# The charter

## selling your project

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## Introduction

The charter is a project's best marketing tool. It is created at the very start of the project, when the selling of the project's goals and ideas needs to begin. It is an ideal place to document the relationships between the project and the organizational strategy. Yet the charter is one of the least talked about deliverables in project management. Scheduling and communication have generated far more attention.

Too many project managers accept a limited role in the framing of the charter. The project manager does not need to write the charter, but the project manager has a role in the process. The project manager needs to demand an adequate charter, and be prepared to create one for the sponsor, if the sponsor does not provide it on his or her own.

Some project managers fail to get an adequate charter because they do not recognize the key components of a charter. A charter should be simple, straightforward, and short, but it must contain certain key elements. Once the basic components of a charter are clear, it is possible to give it a central role in the organization. The charter has a critical influence on any application of organizational strategy, organizational project maturity, program management, and portfolio management.

The charter has grown in importance and visibility in recent years. The third edition of A Guide to the Project Management Body of Knowledge (PMBOK® Guide) added a new process "Develop Project Charter," making it a more visible deliverable than in the 2000 edition. That document remains an exception, though, with many program and portfolio management experts giving little attention to this vital project management

step. There is an opportunity for more integration of the charter into enterprise-wide approaches to project management.

## What Is a Charter?

The PMBOK® Guide, 3ᵈEdition defines a project charter as "a document issued by the project initiator or sponsor that formally authorizes the existence of a project, and provides the project manager with the authority to apply organizational resources to project activities." (PMI, 2004, 368) The key word in this definition is "authority." It authorizes both the project and the project manager.
The PMBOK® Guide lists specific information that the charter should provide, either directly or by reference, including:

- Requirements

- Business needs

- Summary schedule

- Assumptions and constraints

- Business case, including return on investment

  This list is normative, providing guidance on what a charter "should" provide. A document can still be a charter, even if it omits one of more of the information items on the list. If a return-on-investment (ROI) calculation were truly required for a project charter, then few projects could be said to have a charter; experts still argue over whether an ROI calculation is meaningful for regulatory or mandated projects and many IT projects lack ROI analysis.

  Some project managers may be misled by the word "document" in the definition and by the specific list of information in PMBOK. They fear that they do not have a project charter unless they have a specific document formatted with certain headings. PMBOK® Guide does not mandate the use of any specific document format, and project charters can take many forms. Often the charter appears in the form of a free-form e-mail or memo.

  The definition itself gives the critical questions that determine, "Does a project have a charter?" These questions are:

- Does the sponsor know the project exists, and does the sponsor agree that it should exist? (authorize existence)

- Does the sponsor know who the project manager is and does he or she support that person's leadership of the project? (authorize the project manager)

- Has the sponsor given the project manager authority over money, people, and other organizational resources, in order to accomplish that project? (authority to apply resources)

- Has the sponsor ever written an e-mail, written a memo, spoken at a meeting (preferably a meeting with documented minutes) indicating, even implicitly, a "Yes" answer to the questions above?

  A "yes" answer to these questions means that the project has a charter. Restated this way, it is clear that all successful projects must at some point have been chartered. If a project were not chartered, the project manager would likely be fired for insubordination if he or she expended any time, money, or other resources on it. In most organizations, it is not possible to make progress without authorization from someone.

## Common Misconceptions about Charters

The term "project charter" is often misunderstood. Less-experienced project managers often believe that it must be a very formal document. The word "charter" is used in English to describe executed contracts or deeds, often founding papers for cities, educational institutions, or even governmental bodies. Traditionally a charter is a formal, legal document. Traditional charters can be quite short and simple, but few people think of them that way.
A project charter is quite different. Typically it is not prepared by lawyers and a project charter might not carry any legal weight. The project charter is authorizing a temporary endeavor, not an educational institution, not a state, and not a country's constitutional government.

Due to these misunderstandings, many project managers actually have a charter and do not recognize it. They offer many reasons to explain why they do not have a charter or cannot develop one:

- "There is no one document that provides the authority, the project name, the business needs, and the project manager's name!"

- "We have a document with all the right information, but the sponsor did not write it."

- "My boss just told me to do it. Then he e-mailed me all the documents I need to get started. I have no charter."

- "We are not through the requirements-gathering phase, so how can we possibly have a charter yet? We do not know what the requirements are."

- "We typically develop our charter after several weeks of research into the project. It meets all the PMBOK definitions for a charter, and it includes quite

a lot of detail about the project requirements. Schedules and budget rarely slip much from the ones authorized in the charter."

**Not Always One Document**

A project charter does not need to be contained in a single document. Ideally, one document will authorize the effort and include references to other documents that show business need, milestone schedule, and other key information. If authority has been provided, and the sponsor has approved project-related documents that include all of that information, then that collection of documents effectively forms the charter. Even if they do not explicitly cross-reference each other, the collection of documents can be considered a charter.

In many companies that perform project work on behalf of clients, the work order may serve as a key component of the project charter. In these companies, the work order gives specific people authority over organizational resources.

The signature of a customer at the bottom conveys authority from the customer-side, and the counter-signature of an officer of the consultancy makes the agreement binding on the consultant-side. Work orders often provide short explanations of the scope of the work, or they refer to more detailed specifications. Work orders can serve as a self-contained project charter or a component of a charter.

**Not Written by the Sponsor**

Sponsors are often senior executives with little time. Expecting them to write and deliver a complete project charter may be impossible for even a project-oriented organization. Senior executives often employ speech writers and ghost authors when crafting important messages. The project manager should be prepared to serve in a similar role, drafting or even writing the final copy for the charter. The sponsor must authorize it, not write it. Depending on the company, authorization may be delivered by a formal signature, a formal chartering ceremony, or simply a reply e-mail saying, "I agree. Proceed."

For projects that are sponsored by a committee or a group of people, it is particularly impractical to have the sponsors author the charter. Typically the project manager or one of the sponsors will write the document and the others will approve it.

**"My Boss Just Told Me To Do It"**

It is common when the project manager's direct manager authorizes the project, for the project manager to feel that there is no charter. In all likelihood the project manager has the strongest charter that anyone could ask for. When a manager tells a subordinate to start a project, the lines of control and authority are clear. The initial assignment may be informal and undocumented, but the manager will typically reinforce that charter in writing and verbally on a regular basis through status reports, formal meetings, and informal discussions. Normal day-to-day work will lead to some documentation of the assignment. The manager will usually issue a written statement at some point making clear that the project has been authorized. When the manager provides documents about the desired results, the manager is documenting requirements, business needs, and other parts of the project charter. This document trail is the project charter.

Some managers rarely create documents about assignments, though. Project managers who work for these managers should consider writing a brief e-mail or note confirming the conversation that started the project. The note might begin, "As we discussed earlier today…" and follow with notes from the conversation and a summary of key documents the manager provided. This note does not need to take a special form. Using free-form text it can fill all the requirements of a project charter.

Some project-management experts might argue that the manager needs to at least confirm in writing, "Yes, I agree," for that note to be a charter. Documentation makes it stronger and is highly recommended, but a project can be successfully chartered, executed, and completed even without that documentation. An orally-communicated charter is still a charter. If the project manager honestly got the assignment and the authorization of resources, even verbally, the project should be considered chartered.

**"We Are Not Done With Requirements"**

In order to issue a charter at the very start of a project, the charter's author must create it based on only partial information.
The PMBOK® Guide recommends including "requirements," "schedule," and "budget," but it will be impossible to give detailed versions of any of these pieces of information at the very start. Instead, prepare the charter based on the limited information available at the time.

By necessity, the charter will give a far shorter explanation of requirements than would follow a detailed requirements analysis. Information Technology project managers particularly suffer from misconceptions on the term "requirements." There has been a long history of complaints that IT projects under-deliver, so softwaredevelopment experts urge IT professionals to understand requirements completely and in detail before doing any design or coding. IT project managers should not use that advice as justification to

avoid documenting an early statement of business needs and requirements. A good charter can contain high-level requirements statements; those statements may in fact help to guide and focus a detailed requirements-gathering phase.

When people say, "We are not done with requirements," often that is a sign that the initial charter must be one with a small scope. The charter might only authorize an effort to gather the detailed requirements. This charter would then answer questions about how the requirements must be gathered, what their business purpose is, and so on. This charter could remain completely silent on questions of what will ultimately be delivered.

It is possible that requirements may be completely unknown, and a charter for the full scope of the project is impossible. It is always possible to define some basic requirements and business needs for the earliest phase of the effort. Perhaps a research and development effort might begin with a project charter that defines the business need and requirements around a marketplace challenge and the need to find solutions to it. Future phases of the project could revise the project charter to include more concrete, more specific requirements.

**Detailed Project Charters**

A member of the Project Management Institute (PMI®) Financial Services Special Interest Group (SIG) discussion group posted a sample charter template that contained 32 headings and sub-headings, and could be up to twenty-five pages in length (Cuffe, 2004). In many organizations, this document would be considered a detailed project plan, sufficient for the full and complete budget and schedule commitment for the project. A document of this form might be necessary, but it could not be the original charter for the effort. It could be the charter for a second phase of the project, but not the first. Too much time and effort is required to prepare such a plan. In the classic cycle of "Initiate-Plan-Execute-Control-Close," the document would have required substantial investment in planning and perhaps early execution.

The charter is created at the Initiation phase, before significant resources are assigned. An early project charter should typically be short, perhaps a few pages in length. They can be as short as a part of a single page, so long as they clearly provide authority to the project and project manager.

Longer, heavily structured documents are often critical to organizational and project success. These documents will replace the short, early charter as the governing document for the project team. This evolution is natural and should be encouraged. The charter is best understood, though, in its

simplest form, when it turns an idea in someone's head into an authorized project. Master both the long and short forms of this important document.

# One Project, Many Charters

A typical project will have many charters. A good project manager needs to understand the scope of the current charter and look ahead to establish the charter for the upcoming phases of a project. According to PMBOK® Guide each phase of a project goes through the initiation processes, and each has a charter (PMI, 2004, 82). Many project managers struggle to identify their initial charter, as discussed above. Identifying the charter for each phase of their project is even more difficult, because it is usually even more subtle.

**Hierarchy of Charters**
Some projects will move from phase to phase without any ceremony or celebration. The customer or sponsor might have little understanding of the phases, so it is difficult to see how he or she could authorize the charter for each phase. Without the authorization of the sponsor, it does not seem that there could be a charter for a given phase.

The sponsor has given the project manager authority over the internal project activities, including the movement from one phase to the next. Because the sponsor granted the project manager with authority for the overall project, the project manager can be the authorizing agent for each phase within the project.

When the project manager defines the work breakdown structure (WBS), he or she defines the organization of the work and the phases of the work. Usually each phase or deliverable has a definition that includes a business need. Some deliverables might be technical, with little obvious tie to the business needs listed in the original project charter. The project manager explains the business need of each phase or deliverable through the WBS and other project documents. When the project manager authorizes work on the first task in a phase or deliverable, he or she is essentially delivering a charter for that phase or deliverable. He or she is authorizing the start of the phase with the work-order. The WBS and related project documents provide the business justification and other elements of a charter.

Authority in a project has a hierarchy. The project manager typically gets authority from the sponsor. The project manager may then authorize work within the scope of the sponsor-provided authority. Some projects might contain team leads, sub-project managers, and other people to whom the project manager grants authority. In some cases these leads and managers will issue charters of their own.

**When the Sponsor Must Re-Charter**

In other projects, the sponsor may use the beginning or end of a phase as an opportunity to authorize the project again. The initial charter may have limited scope or limited definition. For instance, in a research and development effort, the initial charter might only authorize investigation and research up to a certain dollar budget. Before that budget ceiling is hit and before the project moves into development, the project manager must get a new charter from the sponsor. Without a new charter, the project would be unauthorized.

The updated project charters may appear very different than the initial project charter. They may include detailed work-plans, budgets, lists of specific deliverables, and other items. These updated charters may be many pages, and include all the elements of a detailed project plan. Sometimes the development of the plan for the subsequent phase is one of the final deliverables of a project phase. These updated charters may include all the components of a detailed project plan.

Sometimes unforeseen events make a project's charter irrelevant. Often the project team will get authorization for gradual changes to keep the work relevant, and the charter may grow increasingly stale. For these projects, the change requests may have become the new charter for the project. The project manager may find it helpful to ask the sponsor to approve a revised charter officially. Having a new charter can help to

- Focus team efforts around a single documented vision
- Improve team morale by recognizing the project changes officially
- Improve access to organizational resources by confirming executive support for the project

  When and whether to seek a new charter, will depend on the specific circumstances and policies of the organization.

## The Charter and Organizational Strategy

Many project managers aspire to contribute to organizational strategy, but few have a voice in it. Project managers long to be involved in the earliest decisions regarding their projects. Many want to help shape the strategy that drives the organization to launch projects. By creating and negotiating a charter the project manager has a chance to work at a strategic level in the organization. He or she can be visible to strategic thinkers in the organization. A great charter joins strategy to execution. The charter can make sure that the project's relationship to organizational strategy is clear.

A charter is ideal for critically examining whether a project truly supports organizational strategy. The project is new, so investment is low. If the project is not truly aligned with organizational strategy, the charter is the best chance to stop that project before resources are wasted. If project managers consistently stopped misaligned projects before they started, there would be far fewer failed projects.

The charter is short but should contain the business needs or goals. Details of implementation are not known yet. Organizational strategy operates on exactly this level — business needs and goals, without implementation details. People can quickly compare a project charter to a vision statement, a business plan, or a strategy document and determine if the two are compatible. The charter provides a very pure expression of the business intent. Drafting the charter is a unique opportunity to align the project clearly with overall business goals.

**Getting Your Organization Started With Charters**

Some project managers complain about executives starting projects without understanding what it takes to get them done. They wish that these executives would talk to the project managers before launching these projects, to get feedback on how to do them right.

The truth is that these executives do talk to the project managers.

They talk to project managers when they make assignments. They talk to the project managers when they authorize the project. They talk to the project managers when they provide the project charter. Many project managers are not prepared to take advantage of these brief opportunities to have a voice in organizational strategy.

The best chance to have strategic input is at the start of the project assignment. When approached with a new assignment, the project manager has a responsibility to ask for certain information and for clear authority. Merely asking clarifying questions about the assignment begins a subtle negotiation over the nature of the project and the scope of the authority being provided. Negotiating for a solid project charter from the start will position the project manager as a strategic thinker in the organization. Negotiating changes to the charter later will reinforce that position.

The project manager should immediately ask critical questions at the time of project assignment. If the relationship of the project to organizational strategy is unclear, the time to ask is during the assignment. If the relationship is clear, the charter is a vehicle to document those assumptions clearly and to get confirmation from the sponsor that the

assumption is correct. If the project is already underway when a project manager is assigned, reconfirming the existing charter or writing a new one is a great way for the new project manager to establish credibility.

The project manager also needs a definition of the boundaries of his or her authority. The form of that definition will vary by organization, but the project manager shows maturity by asking these questions early. A charter is a statement of authority and support from the sponsor. A professional project manager will demand a clear charter before starting work and especially before asking team members to act on his or her behalf.

**The Project Manager as Charter Author (or at least ghostwriter)**

Leaving the authoring of the charter in someone else's hands is essentially leaving the promotion, the marketing, and the direction of the project in someone else's hands. The best sponsors will perform those roles well, but not all do. Too many project managers despair because their project sponsors will not write down a charter in a clear form. The definition of the charter does not include any mention of who writes it, just who "issues" it. Project managers can draft the charter themselves, and then ask for approval of it. It is essential that a person with sufficient authority approve the charter and stand by it; it does not matter at all who writes it.

In some cases, the project sponsor may be unwilling or unable to approve the draft charter. Sponsors may ask for change after change, or may refuse to approve. Unwillingness to approve a document is a sign of misunderstanding, lack of support, or worse. A professional project manager should stop work until the situation is resolved. Proceeding on a project without any authorization and definition is a recipe for disaster.

# The Charter, Organizational Process Maturity, Program Management and Portfolio Management

The charter provides a unique opportunity to improve organizational maturity, because it provides an opportunity to

- Decide whether to proceed;
- Consider organizational goals and strategy;
- Control the authorization and deployment of organizational assets.
  By setting standard processes and controls for the authorization of new projects, organizations have an opportunity to improve their project management processes dramatically. Because one of the core functions of portfolio and program management is to control the start-up of projects,

establishing standards for project charters can benefit these disciplines as well.

**Establishing Consistent Processes to Charter Projects**

There have been volumes written about implementing program or portfolio management processes, yet relatively little about processes for chartering a project. I believe that chartering projects that has more impact on the overall program or portfolio performance than any other project management process. Controlling which projects start, when they start, and what business needs they address brings a huge benefit to the organization. These processes have the potential to avoid waste on unsupported or misdirected projects. Because the charter happens at the very start of a project, the potential savings are 100% of the project budget and schedule; there is no better possible savings for a failed project.

Because the charter is simple, the processes to authorize and approve a charter can be simple as well. At Mitsui Sumitomo Insurance Group, USA (MSIG USA), we have a template, called the "Opportunity Document." The document is two or three pages in length when completed. The appropriate "Chief Officer" signs off on the opportunity. A Strategic Planning Office Manager and a Chief Planning Officer administer the whole process and help people through it. They recommend a sponsor and project manager. A committee of five senior officers of the firm, including the President and CEO, review the proposal. The committee approves it, rejects it, or asks for changes. Once it is approved this opportunity document serves as an iron-clad charter for the effort. The project manager has the blessing of the top officers of the firm, and their decision is captured in the minutes for the meeting. Not all the projects in the company finish successfully, but all projects in the company are authorized. The process is documented in a three-page procedure. The procedure and the template are available to everyone in the firm through the company intranet. Projects have gone from idea to authorized project in as few as seven calendar days; the time could be cut to one or two days in an emergency. To date, the approval process has never delayed the start of a project. Once the idea was fully understood, the approval was always received before a team could be freed from other assignments.

This process helps MSIG USA ensure that management has authorized any major effort. By capturing objectives, high-level estimates of size, and interdependencies in a short document, the project teams have a reference whenever they are uncertain of the scope of their authority. Other organizations could adopt a similar procedure. Some organizations have more levels of authority, perhaps based on budget size or work-hours, but

the basic principles of the review and approval can be simple. Most importantly, the process can be short.

**Potential Area for Further Organizational Maturity Study**

Organizational Project Management Maturity Model (OPM3®) includes several questions about project, program and portfolio "initiation" in its basic assessment tool (PMI, 2003, 76-85) and makes charters a key element of these initiation processes (PMI 2003, 130, 150). Introductory books on project management often make reference to the charter. Typical portfolio and program management approaches focus on project selection methods and other ways to analyze the content of a project portfolio. It remains to be seen whether the upcoming Program and Portfolio Management standards from PMI will embrace the project charter as a key vehicle for shaping and controlling programs and portfolios.

Project charters are an area for potential research and development. PMI has focused in recent years on linking project management to business results; the authorization and start-up of a project is one of the best opportunities to join project management to core decisions about business results. I recommend other authors and researchers to investigate this topic more fully.

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