Creating a Charter for Your Process Improvement Project
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The project charter is a significant and meaningful contract between the organization's leadership and the process improvement team. The team creates the charter as one of its initial activities. A typical charter consists of a one-page summary of critical details of the new project, allowing all stakeholders to agree on the business case for the project, the goals to be achieved, the scope, the timeline and the resources needed for the project to be successful. Ideally, the project's sponsor drafts an initial version of the charter, and it is then refined by the team leader and his/her team to:

- Provide concise information about the purpose for the project and clarify what is expected of the team
- Keep the team focused on the key process being targeted for improvement
- Prevent downstream "scope creep" and other out-of-scope work
- Focus on the gap between current performance and targeted performance
- Achieve commitment and ownership of the problem by the project team

Preparing, discussing, and refining the project charter is a valuable and worthwhile team-building exercise. It provides an opportunity to understand resistance and to get potential roadblocks out in the open. It creates a sense of team ownership of the project. The charter also defines expectations between managers and team members, preventing downstream confusion. After the team creates or re-works a draft charter, the team leader reviews it with senior leaders to approve the detail provided by the team and to ensure that the overall project, as chartered, supports the organization's strategy.

There are six basic elements to a typical project charter (see Figure 1):

1. **Business Case** - specifies and quantifies the benefit for undertaking the project. The most meaningful projects have a significant financial impact, and are tied to the company's strategy.

2. **Opportunity Statement** - explains the "why" of doing the improvement project. It identifies the pain felt by customers and suppliers, by the business, and by employees because of current gaps in process performance.

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3. **Goal Statement** - consists of a measurable baseline and a targeted performance that the team is seeking; it describes how the team's success will be measured in objective (quantifiable) terms.

4. **Project Scope**- The starting and ending points of the process; what business components are included / not included; any resource constraints (i.e., complete in three months; no capital spending).

5. **Project Plan** - displays the activities, responsibilities, and dates by milestone and task. It should be limited to 5 – 7 high-level steps to complete the initiative, along with projected completion dates.

6. **Team Members** - specifies who sponsors the project, who owns the process, and who is on the team (team leader, team members and their process expertise). Frequently, charters also include the names of ad-hoc "subject matter experts" who will be occasionally consulted by the team on an as needed basis. For example, a process improvement effort may not need as core team members an Information Technology expert or a Financial Analyst, but these skills are likely to be required as part of the project activity.

Figure 1 (below), includes relevant questions to help you obtain the appropriate information for the charter. In case a draft charter already exists, use the questions to determine if you have enough information to finalize your initial charter.

Once you complete an initial project charter, evaluate its effectiveness by using the "SMART" criteria (Figure 2). A good project charter specifies in detail the problem in question; it contains metrics to measure the problem and the target goals to be achieved; it sets realistic expectations; it is relevant to the business; and it contains defined timelines for completion of the project.

A project charter is a living document and you should expect to revise it periodically, especially during the initial phases of your project. Among the many reasons for revising the charter are:
- resetting the goal statement based on new information as more data become available
- an addition to or reduction of the scope
- adjustments to the opportunity statement or business case
- revising of the project plan or the team membership.

It is always appropriate to revisit the document when the team hits a roadblock or is lobbying for additional resources.

PROJECT CHARTER

Project Title:

Business Case:	Opportunity Statement:
• Why should we do this? Why should we do it *now*? • How does this project align with organization strategies? • What quantified benefits can be derived from success at this project?	• What "pain" are we experiencing? • What "pain" are our customers and/or suppliers feeling? *Note: symptoms ("pain") often help a team to focus on potential root causes and assist in zeroing in on the most relevant issues.* • What, exactly, is the performance issue?
Goal Statement:	Project Scope:
• What are the measurable performance targets or goals (including associated variability around those goals)? • What is the current baseline performance (including variability), stated in comparable measurement terms? *Note: The difference between current performance and goals define the "gap."*	• What specific process are we addressing? • Where does the process start and end? • What business components are included / not included? • Is there any part of this process that is considered "out of scope" for our project? • What, if any, are the resource constraints?
Project Plan:	Team Selection:
• What are the key milestones (e.g., team kickoff, major phase completion dates, presentation dates, etc.)? • In what time frame do we need to deliver these results?	• Who is the Team Leader? • Who is coaching the team (Master Black Belt)? • Who are the team members? • What are their skills? What are their responsibilities on the team? • Who is the project sponsor? • Who is the process owner?

Figure 1 – How To Write A Charter

Specific

▪ Does it address a real business problem?

Measurable

▪ Are we able to measure the problem, establish a baseline, and set targets for improvement?

Attainable

▪ Is the goal achievable? Is the project completion date realistic?

Relevant

▪ Does it relate to a business objective?

Time Bound

▪ Have we set a date for completion?

Figure 2 – The "SMART" Criteria

Figure 3 below shows a charter example for a process improvement effort focusing on a loan process.

SAMPLE PROJECT CHARTER

Project Title: Loan Process Cycle Time

Business Case:	Opportunity Statement:
• This project supports the corporate goal of becoming the number 2 global financial services company by increasing customer retention and satisfaction. • Cycle time reduction will reduce customer defection to less than 10% (estimate). • Reducing the cycle time will increase revenue by an estimated $2,500,000 per year.	• Customers are dissatisfied with current loan processing cycle times of more than 15 days • Competitors are processing loans in 9 days • We are observing a defection rate of 27% of the applicants due to the long cycle times, causing significant loss of revenue. • Our application processing costs ($165,000/year) exceeds the application fee by 18%.
Goal Statement:	**Project Scope:**
• Reduce loan process cycle time in from 15.4 +/- 4.4 days to no more than 8 days. • Reduce processing costs from $165,000 +/- $32,000 per year to no more than $75,000	• Loan Processes in the United States and Canada • Process begins with the initial contact from the customer and ends with the acceptance or rejection letter sent to the customer. • No capital investment available for new technology platform or equipment
Project Plan:	**Team Selection:**
Activity **Begin** **End** Define 1/7 1/31 Measure 2/1 3/20 Analyze 3/20 4/26 Improve 4/26 5/18 Control 5/18 6/25 Track Benefits 6/25 10/15	Albert Anderson Sponsor and Process Owner Carrie Carson Project Leader Barry Bethel Customer Service Denise Davidson Customer Service Eric Edwards Sales Rep Frank Fischer Loan Department John Smith Credit Department Deanne Vincent Master Black Belt / Coach

Figure 3 – Sample Charter

Finally, as you write / refine your project charter, keep in mind the following hints:

➢ The most effective project charters are simple, without excessive verbiage. Usually it is best to summarize the information in bullets. Three-page (or 20-page) charters will likely never be read or acted upon. Strive for the most concise wording to capture the essence of the team's undertaking.

➢ As much as possible, quantify the information in the Business Case, Opportunity Statement and Goal Statement. In early stages of the project, place blank spaces or "tbd" where quantification is useful and available, but not yet identified.

➢ The Goal Statement should be succinct and the baseline and target values should include the variability of the baselines and of the target goals (averages alone do not tell the whole story).

➢ A properly scoped project contains only one or two goals. Multiple goals (beyond one or two) dilute the project's focus and make the effort significantly more challenging. Just ask yourself, would you rather set and achieve two goals, or struggle with four or five goals? If there are several critically important goals

   o Work with your project coach and sponsor to break the initiative into two different projects.
   o Ask yourself if any of your goals are correlated (as you achieve one, you tend to move another in a favorable direction toward its target). Select one of the goals and trust that the other goal will be achieved. That way, you achieve a worthy goal, but do not burden yourself to achieve two similar goals.
   o In the experience of ProcessGPS consulting, many teams mistakenly identify "deliverables" as goals. For instance, understanding and mapping the process is an activity of all process improvement teams; this is not an appropriate goal, but a deliverable. A good way of identifying a deliverable vs. a goal is to ask the question: *"What is the relevant measure?"* If the answer is that you have either accomplished it or not, then it is not a goal. Alternatively, if you can quantify performance that is meaningful to the team and to the customer of the process, then you have identified a potential goal.

➢ Make sure that you have the right people for your team:

   o The most effective team size is 4 – 7 (any fewer hinders team dynamics, and any larger make coordination unwieldy).
   o Select team members who participate significantly in the process under focus. Pick team members closest to the "action" or closest to the customer.

- Ensure that all key parts of the process have representation on the team. Note that you may not be able to determine this comprehensively until the team maps the process.
- Strive for team member commitment to the project's purpose and to the work that they are to undertake.
- Ensure that the supervisors and managers of the team members are fully supportive of their participation. Ideally, the management agrees to allow the team to devote up to 20% of their time (nominally one day per week) for the duration of the project.

The authors have led and coached hundreds of process improvement efforts. Teams that adhere to the guidelines in this article set themselves up for a much greater likelihood of success. It's often said that defining a problem is half the effort. To paraphrase: Chartering a project well in its initial stages guides the team to success and helps them anticipate and avoid pitfalls along the way.

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