***[COMPANY]***  ***ERP BUSINESS SYSTEMS***

**PROJECT CHARTER**

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# Amendment History

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| --- | --- | --- | --- |
| Version | Prepared by | Date | Description |
| 1.0 | M. Carew | 11/05/2021 | First Version |
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# Introduction

### Purpose of the charter

The ERP Business System Project Charter, documents and tracks the necessary information required by decision makers to approve the project commencement. The project charter includes the needs, scope, justification, and resource commitment as well as the project’s sponsor(s) and decision by the CEO/Board to proceed or not to proceed with the project.

The intended audience of the ERP Business System project charter is the [COMPANY] board of directors and steering committee.

# Project overview

### Purpose

The purpose of the ERP Business System project is to consider options to replace or upgrade the existing Business System. The new/updated system will include Finance, Warehouse/Stores, Point of Sale?, Procurement, Sales and Marketing & Operations, for [COMPANY] including appropriate governance.

The project will take into consideration the need to upgrade/rationalise other IT related systems impacted by the implementation.

Whilst there are many ERP vendors in the market this project will focus on vendors with a proven track record in [fill in here].

The project will start [DATE] and will consist of 8 phases

* Phase 1: Discovery/Requirements gathering and Planning
* Phase 2: Consolidate findings, Analysis and scope confirmation
* Phase 3: Vendor analysis and selection
* Phase 4: Business case and cost benefits analysis
* Phase 5: System development
* Phase 6: Testing
* Phase 7: Deployment
* Phase 8: Ongoing support

*(Phase details and methodology are listed in appendix 1)*

### Project duration:

The project duration including implementation across all sites will take approximately [1.5] years. *(it is important to fully understand duration and the factors that impact duration including resource requirements required to run the day to day business as usual).*

### Budget considerations:

Vendor solutions and implementation can vary greatly.

During the discovery and planning phase preliminary discussions will take place to obtain early indicative pricing based on implementation and one off and annual reoccurring licencing for [No. seats] seats / [No. of] consecutive users. Other budgetary considerations will include hardware, external consultants, training requirements. (note: internal resource commitment may require backfill resources to allow SMEs in each area to commit sufficient time to the project.

# Justification

[COMPANY] existing system is inadequate, inefficient and outdated. [COMPANY] system will not meet the business proposed future state limiting the ability to scale the system in line with [COMPANY] growth plans causing [COMPANY] to be reliant on and manage the risk of maintaining an end-of-life system. To provide a solid and efficient platform for future growth [COMPANY] should consider investment in a new integrated ERP and business system as outlined in the [COMPANY] Strategic review. A cost benefits analysis will be undertaken as part of the Discovery and planning and vendor analysis stages.

### Strategic alignment

The ERP project is aligned with the [COMPANY] strategic objectives and initial approval to commence discovery and vendor analysis has been approved by the [COMPANY] Board.

# Scope

The ERP project scope is limited to the [SCOPE CONFIRMATION OUTLINED IN PHASE 2], assessment and if required INCLUDE integration of the existing platforms [LIST HERE]. The scope will be finalised and locked in at the end of Phase 2 as described on page 10 of this document

Not included in this scope, [LIST EXCLUSIONS HERE].

# Duration

### Timeline milestone completion dates



### Executive Milestones

|  |  |
| --- | --- |
| **Milestones** | **Milestone Dates** |
| Agreed plan to manage existing system and key people |  |
|  Develop high level ERP process |  |
| Phase 1: Discovery and Planning |  |
| **Phase 2: Consolidate findings Analysis and scope confirmation** |  |
| Phase 3: Vendor Analysis |  |
| **Phase 4: Business case, cost benefit analysis [Board approval required]**  |  |
| Phase 5: System Development |  |
| Phase 6: Testing |  |
| Phase 7: Deployment |  |
| Phase 8: Ongoing Support |  |

*Note: Board approval required to move to commencement of Phase 5 (system development & implementation). All efforts will be made to reduce project cost and timelines where the reduction does not negatively impact the agreed project outcome.*

# Budget Estimate

This section provides an early summary of estimated spending to meet the objectives of the ERP Business Systems project as described in this project charter excluding ERP system, implementation and internal resource usage cost. This summary of spending is preliminary, and reflects costs up to completion of the vendor analysis phase of the project lifecycle. It is intended to present probable funding requirements and to assist in obtaining budgeting support.

*[early estimates only]*

|  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **Item** ($000) | **DATE** | **DATE** | **DATE** | **DATE** | **DATE** | **DATE** | **DATE** | **DATE** | **DATE** |
| ERP Consultant |  0 |  |  |  |  |  |  |   |   |
| ERP requirements consultant/writer |  0 |  |  |  |  |  |  |   |   |
| Hardware (test environment) |  0 |  |  |  |  |  |  |   |   |
| Hardware (Training) (test environment) |  0 |  |  |  |  |  |  |   |   |
| Training consultant  |  0 |  |  |  |  |  |  |   |   |
|  |  0 |  |  |  |  |  |  |   |   |
| **Total** |  |  |  |  |  |  |  |   |   |

1. Assumptions, Constraints and Risks

### Assumptions

The system is being developed to [replace/upgrade] the existing ERP system for [COMPANY]

This section identifies the statements believed to be true and from which a conclusion was drawn to define this project charter.

1. The system will be fully integrated
2. The system will be scalable
3. The system will be based on best practice
4. The system will provide [consolidated] financial reporting
5. The system will be future proof and have appropriate cyber security
6. The system will consider [COMPANY’S] longer term ERP system needs
7. The system integration will be low impact to the existing day-to-day operations
8. The system will be intuitive and easy to navigate
9. Internal resources will be made available to meet the agreed project timelines
10. Each Phase of the project is to be signed off by the steering committee

### Constraints

This section identifies any limitation that must be taken into consideration prior to the initiation of the project.

1. Resource availability during the discovery phase.
2. Resource availability during the training and implementation phase.
3. Resource availability for ongoing training and support.

### Risks

The risks highlighted include failure to follow proven ERP implementation methodologies including but not limited to:

* Not undergoing detailed discovery and requirements gathering.
* Not undertaking robust vendor analysis, system development and UAT, (user acceptance testing).
* Not undertaking thorough data cleansing and migration testing
* Not developing and implementing a detailed training and assessment program well before the deployment phase commences.

# Roles and responsibilities

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| **Name and Department** | **Project Role** | **Project responsibility**  |
| [CEO/COO/Director, PROJECT MANAGER], Selected Dept. Subject Matter Expert Leads (SMEL)] | **Steering Committee**  | The governance structure which is responsible for the business issues associated with the project that are essential to ensuring the delivery of the project outputs and the attainment of project outcomes.  |
| [NAME] | **Project Manager** | Accountable for the overall successful delivery of the ERP project, on time and on budget |
| [External vendor agnostic ERP Consultant] | **ERP consultant**  | To guide [COMPANY] through the project discovery workshops, vendor analysis and implementation process ensuring they align with industry best practice. The consultant’s responsibility is to assist [COMPANY] with achieving a successful on time and on budget ERP implementation in line with [COMPANY] current and future objectives.  |
| ERP Project managerFinance SMELProcurement SMELWarehouse SMELOperations SMELIT SMEL | **Project Team**  | Participate in all phases of the project, facilitate the transfer of knowledge during the discovery of current systems, processes and bottlenecks. Participate in the requirements gathering workshops including vendor analysis and demonstration.  |
| (Implementation team will consist mainly of the Project Team Members)  | **Implementation team** | Work with the project team and play a lead role in system configuration, testing, data cleansing and data transfer processes, training facilities, training material and the overall training and implementation process. Where appropriate training will be performed in the field  |

# Project Charter Approval

The undersigned acknowledge they have reviewed the project charter and authorise the ERP Business systems project. Changes to this project charter will be coordinated with and approved by the undersigned or their designated representatives.

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# Appendix 1

## Project methodology

### Phase 1 Discovery & Planning

*Goal: To thoroughly understand the business’ needs*

**Step 1:** **Establish the Project Team**

The Project Team should represent all aspects of the business representing Sales, Customer Service, Purchasing, Warehousing, Operations, Point of Sale, Accounting and IT SMELs. (Subject Matter Expert leads assisted by appropriate SMEs within the business)

The team may include engagement of an independent consultant specialising in ERP evaluation and implementation and assist the project team through this process.

Team members (SMELs) should have strong knowledge of current procedures in their area and be active system users with hands on experience, knowing what the current system does as well as its limitations.

The team leader should be higher up in the organisation chain – understanding how the business operates and where the business is heading. Often a business management software project can be interpreted by others as just an IT or accounting project, particularly if a person with an IT or accounting background is the team leader. **The project involves and affects the entire business and is a business project and even though IT and Finance play an important role this is not just an IT or Accounting project.**

**Step 2: Hold Discovery workshops**

Facilitated workshops are where the project team obtains an in-depth understanding of various parts of the business at a detailed level and evaluate what is in and out of the project scope. (Functional requirements gathering)

The project team will need to know what the business is currently doing, and what the business wants to be doing in the future which includes analysis of existing vendor feature and function lists to assist in this process.

They will discuss current processes thoroughly and identify pain points and bottlenecks with the current system.

**Step 3: Document Key Processes and Requirements**

This round of documentation will become the foundation for the new system requirements and helps the project team with building out the requirements and project plan.

The project team will hold meetings with the implementation team – looking for red flags, or gaps between the business’ current and future needs and vendor system capabilities. These holes/gaps can greatly affect the requirements of the new system and need to be understood early before the vendor Request for Information “RFI” and Request for Proposal “RFP” stages.

 **Step 4: Identify Potential Gaps, Risks, and Solutions**

Continuing from the previous step, the project and implementation team will work to:

Identify and document all areas where the current system doesn’t meet the company’s needs.

Identify any risks that might push out the implementation date or that make the conversion more complex.

Risks to identify include areas such as complex chart of accounts, inaccurate financial records and operational data, significant planned absences of project and implementation team members during the implementation and so on.

**Step 5: Build the Project Plan**

The project plan will serve as a detailed road map for the implementation and is owned by the Vendor in consultation with [COMPANY] Project manager. It will include information from the previous steps and evolve as [COMPANY] works through the upcoming vendor analysis phase.

The bottom line for the discovery process is that the project and implementation team must both understand and agree on the business processes and the objectives of the project. The project plan is the foundation of the project and vendor analysis.

**Step 6: Define User Roles**

Modern systems rely on user roles to control security. These role-based systems can be simple or complex depending on the size of the business and internal control requirements. For example, a sales person should not have access to the cash receipt’s function, or an AP person to be able to create a purchase order. The project team will define these roles and user privileges across the ERP functionality.

### Phase 2 Consolidated findings, analysis and scope confirmation

*Goal: To consolidate and analyse the findings of the discovery workshops and review and confirm the project scope.*

Consolidation and analysis of the discovery workshops is necessary to allow the project and implementation team to revisit the scope and make further recommendations regarding in and out of scope function and features prior to locking in the final scope parameters. Steering committee or board approval and signoff is required prior to locking in the final functionality and progressing to prior to moving to Phase 3 activities.

### Phase 3 Vendor Analysis and selection

*Goal: To prepare and engage with external and internal ERP vendors*

*(As an internal vendor assess our internal ERP development capability).*

**Step 1: Adopt a structured approach to the process.**

The set of practices both vendor and [COMPANY] are presented to all stakeholders within [COMPANY] before the system selection process begins. All stakeholders need to understand the method of gathering requirements; invitation to tender; how potential vendors will be selected; the format of demonstrations and the process for selecting the vendor. Thus, each stakeholder is aware that the decision will be made on an objective and collective basis as this will lead to a high level of co-operation within the process.

Vendors will be required to arrange visits to customer sites to allow us to see the vendor application in a live environment and speak to the customer about the vendor solution.

**Step 2 Customisation and 3rd party integration**

While our guiding principle is to minimise any customisation, modern ERP systems have a great amount of flexibility built into them and there can be a variety of approaches that are possible to address the way we want to run the business. Sometimes during the Discovery and Planning phase the project and implementation teams determine that some level of customisation of the new software is required to best meet the organisation’s needs. Here, discussion with the vendors may take place to see how we can include some on these customisations or 3rd party integrations. (includes modifying user interfaces, reports etc).

Note: customisations should be kept to a minimum as in many cases these impact future application updates and become quite costly.

**Step 3 implementation considerations**

As part of the RFI and RFP process, vendors may be asked to include a solution that allows the old and new systems to communicate/interface during implementation.

**Step 4 RFI and RFP**

From the Discovery and Planning phase and the steps above we will develop the Request for Information (RFI) and Request for Proposal (RFP) documents that will form the basis for engagement with vendors

**Step 5 Vendor engagement**

Vendor list including in no specific order, [LIST VENDORS HERE] .

**Step 6 Focused demonstrations**

Demonstrations by potential vendors must be relevant to the business. It is important to understand that there is a considerable amount of preparation required by vendors to perform demonstrations that are specific to the business and these can best be described as “Day in the Life” demonstrations. Therefore, it is imperative that vendors are treated equally in requests for demonstrations and it is incumbent on [COMPANY] (and if available objective ERP consultant [COMPANY] in the selection process) to identify sufficient demonstrations that will allow a proper decision to be made but will also ensure that vendors do not opt out of the selection process due to the extent of preparation required.

**Step 7 Objective decision process**

"Choosing which ERP to use is a complex decision that has significant economic consequences; thus, it requires a multi-criterion approach. There are two key points to note when agreeing on selection criteria that will be used in evaluating potential vendors. Firstly, the criteria and the scoring system must be agreed in advance prior to viewing any potential systems. The criteria must be wide-ranging and decided upon by as many objective people as possible within and external to [COMPANY]. In no circumstance should people with affiliations to one or more be allowed to advise in this regard. We will extensively reference check the preferred systems.

**Step 8 Full involvement by all stakeholders**

The decision on the Vendor shortlisting and final system must be made by all stakeholders within [COMPANY]. It requires top management leadership and participation, it involves each department within [COMPANY].

Representatives of all users should:

* Be involved in the project initiation phase where the decision-making process is agreed;
* Assist in the gathering of requirements;
* Attend the Vendor Demonstrations;
* Have a significant participation in the short-listing and final selection of a vendor.

**Step 9 Vendor engagement**

Final documentation for the vendor engagement is reviewed and vendor allowances for modifications to items such as User Interfaces (screen layouts) additional features, report formats and types for both print and screen views are scrutinised to ensure allowances are adequate. (Costs can blow out where vendors only provide for estimated hrs included for each item and charge additional fees for all additional hrs). Scope Creep (uncontrolled growth of the scope) will lead to time and budget blowout.

### Phase 4 Business case, cost benefit analysis

*Goal: To obtain approval from the Board to move to Phase 5*

From the Discovery, analysis and vendor engagement process a business case and cost benefits analysis will be provided to the board to justify budget and overall approval for the implementation of the recommended ERP system.

### Phase 5 System Development

*Goal: To prepare the new system environment for data migration*

**Step 1: Configuration of the Go-live System**

All the decisions made regarding needed configurations in the planning and vendor analysis phase get deployed here. This is where the Vendor will engage with the [COMPANY] SMELs and through a series of workshops develop a system design document for [COMPANY] review and sign off to ensure that the Vendor and [COMPANY] agree the solution scope and any limitations of scope. This will be followed by a series of setup workshop and activities. The Vendor will require cleansed Master Data for initial upload. The implementation team will load the chart of accounts, as well as any static data such as the customer master, item master, vendor master, agreed historical financial activity, etc. other configurations such as formatting the chart of accounts and sub accounts, as well as setting any numeric sequences for customers and vendors will also be done. Customer classes, vendor classes, item classes are examples of areas that will be set up during the planning phase.

**Step 2: Simulation of a Live Environment**

Now that data has been added to the system the Vendor will create a prototype of the system to allow a conference room pilot (CRP) to be established *(the CRP is to validate the application against the business processes and provides a walkthrough of the entire order to cash cycle for the first time in the new system)*. This preliminary simulation of the live environment is important in providing another opportunity for the implementation team to test the design of the system to see that it meets the business requirements and offers a great deal of training value for the project team, risk-free.

Have all SMELs sign off that the system has been configured in the way they want it to run the business.

The project team should understand how they will use it to do their jobs once it goes live.

The implementation team in conjunction with the project team will look at the results of the conference room pilot testing to determine whether the system is ready for go-live.

**Step 3: Development of End User Training**

Now that the approach to using the system has been developed the project team and vendor should create training material for the end users. The members of the project team should be subject matter experts in their area of the business and should lead the preparation of training material for their area with the vendor. The procedures developed earlier should be the foundation for the training so that the users learn to use the system in the way the project team designed it to be used.

A successful design will include:

* A screen mock-up and complete description of every major screen in the system, including a description of each field on the screen and its purpose.
* A complete description of every major process in the system (flow of data, calculations, posting processes, etc.) with diagrams (such as flowcharts) as appropriate.
* A report mock-up and complete description of every report to be built for the system, detailing the source of the data to be included, filtering, sorting, and subtotalling options.
* A detailed description of the technology to be utilized.
* A complete and detailed field-by-field table specification for each new table to be built for the system.
* A list of existing tables “objects” to be utilized or to be integrated with, along with a field- by-field list of custom fields to be added to these objects. Note, a table “object” may refer to a virtual table entity from the existing application’s perspective; this entity may be comprised of one or more actual SQL (Structured Query Language) tables.
* A data dictionary tracking all the data fields to be used throughout the system (mapped to the tables using them).
* A chart of table relationships (showing key field links between them).
* Data Flow Diagrams as appropriate to explain how data “moves” through the software system.
* A description of the user-security methodology to be utilized.
* List of anything that will NOT be included in the system (so that there are no invalid assumptions).

### Phase 6 Testing

*Goal: To confirm that system functionality aligns with the requirements*

**Step 1: Execute UAT (User Acceptance Testing)**

Developing and executing the UAT plan will largely fall on the shoulders of the project team because they know the business. For the testing process to be successful, the users must define and develop a testing plan including a UAT script register and scenarios to enable end to end testing of the system to the level of comfort needed to accept the product as deployed. The implementation team will work with the project team to develop the testing scenarios to ensure all parts of the system are tested with any faults rectified and retested.

**Step 2: Import Sample Data**

Part of the go-live process involves loading static and dynamic data. Static data are elements that don’t change frequently such as customers, vendors, inventory items and so on. Dynamic data changes frequently and includes things like accounts payable and receivable invoices and inventory quantities.

Often it makes sense to export that data out of the old system and import it into the new system. Part of testing should include the export and import processes. Particularly with dynamic data we will want to ensure that process works efficiently to minimize system downtime during conversion.

Importing some static and dynamic data enables the project team to perform system testing with familiar information and better enables simulating running the end-to-end processes of the business in the new system.

**Step 3: Adjust Configurations**

During the “testing” phase the teams may determine that some slight adjustments are necessary to some configurations to optimize the use of the system in running the business. If adjustments are required, they are made in both the test and go-live systems.

**Step 4:** **Establish “Cut-off” Strategy**

Transitioning from the old system to the new system can take a variety of paths. In the past, companies converted systems one module at a time, or they would run both systems in parallel. The problem with those approaches is the workload for users more than doubles. A cut-off strategy is to be developed and agreed by the steering committee prior deployment of the new system.

**Step 5: Simulate Running the Business**

Just prior to the go-live decision, the teams should work jointly to perform one final test of the system. The project team should prepare a set of final test scenarios that simulates running all key processes for the entire business in the new system to confirm that the team and the system is ready for the final – going live.

**Step 6: Deliver End User Training**

The training and support team with the assistance of the Project and Implementation teams undertake the training and support of end users. It will be necessary to set up a designated training environment including workstations, whiteboard and projector for employees to practice and receive training instruction. A detailed training and support plan will need to be created by the implementation and project teams. Where possible training will be carried out on site.

### Phase 7 Deployment

*Goal: Go-live*

This is where we migrate to the new system commencing with [COMPANY TO DECIDE GO-LIVE AND ROLL OUT STRATEGY] will have transitioned to the new ERP with clean, reconciled financial and operational data.

**Step 1: Assess End-user Proficiency**

End user training will continue into deployment until all employees who will be using the new system have been sufficiently trained. Project team members will need to become subject matter experts within their respective areas and should also be given enough time to train others on the new system. For example, a finance manager will learn all about accounts payable and receivable, and general ledger. The finance manager needs to have enough available time to train the AP clerks, AR clerks, and so on. Before going live, all users must have enough time working with the system to comfortably do their jobs.

**Step 2: “Go/No Go” Decision**

As the project approaches the scheduled go-live date, the project team and implementation team should work through a final evaluation of system and user readiness by simulating running the business. Based on that testing, the teams should have a discussion to decide whether they are ready.

**Step 3: Load Static and Dynamic Data**

With the teams concluding that they should go live, the data load process starts. During the testing phase, the processes to load data should have been tested. Now that it is time to go live the teams extract data from the legacy systems like vendors, customers and inventory item master records as described previously.

Once that data is loaded and validated, the team will extract the dynamic data and import it into the new system. That includes open invoices from accounts payable, accounts receivable, inventory balances, open sales orders, open purchase orders, open projects, etc.

Consideration needs to be given to bringing only the net activity into the GL and keep our old system available for analysis when required. Depending on our system we could also export the transactional data to a database for subsequent querying.

The issue with bringing in transactional detail is that the transactions need to be replicated in the new system. This would require loading each account payable invoice for say 2 years and then issuing a cheque to pay the invoices. Then we’d have to do something similar on the accounts receivable side, followed by reconciling the bank statement. Then we’d have to reconcile the activity in the new system compared to the legacy system, so this would be a huge undertaking and should be avoided.

**Step 4: Validate & Balance Against Legacy System**

For each financial and operational area, the teams must validate the data that was loaded into the new system against the data in the legacy system. This is a critical step to ensure that the systems match and that we have informational integrity as users start using the new system. Accurate underlying data will ensure users and decision makers build confidence in the new system.

**Step 5: Start Using It**

We are anticipating the successful vendor solution will allow [COMPANY SPECIFT FIRST GO-LIVE POINT]

This will provide a good system support framework for both [COMPANY]

### Phase 8 Ongoing Support

*Goal: To optimise system use & transition the project team*

After the new system is live, there will continue to be a need for ongoing optimisation of system use and productivity. There may be features in the new ERP that the implementation and project teams decided to defer until after the system goes live. Users may also find slightly different or more efficient ways to utilise the system.

**Convert the Project Team**

This optimisation process begins as a joint effort between the implementation team and the project team, but shifts as the project team takes on more of the lead role. Eventually they will convert to more of an IT steering committee that looks at new system requests from users and compares them with the IT and vendor resources available.

Responsibilities for the IT steering committee also include ensuring that new users are properly trained in the use of the system.

**Training**

A lack of proper user training and procedures leads to a lack of system understanding by users who then create workarounds to get their jobs done.

**Identify Problem Areas & Develop Solutions**

If there are some longer-term structural changes such as acquisitions, or adding new business units there may be a need for rolling out new features in the system that were not necessary before.

So even though thorough planning and testing was conducted along the way, generally, there will always be a need for proper care and feeding of the system as the business progresses. This should be managed by the steering committee and members of the implementation team should be engaged where appropriate.

# Appendix 2

### ERP Team Structures