Project Charter and Organization Structure

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Project Charter - Definition

A project charter is a formal short document that states a project exists and provides project managers with written authority to begin work. A project charter document describes a project to create a shared understanding of its goals, objectives and resource requirements before the project is scoped out in detail.

PMBOK® Defines Project Charter as a document issued by the project initiator or sponsor that formally authorizes the existence of a project, and provides a project manager with the authority to apply organizational resources to the project

A project charter is important in the Project Management, because-

- It ensures that the project manager understands the sponsor's needs and requirements.
- It provides vital information needed to get the projects started.
- It acts as a reference document to make sure everyone (i.e. Project Manager, Stakeholder, Higher Management etc.) are on the same page.

Contents of Project Charter

- Project goal. This documents the reasons for undertaking the project in clear, concise language. This should determine the project's scope.

- Project participants. This identifies who will be involved in the project and clearly states their roles.Name of the PM, his responsibility and authority.

- Stakeholders. This identifies project sponsors or other people who will be directly affected by the project and need to know about its progress.

- Requirements. This identifies the resources required for the project's objectives to be achieved.

- Constraints. This documents potential roadblocks or bottlenecks and should help prepare participants for the potential issues of the project.
- Implementation milestones. This identifies the start and ideal completion dates, as well as dates for other potentially important checkpoints, like a project schedule
- Communication. This specifies how the project manager will communicate with project owners, participants and key stakeholders throughout the project.

- Deliverables. This documents what specific products, processes or services the project provides upon completion
- Create an implementation plan. This identifies a general overview of the project budget

Tips to create a project charter

To successfully create a project charter, project managers should do the following:

- Keep it short. Each section of the charter can be just a few sentences. The project charter should be a high-level overview of a project and not an in-depth breakdown.

- Seek team insights. Communicating to the project team members should aid in creating realistic goals and milestones and identifying possible project risks.

- Create and use a charter template. A charter template helps keep the charter clear and concise and can be used to create future project charters.

- Keep it clear. Organize the charter so its structure is clear at a glance. Label each component of the charter.
- Create an implementation plan. After organizing the charter, project managers should begin planning how to implement it. This includes talking to project members and stakeholders and gathering and collecting funds and resources.

Contents - suggestions

Include the project and authority identification information:

- Title of the project and the date of authorization
- Name and contact information of the PM
- Name, title and contact information of the initiating authority

Include a clear and concise description of the business need, opportunity or threat that the project needs to address

- What are the circumstances that generated the need of Project
- What is the market demand for the product or service
- What are the legal requirements

Include summary of the products or services of the project

- Expected outcome of project

Include a description of the project's relationship to the business need

- Why is it important
- How will this project address the business need

Consider assumptions and constraints:

Benefits of a project charter:

- It gives an authority to the project manager to complete the project
- Explains the business importance and existence of project.
- Demonstrates Management support for the project.
- Defines outcome for the project.
- Aligns project with the organization objectives.
- Provides a team with a clear concise reporting system.

- Protects team members from scope creep.
- Helps in avoiding disagreements between stakeholders.
- Authorizes the existence of the project or establishes the project.
- Defines the parameters within which the project manager is authorized to operate.
- Gives the project manager authority to spend money and procure resources.
- Provides the high-level requirements for the project.
- Links the project to the ongoing operations of the organization.

The components of a project charter

TITLE	PROJECT NAME

TEAM		
PROJECT MANAGER	PROJECT TEAM MEMBERS	PROJECT STAKEHOLDERS

SPECS	
BUSINESS CASE	PROJECT PURPOSE
PROJECT DELIVERABLES	PROJECT SCOPE
PROJECT BENEFITS	PROJECT RISKS
RESOURCES	PROJECT BUDGET

MILESTONES		
STARTING DATE	MILESTONE COMPLETION DATES	PROJECT COMPLETION DATE

Project Charter Template

Project Title			
Project Manager		**Kick-off Date**	
Project Sponsor		**Sponsor Signature**	
Project Description			
Project Objectives			

Assumptions Constraints		
	Time	
	Budget	
	Scope In	
	Scope Out	

Milestones	Date	Milestone Description
	#2	
	#3	

Key Elements of Project Plan

- Identification of stakeholder's needs

- Smart project objectives

- Clear deliverables and deadlines

- A detailed project schedules

- Clearly defined roles

- Project costs

- A communication plan

- The right systems and processes

There are three types of organizational structures in project management: functional, matrix, and projectized. Each project structure framework is determined by the authority, roles, and responsibilities of the team members within the existing organizational structure.

Influence of Project Manager in Organizational Structures

| Project Characteristics	Organization Structures				
	Functional	Matrix			Projectize
		Weak	Balanced	Strong	
Project Manager's Authority	Little or None	Limited Authority	Reasonable Authority	Reasonable to High Level	Highest Authority
Who Manages the Project Budget	Functional Manager	Functional Manager	Functional & Project Manager	Project Manager	Project Manager
Project Manager's Role	Part-time	Part-time	Full-time	Full-time	Full-time
Project Management Administrative Staff	Part-time	Part-time	Part-time	Full-time	Full-time

A project management organizational structure is used to determine the hierarchy and authority of people involved in a specific project. The structure defines each team member's function and the reporting lines on a chart for team members to reference during a project.

Functional Project Organizational Structure

A functional project organizational structure organizes its hierarchy around traditionally functioning departments. A functional manager heads each department and reports to an executive. These functional managers — not other staff — coordinate the project, and they select team members from each department to support the project, in addition to their functional responsibilities.

Functional Project Organizational Structure

Project Coordination

Chief Executive

Functional Manager

Functional Manager

Functional Manager

Staff

Staff
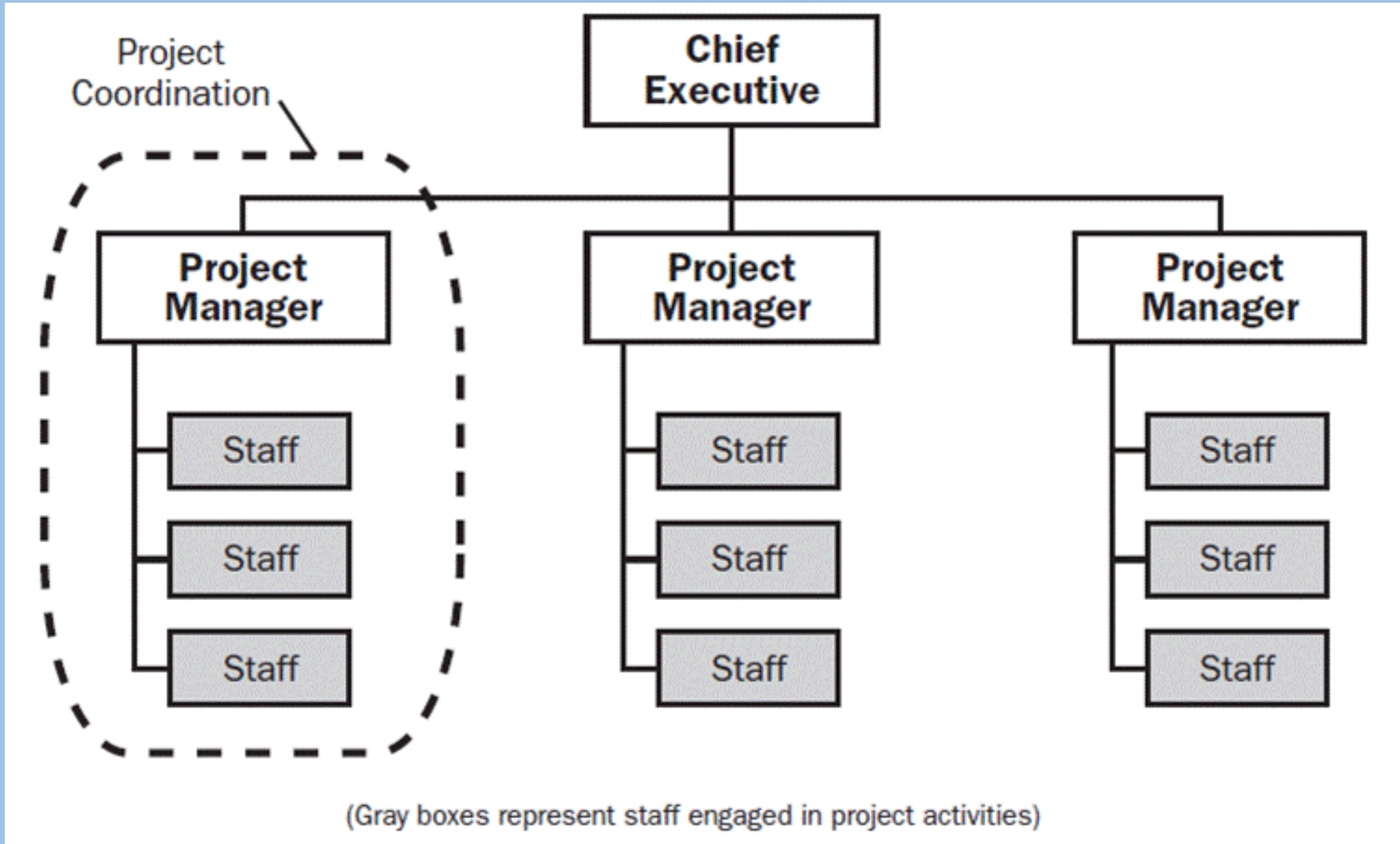
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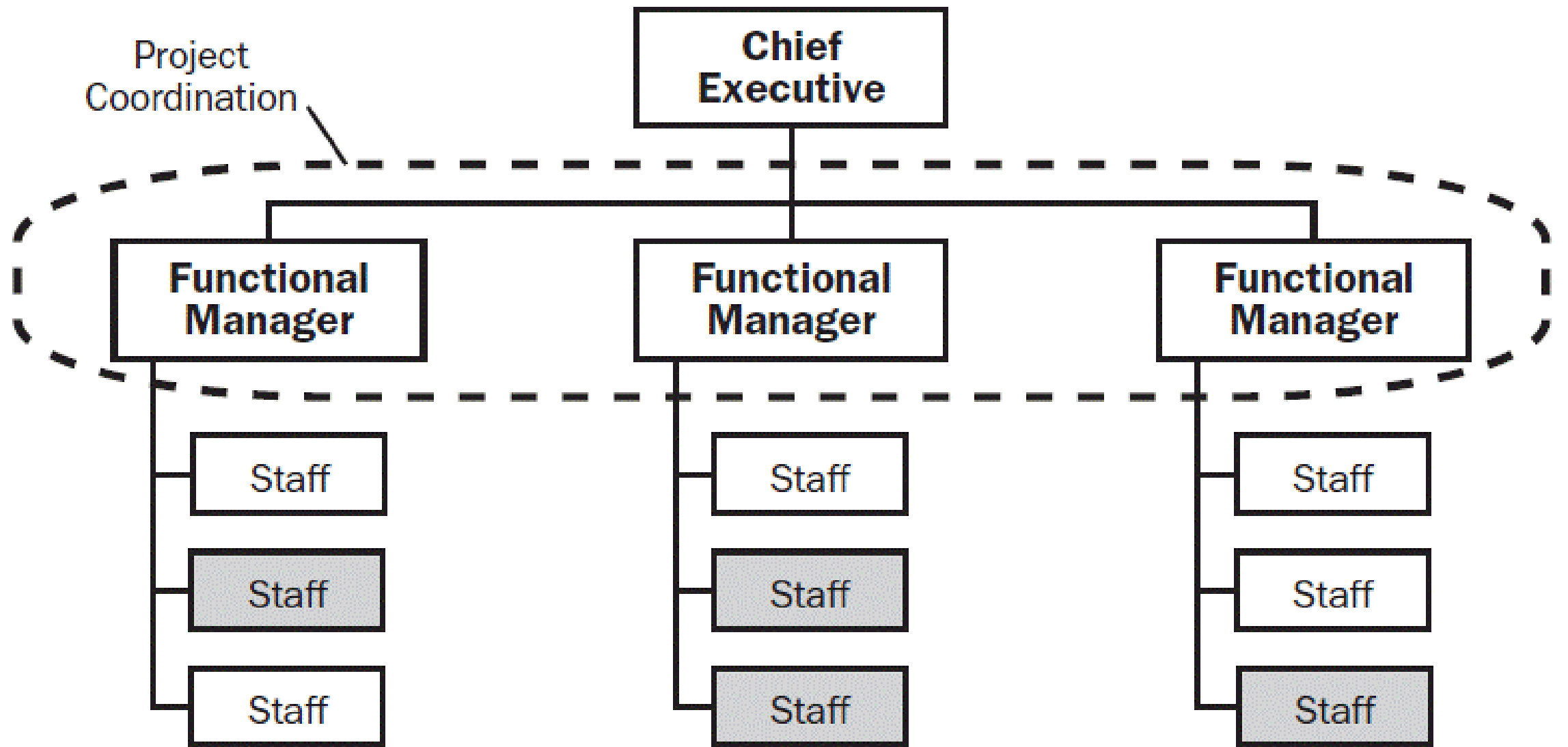
Staff

Staff

Staff

(Gray boxes represent staff engaged in project activities)

Projectized Organizational Structure

A projectized or project-based organizational structure creates a dedicated project division within an organization. Project managers maintain sole authority for the project and are assigned dedicated staff who work toward project goals.

Projectized Organizational Structure

(Gray boxes represent staff engaged in project activities)

Matrix Organizational Structure

A matrix organizational structure is set up on a grid to demonstrate staff reporting patterns to more than one authority. It is a hybrid of functional and projectized organizational structures, and project managers share authority with other program managers in this structure. Depending on the decision-making capacity of the project manager, a matrix structure is one of three subtypes: weak, balanced, or strong.

Weak Structure

A weak structure is similar to the functional organization structure, in which coordination occurs horizontally among staff without a designated project manager. The primary difference between a weak matrix and a functional structure is that the staff across departments, rather than the functional managers, coordinate the project (but the functional manager maintains decision-making authority).
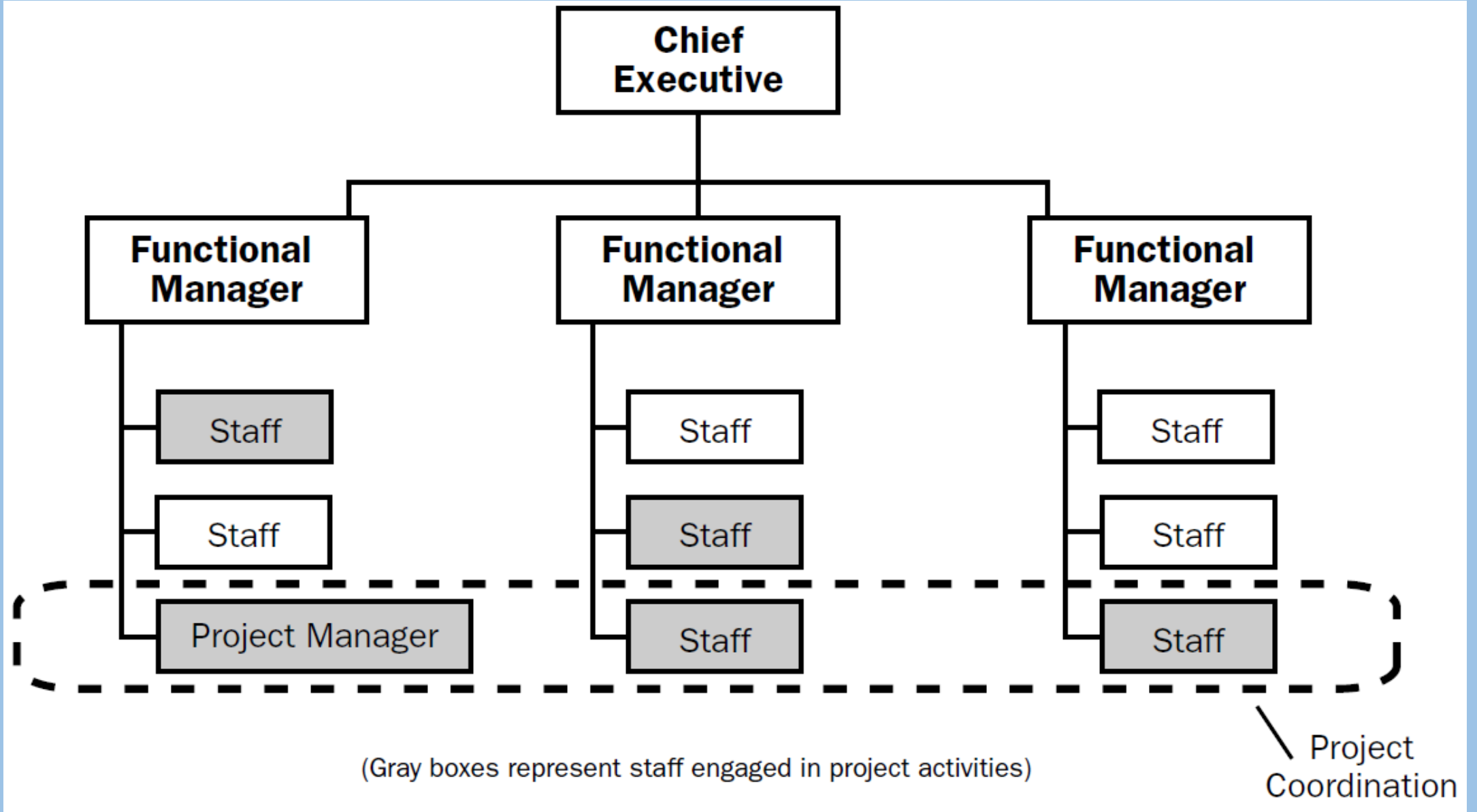
Weak Matrix Organization

(Gray boxes represent staff engaged in project activities)
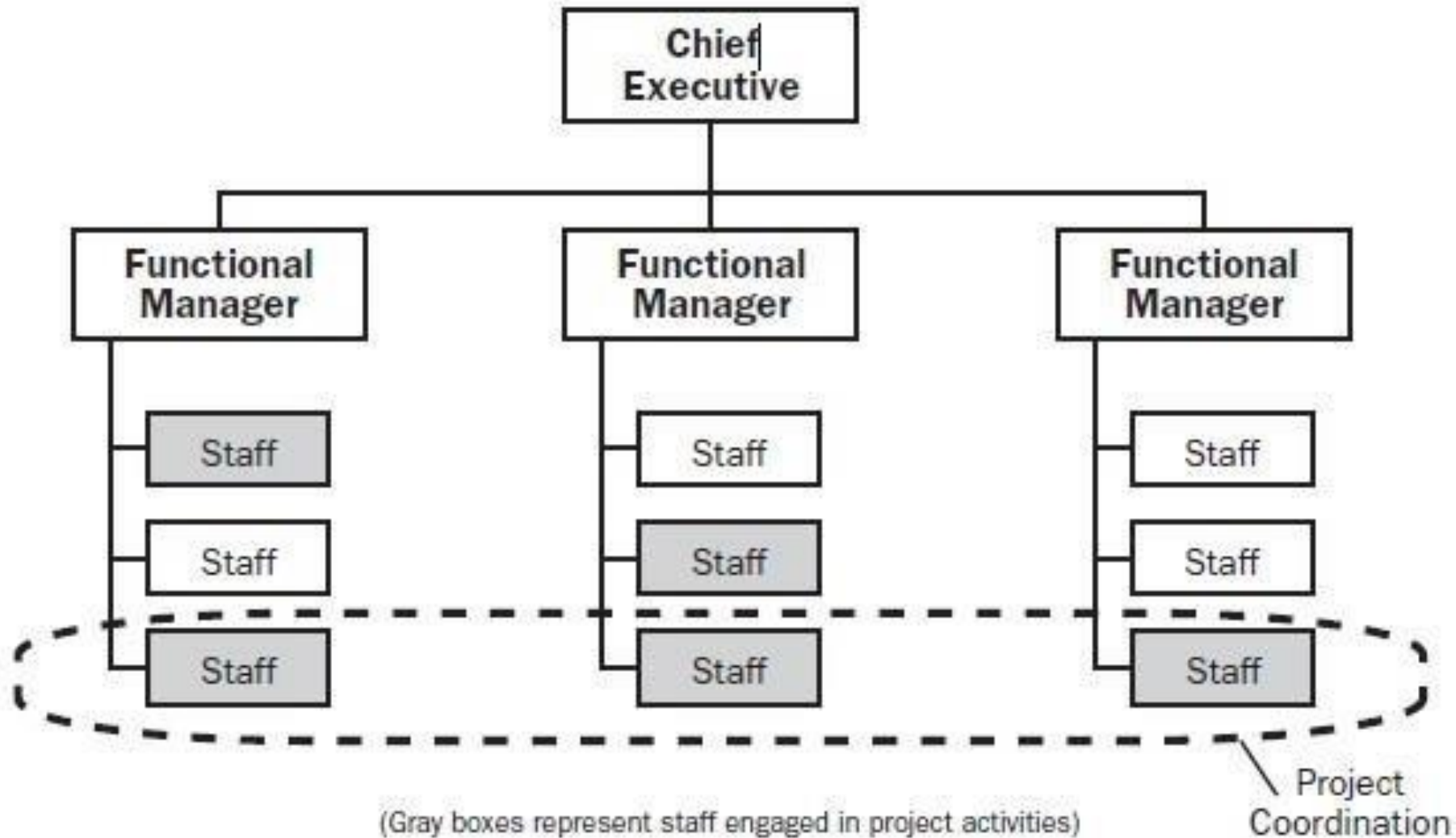
Balanced Structure

In a balanced matrix, the project manager also holds a staff position and does not utilize the project manager role to its full capacity. The project manager still has little authority over project decisions, budget, staff, etc., and primarily serves as the point of contact and coordinator.

Balanced Matrix Organization

(Gray boxes represent staff engaged in project activities)

Strong Structure

A strong matrix is most similar to a projectized organizational structure. In it, a dedicated project manager falls under a functional project management department, has dedicated cross-functional staff, and is supported by a manager of all the project managers. This subtype offers the project manager the most authority as they work across a matrixed environment.

Strong Matrix Organization

(Gray boxes represent staff engaged in project activities)

Project Coordination
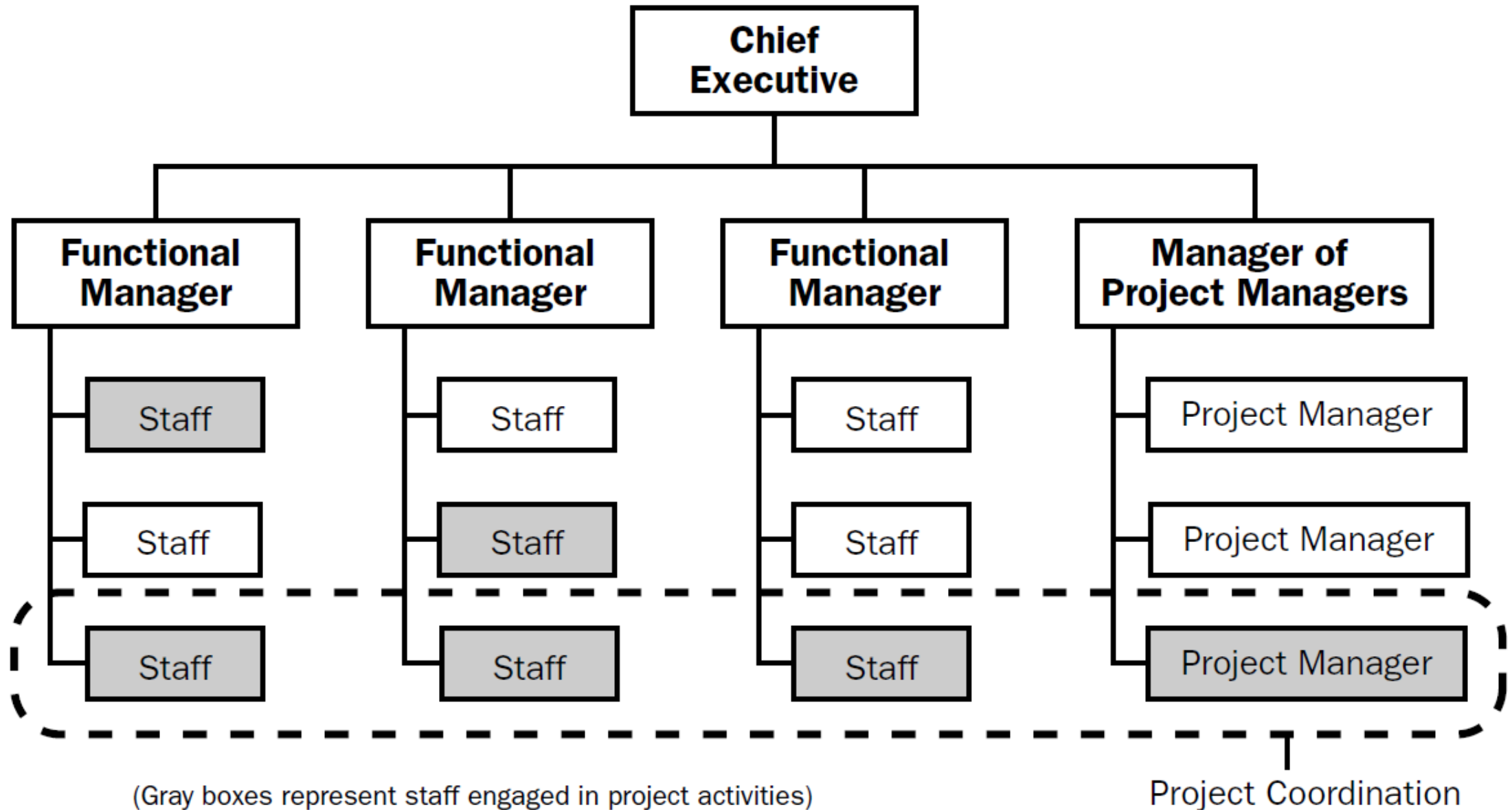
- Functional Organizations:

- A functional project organization structure is a hierarchical type of project management structure wherein people are grouped as per their area of specialization and supervised by the functional manager with expertise in the same field, so that their skills can be effectively utilized and the organization's objective can be achieved.

- Here, all authority, budget allocation, and decision making power stays with the functional manager. A project manager has no role in this type of structure. Even if he exists, his role will be very limited and he has to ask the functional manager for his requirements. Here, a project manager may have the title of a coordinator or an expediter.

- The Functional project management structure is is suitable for an organization, which has ongoing operations such as manufacturing and production operations. In the functional project organizational structure, the organization is divided into various specific departments; e.g. human resource, marketing, finance, operations, etc. Each department will have its own department head and he will be responsible for the performance of his section. This helps control the quality and uniformity of performance.

Advantages of the Functional Project Organization Structure:

- Employees are grouped as per their knowledge and skills.
- Job responsibilities and reporting are straight to the functional head, and the hierarchy path is clear.
- Employees have a clear career growth path.
- Within the functional department communication, cooperation and coordination is excellent.

Disadvantages of the Functional Project Management Structure:

- The employee may become lazy due to repeating the same type of work.

- Conflicts may arise due to the promotion of another employee.

- The functional manager pays attention to only his department; he usually doesn't care for other teams or sections.

- Poor communications and poor inter-department coordination.

- Delays in decision making due to bureaucratic hierarchy.

Projectized Organizations:

- Projectized organizations are nearly the opposite of functional organizations. The focus of this type of organization is the project itself. The idea behind a projectized organization is to develop loyalty to the project, not to a functional manager. In projectized organization, for project management organizational structure, the project manager has all the power and authority and everybody directly report to the project manager. Here, either no functional manager exists, or if he exists, he will have a very limited role.

Advantages of the Projectized Project Management Structure:

- Clear line of authority.
- Strong communication with single reporting system.
- Flexibility in trade-offs and decision making.
- Fast decision making.

Disadvantages of the Projectized Project Organizational Structure:

- Authority and power can make project manager arrogant.
- The work environment can be stressful because there is always a deadline (milestones).
- Team members have sense of insecurity because once the project finishes, they may lose their jobs.
- If the project gets elongated, cost of employee and equipment can go higher.

Matrix Organizations:

- Matrix organizations came about to minimize the differences between, and take advantage of, the strengths and weaknesses of functional and projectized organizations. The idea at play here is that the best of both organizational structures can be realized by combining them into one. The project objectives are fulfilled and good project management techniques are utilized while still maintaining a hierarchical structure in the organization.

- In matrix project organization structure, the knowledge and skills of the talented employees could be shared between the functional departments and the project management teams, as needed. Here, the employee generally works under two bosses. The authority of the functional manager flows vertically downwards and the authority of the project manager flows sideways. Since, the authorities flow downward and sideways, this structure is called the Matrix Organization Structure. In matrix project organizational structure, usually employees have two bosses to whom they may have to report. Which boss is more powerful depends upon the type of matrix structure, which is not incase of the pmo.

- Matrix organization structure can be further divided into three categories:

- Strong Matrix.

- Balanced Matrix.

- Weak Matrix.