

Negotiating Using a Project Charter

By Alex S. Brown, PMP IPMA-C

Project managers often face conflict. Resolving conflict in business requires negotiation. Project charters provide the foundation for project negotiations.

Negotiations may involve a variety of different types of business professionals and project participants:

- Project sponsors
- Other project managers
- Project team members
- Department managers and senior executives
- Vendors, consultants, suppliers, and service providers

In all these situations, a good project charter will provide the project manager with keys to successful negotiation:

- Authority
- High-level scope or vision
- Name of the person authorizing the project work

Many charters also give the business case or justification for the project, providing even better basis for any negotiations.

Fact-Based Negotiations

No matter what your objective in the negotiation, it is important to be able to respond to fact-based challenges and questions. Some negotiations will fall into an emotion-based argument, but emotion-based discussions may stall and lead to deep conflict. Focusing on facts can help resolve a conflict.

The project charter provides certain key facts:

- A short, concise statement of purpose
- Business case or business justification

Negotiations often demand everyone to take both a short-term and a long-term view. Short-term, practical issues are reflected in the detailed project schedules and work plans. Very often, though, the project team and project manager become absorbed in these details and find it difficult to switch to a long-term view.

The charter, written at the start of the project, can provide a long-term view. It focuses on the overall deliverables of the project. Reviewing those overall deliverables can help uncover issues and priorities that should be driving the negotiation. The charter can provide a refreshing, much needed dose of perspective, if the negotiation has become focused on small, specific work packages.

The business case or business justification in the charter can also be critical to negotiations. Sometimes the deliverables are not the most important issue at stake. Business results or business impact are not always obvious when reviewing detailed lists of deliverables. The business case should be reflected in the charter. Knowing and understanding the business case will allow the two negotiating parties to make a better decision about what to sacrifice and what to trade off. Perhaps they can even find a mutually beneficial solution that achieves the business objectives for both sides, even if certain short-term deliverables are sacrificed.

Quantifying the Conflict

Often project managers are negotiating for their schedule or budget. “Without this equipment, we will be four weeks late!” “Unless this expert is assigned to my team, our whole effort may fail.” By expressing the conflict as an ultimatum, project managers limit their negotiating flexibility. Other project managers may respond in kind, saying, “But if I give up that equipment, I will be eight weeks late!” None of these statements are useful to making a business decision about how to resolve the conflict.

The charter helps to express those ultimatums using business-relevant, quantifiable, comparable terms.

Reviewing the charter for each project will reveal the overall business case for each effort. Which project faces a critical time deadline? How much would it cost the company if each were late? While the individual schedule of each project is important to each project manager, larger business issues are at stake for the organization.

For example, assume that one critical resource is shared between two projects. Whichever project gets the resource first will be on time. If project #1 gets the resource second, it will be four weeks late. If project #2 gets the resource second, it will be eight weeks late.

It may seem obvious that project #2 should get the resource first, to avoid the eight week delay. Eight weeks is more than four weeks. However, assume that project #1 is a regulatory compliance project that absolutely must be complete on time to avoid regulators from shutting down the company. The company would lose \$2,000,000 in revenue for every day it is shut down. Assume project #2 is a routine maintenance project, with a small productivity cost of \$40,000 per month if it is delayed. Project #1 should clearly get the resource first.

Many project managers analyze and quantify the impact of change to their projects. Often these measures are limited to schedule, deliverable and budget impact. By using facts in the charter, the project manager can deepen that analysis. The analysis can include measures of impact to the organization's sales, profit, and other business drivers.

Authority-Based Negotiations

Project managers should aim for “win/win” outcomes to negotiations. Where possible, it is best to come up with solutions that benefit everyone involved. At times, though, “win/win” might not be possible. Sometimes one project or business leader must lose, so that the more important project or business initiative can win or proceed.

Often these “win/lose” negotiations come down to issues of authority. Who supports each effort?

Which sponsor has greater authority? Which sponsor is willing to fight harder to see that his or her effort goes first?

The project charter can be an excellent tool to settle these conflicts. The charter should be issued or approved by someone with enough authority to see the work completed. The sponsor named in the charter is the person to whom the project manager should turn during authority-based negotiations.

At times, it may not even be necessary to escalate the negotiation to the project sponsor. Simply by showing the other party the signed or approved charter may be enough to end the negotiation. Based on the rank, authority, and reputation of each sponsor, the project managers may be able to decide by themselves which effort needs to proceed first.

Preserving Face and Reputation

Before escalating any project conflict to the sponsor, the project manager should inform the other party in the negotiation. Sometimes the other party will want to avoid allowing the conflict to escalate. They might be willing to compromise or search for new solutions.

When and how to escalate problems depends greatly on the culture of the company. Some companies value conflict. Some avoid it. Some encourage managers to work out all of their own problems, no matter what. Others applaud managers for quickly escalating potential problems. When working with an overseas representative or another company, negotiations are much more complex, because they involve multiple cultures.

Advance notification is almost always beneficial before escalating, regardless of company culture. Unless the negotiation is a low-trust negotiation, where I want to keep many issues secret, I generally notify the other party before bringing in the project sponsor. Doing so gives us one last chance to work out the problem ourselves.

Emotion-Based Negotiations

Books on negotiating tactics often advocate using facts, not emotions, as the basis for all negotiations. This advice is generally sound, but in some cultures and some situations, emotional responses are critical to the negotiating process. How strongly people feel and how they express those feelings can affect the outcome of any negotiation.

The charter is an essential tool in these situations as well. The charter shows the project's relationship to the world, to the organization, and to its sponsor. Emotional negotiations may center around questions of "Who cares about this issue?" and "How much do they care?" The business case provides important clues about who will care and how much they will care. The person who authorized the project clearly cares about the issue, and can serve as an eloquent, committed spokesperson in emotionally-charged negotiations.

A skilled project manager can invoke the business case and talk about the business loss or gain without calling in the project sponsor. Sometimes an emotion-based appeal can draw a vivid picture of how people will feel and how they will be affected, and change the minds of the other people involved in the negotiation.

Many negotiations will be settled using fact-based or authority-based appeals, but occasionally an

appeal to emotion will help the parties to reach a resolution.

The Only Charter in the Room

Sometimes project managers may find that their project is the only one with a documented charter. Other parties in the negotiation have no documentation of their authority or purpose. Simply producing the charter may settle the negotiation in these cases.

If one project has clear sponsorship and executive support, while the other is a “good idea” without a clear champion, then the project with clear support will almost always win the negotiation.

At times, the negotiation process may even reveal that a “rogue” project is being conducted and it should be shut down. Any project that is consuming time, resources, and budget should have some kind of business case and some executive support. The charter documents that business case and support.

The negotiation process can serve as a kind of informal audit for all the projects involved in the negotiation. It is an opportunity to review each project's business case and assert the on-going value of each project. If any project in the negotiation has lost its business case or lost its executive support, it should be closed. If there is no business case for a project, the project should end.

If someone avoids all negotiation and conflict, it may be a sign that their effort lacks support. If you suspect fraud or misuse of company resources, you should ask questions even after the conflict is settled. Ignoring rogue or fraudulent projects can hurt your own career, your company's livelihood, your professional reputation, and sometimes the general public. Lack of a charter is a sign that a project may be rogue or fraudulent.