of the enterprise was a limited liability company (see Figure 3).

![Figure 3 Draft of the project plan](image)

The life-cycle of the project has seven stages. The result of the Project start-up was appointing a project sponsor and a project manager. Since it is a small enterprise,
the start of the project was the responsibility of the founder of the limited liability company. Before the project start-up, a mandate of the project was defined, coordinating description, scope, goals, a responsible person, a business case, risks and expected quality of the project.

Based on market, industry and competition analysis, the results of situational analysis were designed, pointing to recurring mistakes, such as a consistent range of services, seasonal prices, limited cost calculation, and inappropriate choice of suppliers, untimely advertising, or unfavourable sales promotion. Based on the questionnaire survey, the target customer was defined, i.e. young people from the South Bohemia aged 18-36.

The SWOT analysis found that a limited liability company discloses strengths and opportunities for doing business on the global market. For a start-up company, the offensive position is advantageous; it supports a steady clientele, credibility, and financial stability.

As revealed by Porter’s Five Force Analysis, the threat of industry rivalry is not alarming anyhow, although an entry into the industry is not simple, it requires some extensive activities, e.g. obtaining a concession to run a travel agency, and insurance against bankruptcy. The substitutes in the tourism and tourism sector occur to a small extent on the market, because most travel agencies are focused on holiday trips, and the attractiveness of the industry attracts potential competitors. For a limited liability company, it is crucial to maintain a permanent clientele and attract new potential customers with an emphasis on the attractiveness of the industry and a unique offer of sightseeing tours together with the possibility of sports activities according to the clients' interest. A significant impact on the functioning of society is related to a socio-cultural area, as confirmed by the STEPL analysis. The technology area appeals to the prevention of the moral wear and tear of long-term assets and the political-legal area is closely related to business in the service sector.

In the Initiating the Project stage, the requirements for quality management, risk, communication, documentation including project implementation requirements, were drafted. For quality management activities, the offered service, i.e. sightseeing tours and accompanying service of a travel agent vendor, was evaluated. Through the collection of information, the individual life cycle processes of the project were described. Since the start of business requires high entry costs, small businesses often offer cost-priced services, a thorough input/output calculation is required for each process. The low skill level of human capital or the low interest of motivated employees has a considerable impact on customer dissatisfaction (Porubčánová, Vojteková, 2014). Inappropriate choice of a supplier does not allow adequate accommodation and catering services, which affects the lower purchase capacity of the tours. Pleasant equipment of a shop and its interior, but also by intangible means such as music, scent, and lights, creates a pleasant atmosphere in promoting sales, promotion, and advertising effectiveness. Calling for an effective workforce organization increases the performance of service sales (Clayton, Backhouse, Dani, 2012).

In addition, project risks were analyzed, such as the risk of increased inflation, war conflicts, high input costs of the enterprise, low loyalty of customers and employees in the tourism industry. The risks were defined during the life cycle of the project due to possible elimination (the process was assessed by mystery shopping).
Directing the Project stage designed a project plan. In Stage control, the stages were accepted, different tasks and possible risk was identified. The risk was mostly related to the demand for more attractive services such as localization risks - natural and social attractions (Marcelino-Sádaba, Pérez-Ezcurdia, Echeverría Lazcano, Villanueva, 2014).

In the stage of Service Delivery Management, work requirements and work processes were identified ((Verlaine, Jureta, Faulkner, 2016). The output of this stage established a comprehensive offer of services, calculated the cost of each trip, determined the price and created advertising materials. During Project Closure, the services were transformed to final users. No foreign sources were used to fund the project. The project cost calculations in the amount of CZK 363,285 and the expected return on the full capacity of the tours, CZK 2,142,640 reflects the profit of the project.

Based on the hypothesis formulation in the implementation of the PRINCE2 project management methodology, the hypothesis of the higher probability of success of the project, provided that the PRINCE2 methodology is followed, was proved. Using the methodology, the risk analysis, the quality assessment and the timetable plan were designed, eliminating potential discrepancies in the successful completion of the project.

The PRINCE2 methodology is applicable to any business and project. It is versatile and adapts to the area and size of business. The assumption is correct.

PRINCE2 is not used to create regular services such as newspaper sales. The hypothesis is true. Although the company sells sightseeing tours, a new, innovative, timely and specific service offer is always presented, i.e. each project is original and unique.

PRINCE2 Project Management Methodology uses techniques and procedures to help planning by stages, define roles in the organization, control quality and risk management. A valuable Business Case emphasizes efficient resource management. Risk management, project plan and other written documents ensure effective management. The results of the created project are favourable. The project was planned to be successful, as reported by competition and market analysis. The addressed company respond flexibly to any changes in the global market including a competitive ring.

The service was efficiently created using the PRINCE2 methodology and is now being used; the sustainability of the project depends on the promotion of the service (Lau, Wynn, Maryszczak, 2010). For the enterprise, it would be beneficial to use informative, entertaining, experience-based promotion (Dianoux, Linhart, Vnoučková, 2014), attracting users of the service on the first sight. The use of social networks, such as Facebook, Twitter or Instagram, to reach specific target group customers is beneficial from the point of view of effective marketing communication and expected by the enterprise.

The author of the paper decided to apply the PRINCE2 methodology to create a product / service of describing its benefits, simplicity and versatility of applying the methodology to any project.
Conclusion

The main aim of the paper was to implement PRINCE2 methodology to be used in an enterprise in the service industry describing the advantages of the methodology.

A partial aim of the paper was to choose a supplier of the project among new travel guides. The residents from the Czech Republic, who are familiar with local cultural customs and traditions, respecting the civic life and the natural beauty of the area, who do not work, were engaged.

A sample subject for a project should provide a service in the form of a more attractive program of a sightseeing tour with an expanded offer of sport, knowledge of cultural and natural wealth, gastronomic and culinary experiences, and the possibility of travelling by boat, plane, bus, and bicycle and on foot. Accommodation and catering facilities were chosen in the form of hotels, family guesthouses and farms and sleeping in a tent and outside. The goal of the enterprise was to provide an experience service, i.e. to meet customers' special requirements.

The project resulted into a service that offers unique opportunities for clients / users. The submitted project plan was designed according to the life cycle stages of the project, broken down by individual parts, including the evaluation of the project outcome and recommendations for possible measures.

The methodology may be adapted to any project as well as to the business entity; i.e. individual users can also be certified according to the PRINCE2 project management methodology. For a small project with a budget of less than CZK 200,000, the duration of the project (even a period shorter than one month) is the decisive criterion.

In order to achieve the business goal it is appropriate to monitor continuously the global market, optimize business processes, analyze the external and internal environment of the business, and respond to changing consumer preferences. The author of the paper agrees with Bentley’s view (2010) that the result is the change that comes from using the output of the project, and the benefit is the measurable improvement that the result has brought. The author of the paper believes that the PRINCE2 project management methodology offers an effective approach to the implementation of the project with an emphasis on applicability in practice and project management. By using the methodology, the success of the resulting product increases with respect to the procedure, risk analysis and quality of the project life cycle.

References


