



How to determine the budget for a new ERP

For small and medium-sized manufacturing companies, investing in an ERP system could be a game-changer. But how much should an organisation invest in a new system?

In this document, we discuss the key considerations when drawing up an ERP budget. By making the right financial choices, you can select the supplier that best suits your company and lay the groundwork for sustainable growth.

Reasons to invest in ERP

Investing in an ERP helps companies to:

- 1. Replace outdated systems**
- 2. Streamline processes and save costs**
- 3. Tap into new markets**
- 4. Grow and achieve higher profits**
- 5. Comply with laws and regulations**

The investment process for ERP

Investing in an ERP system is not something you do lightly. Take the following steps to make sure you make the right decision:

1. Analyse your business:

- Determine any automation needs and redundant business processes, and the improvements you hope to make.

2. Make a cost estimate:

- **Technical costs:** Hardware, software, maintenance and security.
- **Data costs:** Migration and validation of legacy systems.
- **Personnel costs:** Training, change management, and support.

3. Calculate the cash flow, cost savings, and ROI:

- Calculate what the investment must yield in terms of savings on labour, faster order process turnaround times, and improved efficiency.

4. Conduct a risk analysis:

- Consider cloud solutions to minimise cybersecurity risks.

5. Draw up an implementation plan:

- Establish a timeline, budget, and measurable goals for the system's go-live.

Pricing models: cloud-based (SaaS) versus on-site

Both on-site and cloud-based ERP systems are available, each of which offer different advantages and disadvantages.

On-site:

- **Benefits:** Permanent license and predictable costs.
- **Disadvantages:** High initial investment, lack of flexibility and scalability, and low level of security.

Cloud-based:

- **Benefits:** Lower startup costs, subscription costs based on usage, flexible scalability, and improved security through economies of scale.
- **Disadvantages:** Dependence on supplier stability.

Conclusion

SMEs are increasingly preferring cloud-based ERP solutions due to their flexibility and lower costs.

There are various ways to finance the purchase of an ERP. Your company's management must decide whether this investment should come directly from company funds or be financed (partially) from other sources.

A deliberate process for determining your ERP budget is essential if you want your new software to launch successfully. Because such a system integrates, manages, facilitates, and automates all of your business processes, it is crucial to conduct thorough research into the various systems and suppliers.

Worksheet:

Setting up your ERP budget

Use the worksheet below to help you identify the hidden costs of integrating an ERP.

Technical costs:

Hardware (servers, computers, modems, equipment): £

Installation and configuration: £

Software license and hosting: £

Operating system requirements and upgrades: £

Modifications (if not an industry-specific solution): £

System testing: £

System validation (if required in your industry): £

Network and technical communication costs: £

Monthly and annual costs for maintenance and support: £

Cybersecurity requirements and related costs: £

Total technical costs: £

Data:

Costs for data extraction from your legacy systems: £

Costs for accuracy testing, cleanup, and verification: £

Migration and testing costs: £

Total data cost: £

Personnel costs:

On-site implementation (maximum hours, if applicable): £

Supplier support after implementation: £

Employee training: £

Onboarding for new employees: £

Internal support staff: £

Help with change management: £

Total personnel costs: £

Total ERP budget: £

**Do you have any questions about the issues covered in this guide?
Get in touch with us today.**

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