



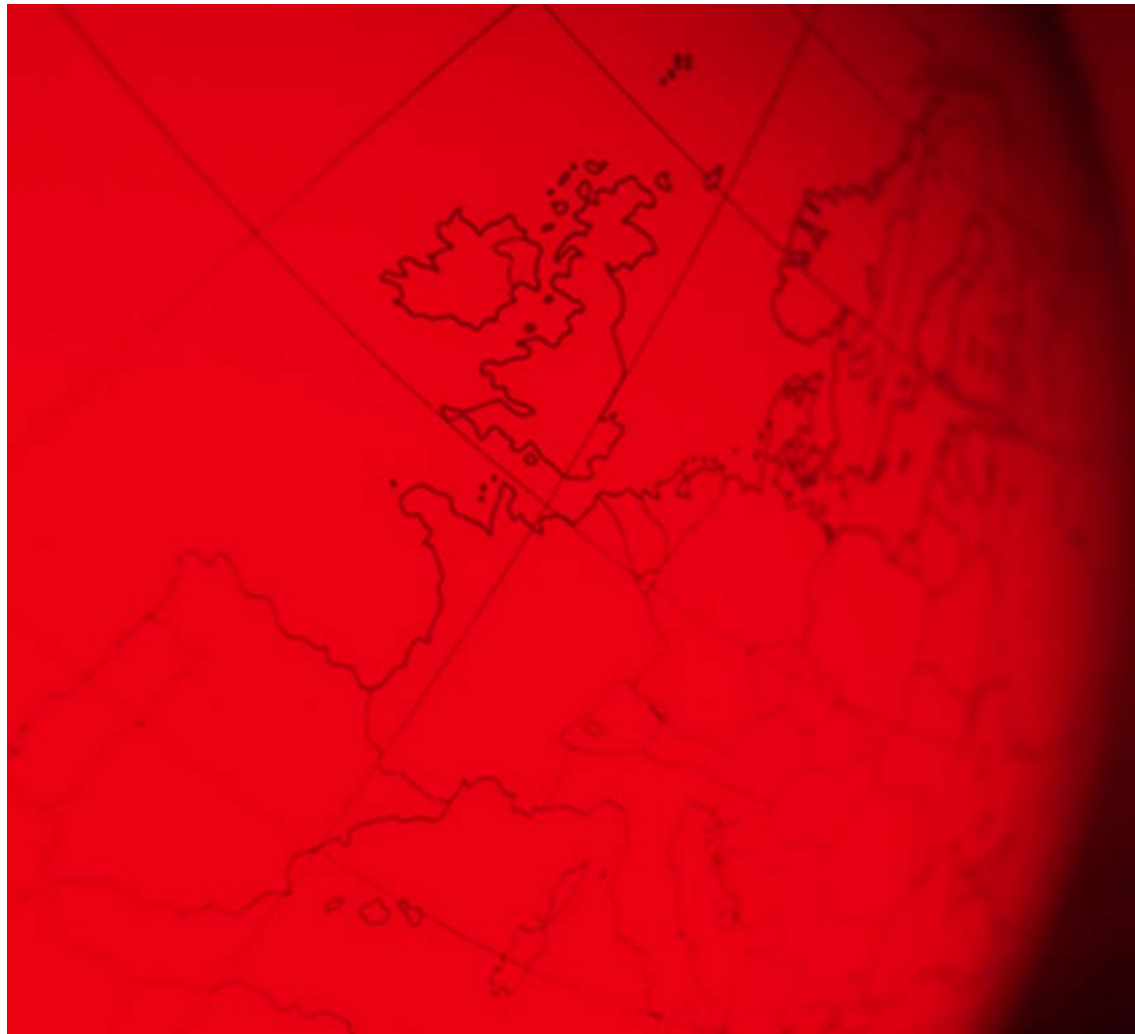
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GUIDEBOOK

MICROSOFT DYNAMICS AX



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THE BOTTOM LINE

Microsoft Dynamics AX helps mid-sized and larger organizations improve business operations and financial management, driving greater productivity, better decision making, and reduced costs. Deployed properly, Microsoft Dynamics AX can deliver payback in fewer than 18 months.

Microsoft Dynamics AX is a business management application for mid-sized and larger organizations that is designed to improve operational efficiencies through automation and increase the productivity of end users. Dynamics AX modules include:

- Business intelligence and reporting including self-service business intelligence and reporting tools enable users to analyze data through dashboard KPIs, Microsoft Office Excel, Business Analytics within Dynamics AX, and Microsoft Office Performance Point Server 2007.
- Financial and compliance management including financial management role centers, general ledger, accounts receivable and payable, bank management, fixed assets, country or region-specific functionality, reporting, and cost accounting.
- Manufacturing including production order management, BOM, production tracking and reporting, forecast scheduling and master planning, routing management, scheduling, cost tracking, job monitoring, and shop floor management.
- Sales and marketing including unified communications, lead and opportunity management, sales force and marketing automation, and sales management.
- Supply chain management including order management, trade agreements, RFID support, logistics and inventory management, multi-site capabilities, master planning, quality management, warehouse management, and demand planning.
- Collaborative workspace for shared documents.
- Service management.
- Project accounting.
- Human resource management.

Dynamics AX 2009 added a number of new features and components:

- More than 30 role centers provide users with role-based views into Dynamics AX data based on their role and enable them to set alerts tied to steps in specific workflows.
- Default data cubes for analyzing sales, customer, and other business domain data enable users to create their own KPIs.
- An improved user interface with improved search and filtering, as well as connectivity with unified communications, makes it easier for users to find the information or contact they need.
- Workflow templates and an application integration framework support rapid integration and the ability to change processes as business needs change.
- Leveraging Microsoft SharePoint Portal Server, a compliance center provides a single view of all compliance information, and an environmental sustainability

dashboard enables companies to rapidly view and understand compliance and sustainability risks and their impact.

This report evaluates the costs and benefits customers have experienced with Microsoft Dynamics AX and the types and ranges of benefits companies considering a deployment can expect from Dynamics AX.

KEY BENEFIT AREAS

In its analysis of Dynamics AX customers, Nucleus found organizations experienced a number of common benefits, and a few industry-specific benefits in key vertical industries.

Increased productivity

Role-based views, role-tailored home pages, and connectivity with Microsoft Office and SharePoint Server enables Dynamics AX users to reduce the time spent searching for and inputting information, driving increased productivity for both Dynamics AX users and non-users accessing Dynamics AX data.

Users moving from disparate systems or paper-based processes can expect to increase Dynamics AX user productivity by up to 30 percent; those upgrading from previous versions to Dynamics AX 2009 will likely see a five to ten percent increase in user productivity.

Users reported benefits from both flexibility in reporting and the intuitive interface, and in many cases were able to redeploy staff to other projects or grow without adding staff based on the time savings delivered by Dynamics AX. For example, as one customer said, *"Probably our best story is that we were at \$75 million in revenue and today we're at \$225 million and we didn't add a lot of people to do that."*

Another customer currently in the process of deploying Dynamics AX 2009 to replace JD Edwards found that in invoice processing alone, it would be able to go from a 6-step manual process to one step — and redeploy staff to other efforts.

Reduced IT costs

Nucleus found that, in a number of cases, a Dynamics AX deployment reduced IT costs in three key areas:

- Working with Office, CRM, and other systems reduced the time needed to support the manual re-entry of data into systems.
- Companies moving from another application were able to redeploy hardware and re-devote IT support resources to other projects.
- The Web services capabilities of SharePoint Portal Server enabled users to more easily build dashboards and generate reports without the need for IT staff support.

One customer, for example, who moved from Oracle to Dynamics AX found it was able to dramatically reduce both ongoing licensing and support costs while maintaining the needed level of business management and visibility. Another customer moving from a legacy system with frequent system crashes was able

save three hours a week for both manufacturing and IT staff by deploying a more reliable application. Yet another said, *"In Dynamics AX, there is integrated business intelligence that just isn't in other ERP applications. And because it supports Web services we can connect to custom applications — we don't need to use just one technology or one vendor."*

Improved visibility

Greater visibility into business operations was the number one benefit Dynamics AX customers recognized, particularly those who were moving from disparate systems or individually-owned paper or Microsoft Excel files. Benefits from increased visibility represented themselves in two forms:

- The time spent gathering information and building reports was dramatically reduced, freeing up staff time for other activities.
- Decision makers were able to more rapidly and cost-effectively access the information they needed to make better decisions. One customer, for example, was able to use Dynamics AX to link inventory data in its US, Germany, Canada, Singapore, and Taiwan locations to enable one single view across inventory.

Reduced administrative overhead

Ready access to information and a better way to share information across the organization enables Dynamics AX customers to reduce the amount of administrative staff needed to manage and report on business processes and manually reconcile information between systems. In some cases, this manifested itself in the ability for a company to grow without adding additional staff; in other cases, companies were able to reduce or redeploy employees to other tasks after deploying Dynamics AX — or both.

Dynamics AX customers should be able to reduce or redeploy at least one administrative staff person as a result of the deployment; the ability to recognize this benefit will depend on the number of modules deployed and the level of process automation before the Dynamics AX deployment.

Improved enforcement of business processes

The compliance center capabilities within Dynamics AX and the ability to track and monitor workflows enables companies to leverage Dynamics AX to ensure consistency across business processes. One publicly-traded company, for example, noted, *"We couldn't have done SOX compliance with our old system."*

Manufacturing

Manufacturers must have a high level of visibility into their businesses so they can optimize supply chains, reduce time to market, drive innovation, and differentiate products. Although not all employees in a manufacturing facility need access to business management data, providing user-friendly views of data that is relevant to a particular individual's or team's job can drive better tactical decision making and engage all workers in identifying opportunities to improve operations.

Key industry-specific benefits Dynamics AX manufacturing customers achieve include:

- Reduced inventory. Greater visibility into inventory enables Dynamics AX customers to reduce the amount of inventory they need to carry. One manufacturer was able to reduced inventory levels by 50 percent as a result of greater visibility into the supply chain; typical savings are closer to 10 to 15 percent.
- Improved supply chain collaboration. The ability to synchronize demand data with supplier and production availability and manage the capacity and availability of materials with ATP capabilities enables companies to spend less time managing the supply chain.
- Increased profits. Reducing costs along the supply chain and accelerating the time needed to answer RFQs can enable companies to win more business with better margins, driving increased profits.

Retail

Retail customers of Dynamics AX see additional incremental benefits in three main areas:

- Reduced inventory. Because they can create the best replenishment plan using real-time inventory level data and leverage centralized warehouse facilities, retailers using Dynamics AX can identify opportunities to reduce overall inventory carrying costs.
- Increased sales productivity. Integrated point of sale (POS) technology and the ability to link all sales data on the transaction level from the POS to individual sales people can help sales managers identify opportunities for training, increase sales staff productivity, and accelerate store closing processes.
- Improved customer service. Automating the management of campaigns and prices and streamlining other administrative tasks can enable managers to focus on providing high levels of customer service at minimal cost.

Distribution

Dynamics AX enables distributors to improve supply chain processes and better manage inventory to optimize day-to-day operations and identify opportunities for further improvement. Key industry-specific incremental benefits for distributors include:

- Improved supply chain management. Using Dynamics AX's warehouse management and supply chain management capabilities, companies can improve demand management and logistics while managing overall costs.
- Improved customer service. Visibility into inventory enables distributors to more effectively quote time and cost to delivery, and ongoing visibility during the ordering process enables distributors to reliably set expectations for delivery.

Professional services

Project management, financial management, employee management, billing, and business intelligence capabilities within Dynamics AX enable professional services firms to automate labor-intensive errors like expense management and billing to drive more profitable projects and optimized allocation of resources. Key incremental benefits professional services firms achieve from deploying Dynamics AX include:

- Improved cost allocation and management. Greater visibility into project timelines, budgets, and resources can enable managers using Dynamics AX to more effectively plan and allocate budgets and monitor progress to avoid cost overruns.
- Accelerated billings. Integrated timecard and accounting capabilities and automated processing enable professional services companies to more quickly reconcile hours and bill projects, accelerating the time to cash.
- Optimized resource allocation and utilization. Greater visibility into resources and the ability to make assignments based on personnel qualifications and skills, as well as the ability to automate team calendars and timekeeping, can move managers away from manual scheduling tasks to more strategic resource optimization strategies.

KEY COST AREAS

Key cost areas for Microsoft Dynamics AX deployment include both initial and ongoing costs.

Initial costs

Typical initial costs for most organizations included:

- Software licenses. Software license costs varied based on number of users, whether customers chose the Business Essentials or Advanced Management modules, and whether or not customers purchased any of the Advanced Management Add-ons that are available for an initial fee.
- Hardware. Most organizations invested in some hardware to support their Dynamics AX deployment, although some were able to leverage existing hardware to support the project.
- Personnel. It is reasonable to expect some personnel time will need to be devoted to both selection and initial deployment of the application; the scale of personnel time needed will depend on the skill sets of existing personnel and how much of the initial work will be executed by Microsoft or its business partners.
- Consulting. Most Dynamics AX customers use a Microsoft business partner to assist in development and deployment of their solution; Nucleus strongly recommends customers seek a Microsoft partner with experience in their vertical so they can provide both change management and implementation expertise. Nucleus has also found that partners who have a structured, consistent implementation methodology — such as Microsoft's SureStep program — can better perform implementations on time and on budget and provide customers with good guidance on scope and customization.
- Training. Given its intuitive nature, relatively little training is needed for Dynamics AX users; however, organizations should expect to make some initial training investment in employee time and materials to support effective adoption. In most cases employees need fewer than a few days of training; organizations leveraging role-based views and the business portal will likely require even less training.

Ongoing costs

Most organizations also invested in personnel and external support on an ongoing basis to maintain the application, but few used more than two full-time staff people to support Microsoft Dynamics AX.

Given its tight connection with other Microsoft products, organizations with an existing Microsoft-savvy IT staff will find administration and support requirements minimal beyond report creation.

Many customers invest in the Business Ready Enhancement Plan on an ongoing basis to help maximize the value they get from their Dynamics application while managing support and training costs. The plan includes:

- Access to upgrades, updates, product fixes, service packs, and hot fixes
- Protected list price and transition investment credits, which enable customers to budget for future investment and receive full license credit if they move from one product or product version to another
- Access to unlimited self-service tools, training, community, and news groups through Microsoft CustomerSource.

Most organizations also maintain a contract with their Microsoft Business Solutions partners on either an annual retainer or a time and materials basis.

CONCLUSION

In the current economic environment, companies must make the most of their most valuable resource: people. Microsoft's investment in Dynamics AX has focused on making its already intuitive interface more easy to use with role-tailored user interfaces and Role Centers that help users organize data, prioritize tasks, and access needed information in a single view.

The Microsoft Office-like interface and tight connections with Microsoft Office, Excel, and PerformancePoint Server 2007 help users work effectively in a familiar environment and enable greater visibility and decision making across the organization.

These characteristics, plus the investments Microsoft has made in scalability, compliance, and global support enable mid-sized and larger organizations to leverage Dynamics AX to grow their businesses in a consistent and scalable way while increasing the productivity of end users.

Nucleus Research is a global provider of investigative technology research and advisory services. Building on its unique ROI case study approach, for nearly a decade Nucleus Research has delivered insight and analysis on the true value of technology and strategies for maximizing current investments and exploiting new technology opportunities. For more information or a list of services, visit NucleusResearch.com, call +1-617-720-2000, or e-mail info@NucleusResearch.com.