ROI CASE STUDY
MICROSOFT DYNAMICS GP
HANSEN TECHNOLOGIES

THE BOTTOM LINE

Hansen Technologies deployed Microsoft Dynamics GP to increase employee productivity and flexibility in reporting while reducing IT costs.

ROI: 40%

Payback: 2.55 years

THE COMPANY

Hansen Technologies is a global leader in designing and manufacturing components for large industrial and commercial refrigeration systems. The company's success results from high-quality, innovative products, exceptional customer service, and unequaled expertise in the refrigeration industry. In more than 20 years of growth, Hansen's knowledgeable engineering staff has continued to develop original and essential products to meet the needs of customers.

THE CHALLENGE

As Hansen Technology's business continued to expand, the company needed a system that could grow more flexibly to meet its needs. Its existing system required significant ongoing customization and upgrades to provide additional reporting that required outside consulting, and making changes in existing data – such as changing new prices in a product catalog – was time intensive. In 2002, Hansen began looking for a system that would support its continued growth.

THE STRATEGY

The company considered Microsoft Dynamics GP, JD Edwards, and ROI, and chose Microsoft Dynamics GP because it provided the most cost-effective solution that met its needs.

In January 2003, a core team of 9 people including representatives from finance, IT, sales, engineering, manufacturing, and purchasing started work on the deployment. Hansen also employed the services of a Microsoft Dynamics partner, Tectura, to support the implementation. The cross-functional team enabled Hansen to ensure that each group understood how their business practices would be supported in the system – and how lack of adoption of the system would have a tangible impact on other teams.

Hansen ran a pilot for two months before going live, and during that time provided users with varying amounts of training based on their skill sets and use of the system – some users required only a few hours of training while others trained for

a week. During the pilot, employees took one out of every ten new orders and processed them through Microsoft Dynamics GP, enabling them to have hands-on practice using the system before it went live and helping them to identify critical steps in the process that needed further attention. The solution went live in September 2003.

KEY BENEFIT AREAS

Moving to Microsoft Dynamics GP has enabled Hansen to support further growth, increase the flexibility of reporting, and refine its business processes to support greater profitability. Key benefits from the solution include:

- Reduced cost of reporting. The Smartlist functionality in Microsoft Dynamics GP enables users to create their own reports instead of having to contact a consultant or IT to generate it.

BENEFITS

Indirect
2%

Direct
98%
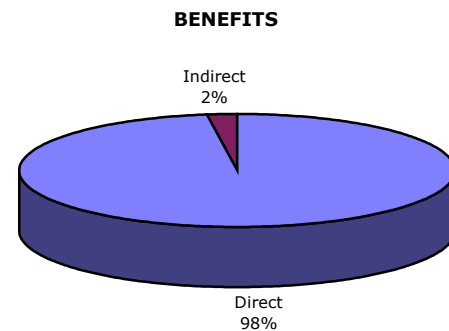
TOTAL: $1,008,469

- Reduced printing costs. The old system in place at Hansen required the company to buy specific pre-printed forms for invoices and checks. Automatic generation of forms printed on standard paper has enabled the company to significantly reduce its ongoing printing and paper costs.
- Increased trainer and compliance manager productivity. A standardized way to deliver, track, and review training resulted in significant time savings for the company's trainers and compliance officers.
- New hires avoided. Increasing efficiencies has enabled Hansen to expand its business by more than 25 percent while maintaining the same number of staff.

KEY COST AREAS

Key cost areas for the deployment included software, consulting, personnel, hardware, and training. Although one full-time equivalent is needed to support Microsoft Dynamics GP on an ongoing basis, that cost is not included in the ROI calculation because that person was previously used to support the solution that was replaced by Microsoft Dynamics GP (there was no net increase in IT resources).

COSTS

TOTAL: $735,673
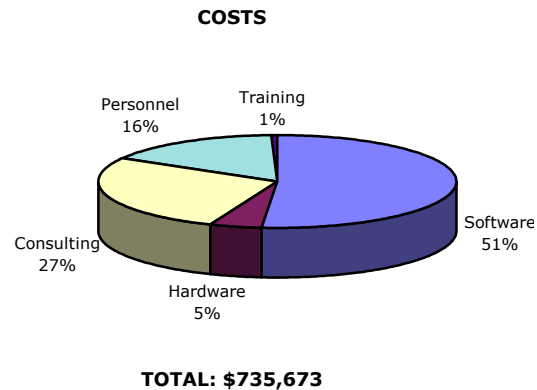
LESSONS LEARNED

To avoid customization and other costs, Hansen decided to put aside a number of old practices and change them to be supported by the standard Microsoft Dynamics GP solution. This can often be difficult to get users to adopt, particularly if people have been doing things the same way for years. Using a cross-functional team to plan and test the project enabled Hansen to ensure effective adoption of the solution – and also enabled it to identify key process changes that it needed to make that would make its employees more productive.

Hansen has also continued to evaluate and evolve its practices based on insights it's gotten from data in Microsoft Dynamics GP. For example, the customer service group identified after the initial deployment that it could change the structure of its price books to reduce the complexity of Hansen's price structure and make quotes more easily developed – and then made those changes using Microsoft Dynamics GP.

CALCULATING THE ROI

Nucleus calculated the costs of software, hardware, consulting, personnel, training, and other investments over a 3-year period to quantify Hansen's total investment in Microsoft Dynamics GP. Key savings quantified included the reduction in paper and printing costs and the fully loaded cost of additional hires Hansen avoided by automating and streamlining business processes.

SUMMARY

Project:	**Microsoft Dynamics GP**
Annual return on investment (ROI)	**40%**
Payback period (years)	**2.55**
Net present value (NPV)	**(39,751)**
Average yearly cost of ownership	**245,224**

ANNUAL BENEFITS	Pre-start	Year 1	Year 2	Year 3
Direct	0	328,500	328,500	328,500
Indirect	0	7,656	7,656	7,656
Total Benefits Per Period	0	336,156	336,156	336,156

DEPRECIATED ASSETS	Pre-start	Year 1	Year 2	Year 3
Software	250,000	0	0	0
Hardware	35,000	0	0	0
Total Per Period	285,000	0	0	0

DEPRECIATION SCHEDULE	Pre-start	Year 1	Year 2	Year 3
Software	0	50,000	50,000	50,000
Hardware	0	7,000	7,000	7,000
Total Per Period	0	57,000	57,000	57,000

EXPENSED COSTS	Pre-start	Year 1	Year 2	Year 3
Software	0	42,500	42,500	42,500
Hardware	0	0	0	0
Consulting	100,000	100,000	0	0
Personnel	118,125	0	0	0
Training	5,048	0	0	0
Other	0	0	0	0
Total Per Period	223,173	142,500	42,500	42,500

FINANCIAL ANALYSIS	Year 1	Year 2	Year 3
Net cash flow before taxes	193,656	293,656	293,656
Net cash flow after taxes	125,328	175,328	175,328
Annual ROI - direct and indirect benefits			**40%**
Net cash flow after taxes (direct only)	121,500	171,500	171,500
Annual ROI - direct benefits only			39%
Net present value (NPV)			**-39,751**
Payback (years)			**2.55**
Average annual cost of ownership			245,224
3-year cumulative ROI			($0)
3-year IRR			9%

FINANCIAL ASSUMPTIONS

All government taxes	50%
Discount rate	15%