

4.1 DEVELOP PROJECT CHARTER

Develop Project Charter is the process of developing a document that formally authorizes the existence of a project and provides the project manager with the authority to apply organizational resources to project activities. The key benefits of this process are that it provides a direct link between the project and the strategic objectives of the organization, creates a formal record of the project, and shows the organizational commitment to the project. This process is performed once or at predefined points in the project. The inputs, tools and techniques, and outputs of the process are depicted in Figure 4-2. Figure 4-3 depicts the data flow diagram for the process.

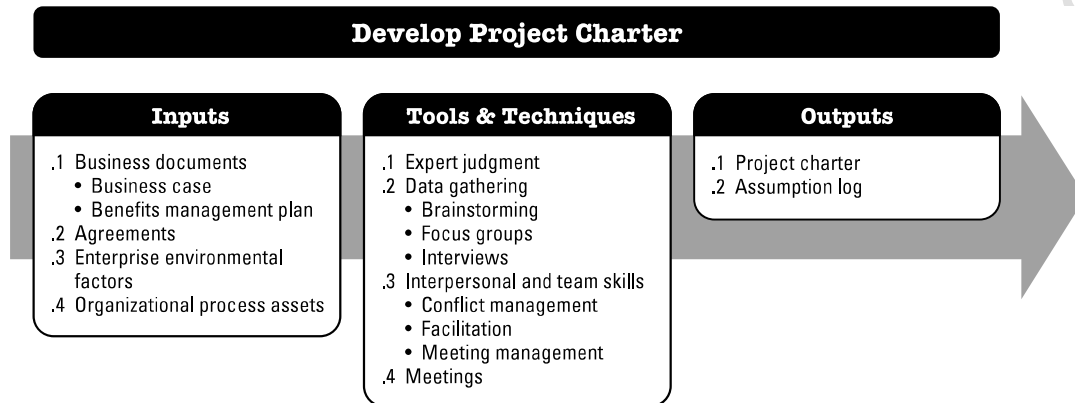


Figure 4-2. Develop Project Charter: Inputs, Tools & Techniques, and Outputs

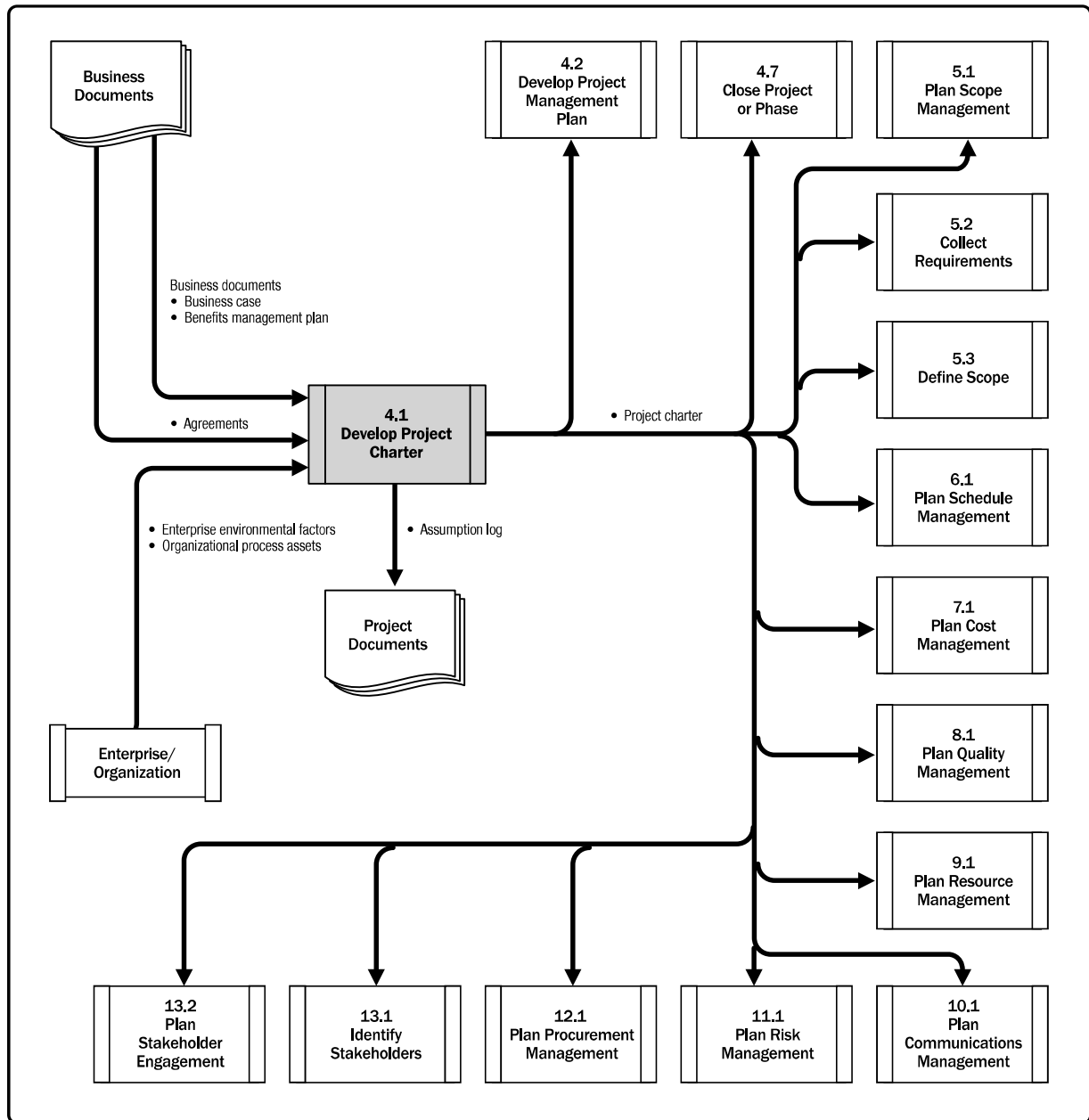


Figure 4-3. Develop Project Charter: Data Flow Diagram

The project charter establishes a partnership between the performing and requesting organizations. In the case of external projects, a formal contract is typically the preferred way to establish an agreement. A project charter may still be used to establish internal agreements within an organization to ensure proper delivery under the contract. The approved project charter formally initiates the project. A project manager is identified and assigned as early in the project as is feasible, preferably while the project charter is being developed and always prior to the start of planning. The project charter can be developed by the sponsor or the project manager in collaboration with the initiating entity. This collaboration allows the project manager to have a better understanding of the project purpose, objectives, and expected benefits. This understanding will better allow for efficient resource allocation to project activities. The project charter provides the project manager with the authority to plan, execute, and control the project.

Projects are initiated by an entity external to the project such as a sponsor, program, or project management office (PMO), or a portfolio governing body chairperson or authorized representative. The project initiator or sponsor should be at a level that is appropriate to procure funding and commit resources to the project. Projects are initiated due to internal business needs or external influences. These needs or influences often trigger the creation of a needs analysis, feasibility study, business case, or description of the situation that the project will address. Chartering a project validates alignment of the project to the strategy and ongoing work of the organization. A project charter is not considered to be a contract because there is no consideration or money promised or exchanged in its creation.

4.1.1 DEVELOP PROJECT CHARTER: INPUTS

4.1.1.1 BUSINESS DOCUMENTS

The business case (described in Section 1.2.6.1) and the benefits management plan (described in Section 1.2.6.2) are sources of information about the project's objectives and how the project will contribute to the business goals. Although the business documents are developed prior to the project, they are reviewed periodically.

- ◆ **Business case.** The approved business case, or similar, is the business document most commonly used to create the project charter. The business case describes the necessary information from a business standpoint to determine whether the expected outcomes of the project justify the required investment. It is commonly used for decision making by managers or executives above the project level. Typically, the business need and the cost-benefit analysis are contained in the business case to justify and establish boundaries for the project. For more information on the business case, see Section 1.2.6.1. The business case is created as a result of one or more of the following:

- *Market demand* (e.g., an automobile manufacturer authorizing a project to build more fuel-efficient cars in response to gasoline shortages),
- *Organizational need* (e.g., due to high overhead costs, a company may combine staff functions and streamline processes to reduce costs),
- *Customer request* (e.g., an electric utility authorizing a project to build a new substation to serve a new industrial park),
- *Technological advance* (e.g., an airline authorizing a new project to develop electronic tickets instead of paper tickets based on technological advances),
- *Legal requirement* (e.g., a paint manufacturer authorizing a project to establish guidelines for handling toxic materials),
- *Ecological impacts* (e.g., a company authorizing a project to lessen its environmental impact), or
- *Social need* (e.g., a nongovernmental organization in a developing country authorizing a project to provide potable water systems, latrines, and sanitation education to communities suffering from high rates of cholera).

The project charter incorporates the appropriate information for the project from the business documents. The project manager does not update or modify the business documents since they are not project documents; however, the project manager may make recommendations.

4.1.1.2 AGREEMENTS

Described in Section 12.2.3.2. Agreements are used to define initial intentions for a project. Agreements may take the form of contracts, memorandums of understanding (MOUs), service level agreements (SLA), letters of agreement, letters of intent, verbal agreements, email, or other written agreements. Typically, a contract is used when a project is being performed for an external customer.

4.1.1.3 ENTERPRISE ENVIRONMENTAL FACTORS

The enterprise environmental factors that can influence the Develop Project Charter process include but are not limited to:

- ◆ Government or industry standards (e.g., product standards, quality standards, safety standards, and workmanship standards),
- ◆ Legal and regulatory requirements and/or constraints,
- ◆ Marketplace conditions,
- ◆ Organizational culture and political climate,
- ◆ Organizational governance framework (a structured way to provide control, direction, and coordination through people, policies, and processes to meet organizational strategic and operational goals), and
- ◆ Stakeholders' expectations and risk thresholds.

4.1.1.4 ORGANIZATIONAL PROCESS ASSETS

The organizational process assets that can influence the Develop Project Charter process include but are not limited to:

- ◆ Organizational standard policies, processes, and procedures;
- ◆ Portfolio, program, and project governance framework (governance functions and processes to provide guidance and decision making);
- ◆ Monitoring and reporting methods;
- ◆ Templates (e.g., project charter template); and
- ◆ Historical information and lessons learned repository (e.g., project records and documents, information about the results of previous project selection decisions, and information about previous project performance).

4.1.2 DEVELOP PROJECT CHARTER: TOOLS AND TECHNIQUES

4.1.2.1 EXPERT JUDGMENT

Expert judgment is defined as judgment provided based upon expertise in an application area, Knowledge Area, discipline, industry, etc., as appropriate for the activity being performed. Such expertise may be provided by any group or person with specialized education, knowledge, skill, experience, or training.

For this process, expertise should be considered from individuals or groups with specialized knowledge of or training in the following topics:

- ◆ Organizational strategy,
- ◆ Benefits management,
- ◆ Technical knowledge of the industry and focus area of the project,
- ◆ Duration and budget estimation, and
- ◆ Risk identification.

4.1.2.2 DATA GATHERING

Data-gathering techniques that can be used for this process include but are not limited to:

- ◆ **Brainstorming.** This technique is used to identify a list of ideas in a short period of time. It is conducted in a group environment and is led by a facilitator. Brainstorming comprises two parts: idea generation and analysis. Brainstorming can be used to gather data and solutions or ideas from stakeholders, subject matter experts, and team members when developing the project charter.
- ◆ **Focus groups.** Described in Section 5.2.2.2. Focus groups bring together stakeholders and subject matter experts to learn about the perceived project risk, success criteria, and other topics in a more conversational way than a one-on-one interview.
- ◆ **Interviews.** Described in Section 5.2.2.2. Interviews are used to obtain information on high-level requirements, assumptions or constraints, approval criteria, and other information from stakeholders by talking directly to them.

4.1.2.3 INTERPERSONAL AND TEAM SKILLS

Interpersonal and team skills that can be used for this process include but are not limited to:

- ◆ **Conflict management.** Described in Section 9.5.2.1. Conflict management can be used to help bring stakeholders into alignment on the objectives, success criteria, high-level requirements, project description, summary milestones, and other elements of the charter.
- ◆ **Facilitation.** Facilitation is the ability to effectively guide a group event to a successful decision, solution, or conclusion. A facilitator ensures that there is effective participation, that participants achieve a mutual understanding, that all contributions are considered, that conclusions or results have full buy-in according to the decision process established for the project, and that the actions and agreements achieved are appropriately dealt with afterward.
- ◆ **Meeting management.** Described in Section 10.2.2.6. Meeting management includes preparing the agenda, ensuring that a representative for each key stakeholder group is invited, and preparing and sending the follow-up minutes and actions.

4.1.2.4 MEETINGS

For this process, meetings are held with key stakeholders to identify the project objectives, success criteria, key deliverables, high-level requirements, summary milestones, and other summary information.

4.1.3 DEVELOP PROJECT CHARTER: OUTPUTS

4.1.3.1 PROJECT CHARTER

The project charter is the 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. It documents the high-level information on the project and on the product, service, or result the project is intended to satisfy, such as:

- ◆ Project purpose;
- ◆ Measurable project objectives and related success criteria;
- ◆ High-level requirements;
- ◆ High-level project description, boundaries, and key deliverables;
- ◆ Overall project risk;
- ◆ Summary milestone schedule;
- ◆ Preapproved financial resources;
- ◆ Key stakeholder list;
- ◆ Project approval requirements (i.e., what constitutes project success, who decides the project is successful, and who signs off on the project);
- ◆ Project exit criteria (i.e., what are the conditions to be met in order to close or to cancel the project or phase);
- ◆ Assigned project manager, responsibility, and authority level; and
- ◆ Name and authority of the sponsor or other person(s) authorizing the project charter.

At a high level, the project charter ensures a common understanding by the stakeholders of the key deliverables, milestones, and the roles and responsibilities of everyone involved in the project.

4.1.3.2 ASSUMPTION LOG

High-level strategic and operational assumptions and constraints are normally identified in the business case before the project is initiated and will flow into the project charter. Lower-level activity and task assumptions are generated throughout the project such as defining technical specifications, estimates, the schedule, risks, etc. The assumption log is used to record all assumptions and constraints throughout the project life cycle.