

Project Management (BPM1313)

Project Charter

by

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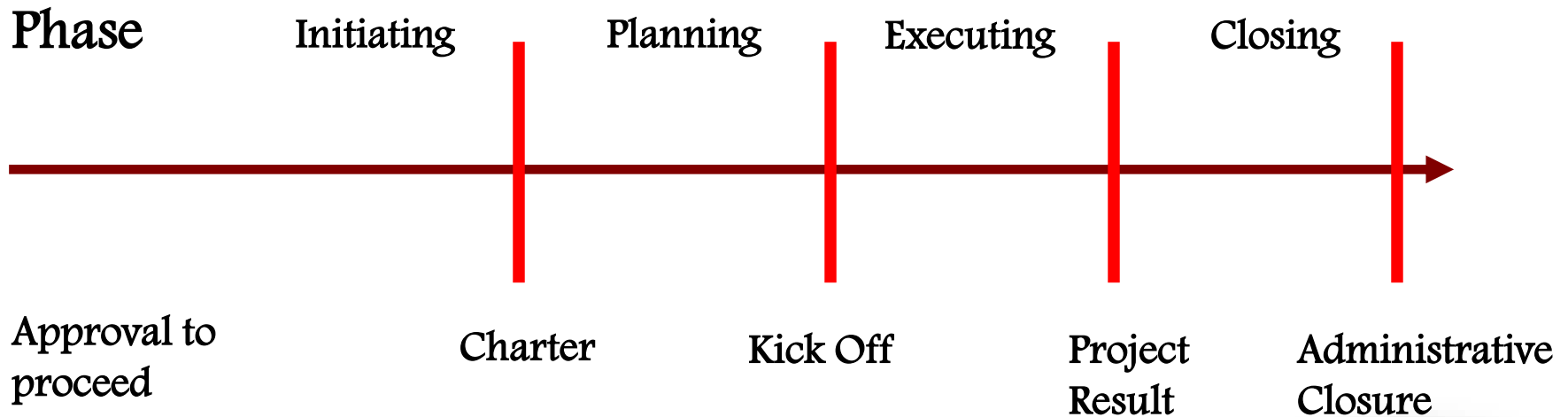
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Project Charter

- Aims
 - To further broaden the students knowledge on project charter and elements
- Expected Outcomes
 - Students are expected to describe the elements in project charter
 - Students should be able to construct a project charter
- Other related Information
 - PMBOK study guide
- References
 - Project Management Institute (PMI). Project Management Body of Knowledge (PMBOK Guide) 5th Edition.
 - Burke, R. 2007. *Introduction to Project Management*. Burke Publishing.
 - Kerzner, H. 2001. *Project Management: A System Approach to Planning, Scheduling and Controlling*. John Wiley & Sons, Inc.



Project Management Process Groups



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Project Charter

<p>Project Leader: Binny Arora</p>	<p>Team Members</p>		
<p>Business Case: Advance Innovation Group India Ltd (AIG) is a Business process Outsourcing Company, operating out of Noida. Aviva Life Insurance Company UK has outsourced its Claims Indexing process to AIG. Claims Indexing Process: The Claims Indexing process was migrated to AIG India in January 2009. The process has not been meeting the required productivity expectations and as a result the backlog has increased and transactions are missing turn around time. Customers are calling and complaining. As per state laws a claim has to be processed within 30 days of receiving it - Claims are not being processed within 30 days and Aviva is paying huge fines to the State Government. AIG is also paying financial penalties for not meeting the SLA target for last three months. Improving productivity will increase Business end-end TAT and both Aviva and AIG will benefit from improved productivity. This also will result in reduced operating cost for AIG.</p>	<p>Stakeholders</p>	<p>Business Leader</p>	
	<p>Champion</p>	<p>Vice President</p>	
	<p>Sponsor</p>	<p>Assistant Vice President</p>	
	<p>MBB</p>	<p>Pranay Kumar</p>	
	<p>LBB</p>	<p>Jai Kapoor</p>	
<p>Problem Statement: For the period March 10 to May 10 the average performance on productivity for the process was 48.56 documents per hour. Against a target on 58 documents per hour. The backlog has increased by 10,000 documents and TAT% is at 85% not met.</p>	<p>Team Member</p>	<p>SME,QCA, 4 Associates, MI team, AM PE & AM Operations</p>	
<p>Project In Scope: 1. Associates in production effective October 2009 Project Out of Scope: 1. Associates in training as on June 2010 2. Any new work or queue added effective May 2010 3. Indexing Process at AIG USA</p>	<p>Goal Statement: To improve process productivity from 48.56 documents per hour to 58 documents per hour by 21st November 2010</p>		
	<p>Timelines/Milestones / Phases</p>	<p>Start Date</p>	<p>End Date</p>
	<p>Start date:</p>	<p>5th June 2010</p>	
	<p>DEFINE</p>	<p>15th June 2010</p>	<p>10th July</p>
	<p>MEASURE</p>	<p>11th July</p>	<p>15th August</p>
	<p>ANALYZE</p>	<p>17th August</p>	<p>30th September</p>
	<p>IMPROVE</p>	<p>5th October 2010</p>	<p>20th November</p>
<p>CONTROL</p>	<p>25th November</p>	<p>15th December 2010</p>	



What is Project Charter?

The process of **developing a document** that **formally authorizes** a project or a phase and documenting **initial requirements** that satisfy the stakeholder's needs and expectations.

PMBOK 4th Ed.



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What is Project Charter?

This is an **official, written acknowledgement** and **recognition** that a project exists. The project charter is issued by **senior management** and gives the **project manager** the **authority to assign organizational resources** to the work of project

Kim Heldman



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What is Project Charter?

Short document serves as an informal contract between the project team and the sponsor

It is deliverable that **grants a project team the right to continue into the more detailed planning stage** of a project

The charter should be short enough



What is Project Charter?

An agreement entered into freely by **two or more parties**

One party **cannot arbitrarily change it**

There is something **value** in it for each party

It is a **living document** that can evolve with changing conditions if both parties agree and receive something of value for making the change



What is Project Charter?

- ❖ Project charter documents the business needs, current understanding of customer's needs, new product or service or result that it is intended to satisfy, such as;
 - Project purpose or justification
 - Measurable project objective and success criteria
 - High-level requirements
 - High level project description
 - High level risks
 - Summary milestone budget



What is Project Charter?

- ❖ Summary budget
- ❖ Project approval requirements
- ❖ Assigned project manager, responsibility and authority level
- ❖ Name and authority of the sponsor or other person(s) authorizing the project charter



Purpose of Project Charter

- ❖ Project charter is used for:
 - Authorize the project manager to proceed [**authorization**]
 - Help the project team and sponsor develop common understanding [**understanding**]
 - Help the project team and sponsor commit [**commitment**]
 - Quickly screen out obviously poor project [**screening**]



What should be included in Project Charter document?

- ❖ **Contact points** for key individuals of the project.
- ❖ **Project Purpose** - the issue/problem to be solved by the project
- ❖ **Business Objectives** for the project as they relate to the organizations strategic plan
- ❖ **Assumptions** that have been made as part of the project
- ❖ **Description** of the project



What should be included in Project Charter document?

- ❖ Definition of the **project scope** and the **limits** identified
- ❖ Overview of **major milestones and deliverables** for the project
- ❖ **Project Authority** - including an organization chart and definition of roles and responsibilities
- ❖ **Resources required** for the project including costings, equipment, staffing, support, operational & IT facilities
- ❖ **Signatures** of the key project members that authorize the project



Project Charter Input, Process and Output

INPUT

- Statement of Work (SOW)
- Business Case
- Contract
- Enterprise Environmental Factors
- Organizational Process Assets

TOOLS & TECHNIQUES

- Expert Judgment
- Facilitation Techniques

OUTPUT

- Project Charter Document



Project Charter Input: Statement of Work (SOW)

- ❖ Explain the business needs
- ❖ Clarifies the product of the project
- ❖ Tells how the project align with organizational strategic plan



Project Charter Input: Statement of Work (SOW)

- ❖ Narrative description or products or services to be delivered by the project
- ❖ It can be internal or external
- ❖ Internal: project initiator or sponsor will provides the statement of work based on business needs, product or service requirements
- ❖ External: received from customer as part of bid document, RFP, RFB and contract



Project Charter Input: Business Case

❖ The business case is created based on the following:

- Organizational needs
- Customer request
- Technological advance
- Legal requirement
- Ecological impact



Project Charter Input: Business Case

- ❖ Provides necessary information from business point of view to determine whether the project is worth or not
- ❖ Financial benefits; revenue, cost reduction
- ❖ Non Financial benefits; customer loyalty, innovation
 - e.g.: Cost-Benefit Analysis are used to justify the project



Project Charter Input: Contract

- ❖ An input if the project being done for an external customer
- ❖ If the project is based on contractual agreement (MoU, MoA, Letter of Intent etc)
- ❖ Eg Contract Statement of Work, Contractual Requirements (Terms and condition)



Project Charter Input: Enterprise Environmental Factors

- ❖ Factors that can influence the process of project charter development
 - Internal; Human resource capabilities, PMO policies, Risk databases, Organizational infrastructure
 - External; Governmental or industry standards, Marketplace condition, regulations, competitions



Project Charter Input: Organizational Process Assets

- ❖ Organizational standard processes, policies, standardized process definitions for use in the organization
- ❖ Template
- ❖ Historical information and lessons learned knowledge base



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Expert judgment as a Project Charter Tools and Techniques

- ❖ Primary technique for all the project integration process
- ❖ It is used to assess the inputs used to develop project charter
- ❖ Applied to technical or management details during the process
- ❖ Provided by any group or individual with specialized training or knowledge, which is available from many resources



Expert judgment as a Project Charter Tools and Techniques

- ❖ Primary technique for all the project integration process
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- ❖ Applied to technical or management details during the process
- ❖ Provided by any group or individual with specialized training or knowledge, which is available from many resources
- ❖ Unit within organization, consultants, professional and technical associations, industry groups, **SME** and PMO



Facilitation Techniques as a Project Charter Tools and Techniques

- Involved various techniques;
 - Brainstorming
 - Problem solving
 - Conflict resolution
 - Meeting management



Facilitation Techniques as a Project Charter Tools and Techniques

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 - Brainstorming
 - Problem solving
 - Conflict resolution
 - Meeting management



Project Charter : Elements

- ❖ Title
- ❖ Scope overview
- ❖ Business case
- ❖ Background
- ❖ Milestone schedule with acceptance criteria
- ❖ Risks, Assumptions and Constraints
- ❖ Spending Approvals or Budget Estimates
- ❖ Communication Plan Requirements
- ❖ Team Operating Principles
- ❖ Lessons Learned
- ❖ Signatures and Commitment



Project Charter : Elements

❖ Title

- The existence of a meaningful project title is critical
- Title is used to quickly identify which project is being referenced



Project Charter : Elements

❖ Scope overview

- Explain on what and why of the project
- What needs to be accomplished and how it will be done
- Describes the project work and results
- Distinguish between what the project will and will not do
- Prevent scope creep
- Project boundaries
- Accurately estimate cost, resource and schedule needs and to understand and handle project risks
- Helps people understand the project factually



Project Charter : Elements

❖ Example scope overview

“The project team will ensure that XYZ Company will meet the ISO-delineated requirements by using gap analysis to identify areas that require further research, understanding, planning and implementation. When gaps are identified, the team will manage the steps to transition XYZ Company to ISO compliance”



Project Charter : Elements

❖ Business Case

- Project purpose or justification statement
- Helps all parties understand the purpose of the project
- Justify the necessity of the project
- Help people develop their passion for the project
- A well-written business case should persuade decision makers to support the project and inspire team members to work hard on it



Project Charter : Elements

❖ Example of Business Case

“The purpose of this project is to implement the requirements of ISO 9000/2000 for two reasons: to optimize our internal processes and to demonstrate to our marketplace that XYZ Company is a top quality company in our field. Certain potential customers refuse to consider us as suppliers until we achieve ISO certification, so we must become certified to create growth opportunities”



Project Charter : Elements

❖ Background

- A more detailed statements that provide additional information to the stakeholders if necessary
- It can be in any length
- It is purely optional



Project Charter : Elements

❖ Example of Background

“Orion Academy is a brand new school, currently enrolling students from kindergarten through the fifth grade. Similar to all schools managed by National Heritage Academics of Grand Rapids, Michigan, Orion encourages and rewards high academic achievement, sound moral values and responsible citizenship. The Malcolm Baldrige assessment system in education will demand that each individual stakeholders be held accountable for his or her educational progress. In addition, Orion Academy’s staff will help assure not only a beneficial education for its students, but the Baldrige criteria will promote performance excellence throughout the school”



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Project Charter : Elements

❖ Milestone Schedule with Acceptance Criteria

- Milestone schedule is a summary-level schedule that identifies the major schedule milestones or significant points or events in the project
- Date estimation when the milestone expected to be completed



Project Charter : Elements

❖ Milestone Schedule with Acceptance Criteria

- Deliverable – any unique and verifiable product, result or capability to perform a service that must be produced to complete a process, phase or project



Project Charter : Elements

❖ Milestone Schedule with Acceptance Criteria

- Acceptance criteria – those criteria, including performance requirements and essential conditions, which must be met before project deliverables are accepted
- It is project's vital sign
- Acceptance criteria is used for
 - who will judge the quality of the deliverable associated with each milestone
 - what criteria will be used for that determination



Project Charter : Elements

❖ Risks, Assumptions and Constraints

- Risks is an uncertain event or condition that, if it occurs has a positive or negative effect on a project objectives
- Assumptions are factors that for planning purposes are considered to be true, real or certain without proof or demonstration
- Constraints is an applicable restriction or limitation, either internal or external to the project, that will affect the performance of the project



Project Charter : Elements

- ❖ Spending Approvals or Budget Estimates
 - It is preliminary project budget
 - Also known as crude estimate of the project budget
 - Include level of confidence one has in the estimate
 - Expressed in percentage terms
 - Identify which expenses the project manager can authorize and which the sponsors needs to control



Project Charter : Elements

❖ Example of Spending Approvals or Budget Estimates

“The overall project is expected to be about \$50,000 and the project manager can send up to \$500 per incident, or \$2,000 for the entire project with no further approval”



Project Charter : Elements

❖ Communication Plan Requirements

- Project run into problems due to poor communication
- A broad communication plan can be outlined in the project charter
 - What information each needs to know from us
 - What information we need to learn from stakeholder
 - When the communication needs to take place
 - What method most effectively helps the receiver of each item of information to understand and act appropriately



Project Charter : Elements

Stakeholder	Learn from	Share with	Timing	Method
Management	Project goals	Charter progress	At chartering When approved At milestones	Written draft Presentations Sponsor presents
Sponsor	Charter input	Charter meeting Progress	At chartering When complete Before and after At milestones	Written and oral Face to face Agenda and min Progress meeting
Customer	True needs approval	Progress	Scope definition At milestones Upon delivery	JDA sessions PM meeting Formal acceptance
Functional managers	Methods to use progress	Progress	During planning Weekly	Instructions Schedule updates

PMBOK 5th edition



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Project Charter : Elements

❖ Team Operating Principles

- Established to enhance team functioning
- Increase team effectiveness and ensure that all parties are aware of what is expected
- It is critical especially those that deal with conducting meetings, making decisions, accomplishing work and treating each other with respect
- It is helpful for an unusual project



Project Charter : Elements

❖ Team Operating Principles

ABC Project Team Operating Principles

- Team members will be prepared with minutes from previous meeting, agenda and project updates
- Meeting will normally last for up to 90 minutes
- Team member will rotate the role of recorder
- Each team member will be responsible for setting his/her own deadline
- The team leader will be responsible for drafting the minutes from the previous meeting and the agenda for the next meeting within 48 hours
- Decisions will be made by:
 - Team leader on issues
 - Consensus on issues
 - Delegation on issues



Project Charter : Elements

❖ Lesson Learned

- “the learning gained from the process of performing the project”
- A sponsor may sign a charter authorizing the project to begin at least (one or two good) specific lesson learned from the success and/or failures of previous projects are included
- Organization’s lessons learned knowledge base



Project Charter : Elements

❖ Example of Lesson Learned

- Agreeing on project scope is a key preliminary project planning activity
- Maintaining project goals and timeline requires open communication and quick issue resolution
- Understanding roles and responsibilities facilitates smooth teamwork and timely project completion



Project Charter : Elements

❖ Signatures and Commitment

- This section lists who is involved, and who can make decisions and/or the expected time commitment for each person
- The key players of a project shows their commitment to the project by signing the commitment section of the charter



Conclusion of The Chapter

- Project Charter is essential for every project
- Project charter authorize the PM to proceed with further tasks in executing the project



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