You have a quote from your new ERP provider, so you know the costs for software, hardware, implementation assistance and training. Nevertheless, many companies are surprised with some additional costs that were not anticipated—and therefore not included in their plan and budget.

Most companies will easily recognize the most obvious system and implementation costs:

- Hardware expenses for the servers, printers, PCs, networking, etc.
- Software license fees: ERP, operating system, database, utility applications, etc.
- Ongoing cost of hardware and software maintenance, communications costs (ISP)
- IT staff, space, utilities, supplies
- Initial implementation, data conversion, training costs
- Tailoring and customization expenses for known changes

Note: in a software-as-a-Service (SaaS) implementation, the upfront costs for most of the first four items are replaced by monthly fees—excepting communications, local printers, PCs and networking. Use these monthly costs (and benefits) over a reasonable period of time (5 to 7 years) to develop a fair return-on-investment (ROI) analysis.

Preparing a more realistic budget and plan to avoid unpleasant surprises:

7 items to consider

The time spent by employees assigned to the project

Implementing the system, learning how to use it, and developing (and documenting) new procedures will require time from your existing employees. For a successful project, you’ll want the best people implementing the system, and their time and effort is valuable. This is often believed to incur no additional cost since these people are already on the payroll, but there is a cost for what doesn’t get done—or done as well—while they are working on the implementation. Additional staff or temporary help might also be required.

The value of the executive sponsor’s time

The project must be at or near the top of the priority list for the company. Senior executives must provide the proper leadership and motivation to keep the implementation on track.

A cross-functional team implements the system

The cross-functional team in charge of implementing the system must learn what the new system does and how it works, and maps the new functions and procedures into regular (and expanded) daily activities, conversion and testing, and documentation. This all takes time and attention from a wide cross-section of employees in all affected departments. Don’t forget change management activities to build acceptance and cooperation.
The 7 hidden costs of ERP

Retraining of employees
In addition to the first round of training for everyone, there will undoubtedly be a need for “grad school” advanced training to get more from the basic functions of the system, additional training for advanced functionality, and reinforcement training for earlier lessons that might have been forgotten or not fully absorbed the first time around. New hires and people moving around within the organization will also need training to go with their new duties.

Budget for future system tailoring or customization
Your business will change. Try to anticipate what you’ll need (at least in terms of a dollar figure) for additional applications, follow-on consulting or customization, additional training.

Software upgrades
You will likely be paying an annual fee for support/maintenance, which includes periodic updates to the ERP software. Updates don’t install themselves (except perhaps in a SaaS situation, where updates may be included in the monthly/annual fee), and some updates will include new functionality. You may want to plan for training or consulting to help you take advantage of the new capabilities.

Additional training and consulting
As you grow with the system, you may want to use more of the application capabilities than you initially planned. Budget for additional training and consulting to make this happen.

This may not be a comprehensive list of all the additional costs you may encounter, but including these kinds of less-obvious costs in your justification will make your ROI projection more realistic and prevent some rather unhappy surprises a few months or years down the road.