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THE REAL ROI MICROSOFT DYNAMICS GP IN THE ENTERPRISE MARKET

THE BOTTOM LINE

Nucleus found 71 percent of Microsoft Dynamics GP enterprise customers had already achieved a positive ROI from their deployment. Those customers had an average payback period of 23 months. Organizations achieved benefits including increased visibility and access to information, increased productivity, and reduced accounting and audit costs.

Microsoft Dynamics GP (formerly known as Microsoft Business Solutions-Great Plains) offers integrated business applications and services that allow small and midsize organizations and divisions of large enterprises to connect employees, customers, and suppliers. The financial management, customer relationship management, supply chain management and analytics applications work with Microsoft products such as Office and Windows to streamline processes across an entire organization. Key components of the solution include:

- Financial management
- Manufacturing and distribution
- Human resources management
- Project accounting
- E-commerce
- Field service management
- Customization and integration tools
- Portal and reporting tools

Microsoft Dynamics GP is available in a standard edition for smaller organizations and a professional edition for mid-market customers or divisions of larger organizations.

This report focuses on the experience of enterprises (organizations with more than 1000 employees) using Microsoft Dynamics GP.

As is Nucleus normal practice for its real ROI series, Nucleus analysts independently contacted Microsoft Dynamics GP customers to discuss their deployments and analyze the return on investment from their projects. During the course of the research Microsoft became aware of the project and was invited to supply customer contact names for inclusion in the sample. All customer data has been included in this report. The majority of companies provided details of their deployments on condition of anonymity.

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Nucleus reviewed the Microsoft Web site, online technology publications and discussion forums, and print journals to identify companies having deployed Microsoft Dynamics GP software. Nucleus identified 104 customers and contacted each one:

- 17 companies agreed to participate in interviews.
- 7 companies declined to participate for various reasons.
- 80 companies did not respond to repeated requests for interviews.

Project teams that agreed to participate shared their experiences about selecting, customizing, integrating, deploying, and in some cases, upgrading Microsoft Dynamics GP with Nucleus analysts. Interviews also included discussion of costs, benefits, challenges faced, and lessons learned from deployment.

Seventy-one percent of customers had already achieved a positive ROI from their Microsoft Dynamics GP deployment, and those customers had an average payback of 23 months. Sixty-five percent of projects were completed on time, and 82 percent were on or under budget.

WHY MICROSOFT DYNAMICS GP

There were four main reasons why customers chose Microsoft Dynamics GP over JD Edwards, PeopleSoft, SAP, and other competitors:

- Knowledgeable partners. A number of companies selected Microsoft Dynamics GP either because the Microsoft implementation partner was very knowledgeable in answering their questions about the solution or because they had an existing relationship with a Microsoft partner that recommended Microsoft Dynamics GP.
- A Microsoft strategy. Some companies chose Microsoft Dynamics GP because of their existing relationship with Microsoft and experience with Microsoft solutions and technologies.
- Peer influence. Other companies selected Microsoft Dynamics GP because many of their competitors or Peers were already using it.
- Features and functionality. The remainder of customers selected Microsoft Dynamics GP because its features and functionality best met their business needs and processes.

THE BENEFITS FROM MICROSOFT DYNAMICS GP

Organizations reported a number of benefits they achieved from using Microsoft Dynamics GP including:

- Increased information availability and visibility
- Increased productivity or reduced or avoided headcount
- Improved customer service and sales effectiveness
- Reduced IT costs
- Reduced accounting and audit costs
- Increased profits

Information availability and visibility

Better visibility into data and the ability to more quickly generate reports to support decision-making at multiple levels was a key benefit cited by many enterprise Microsoft Dynamics GP users.

Forty-seven percent of customers reported they improved the availability and visibility into information for decision making by deploying Microsoft Dynamics GP.

Companies recognized returns from improved information availability in different ways. For some, it was about reducing reporting time and costs; for others, it was enabling better decisions simply because better information was available:

- *"We're able to process transactions and pull them all the way through the company much more efficiently – it's faster and everyone can see them."*
- *"The data itself can be sliced and diced very easily for a variety of needs whether it's executive review or department manager or process monitoring by an end user."*
- *"If there's a suspicion of fraud, I have the capability to go in and shadow – from an auditing standpoint, I can look right in and see what any person is doing. And if they're stuck, I can take over their keyboard and help them."*
- *"It gives people information so they can make decisions based on current information instead of old information. Reports on the old system were just basically columns of data – very difficult to glean any real information from them. Now you can drill down on information and analyze data much easier."*

Reduced accounting and auditing costs

A number of companies noted that using Microsoft Dynamics GP enabled them to standardize and ensure regulatory compliance; others noted significant time and cost savings in both the day-to-day accounting and year-end or quarter-end book closing process through Microsoft Dynamics GP.

Forty-seven percent of customers reported reduced accounting and auditing time and charges or improved compliance through Microsoft Dynamics GP.

Organizations managing multiple sites or multiple companies from one central location often reported significant savings:

- *"Balancing the inter-company transactions has decreased from 4 days with 30 companies to 2 hours with 160 companies."*
- *"The benefit is being able to control and being Sarbanes-Oxley compliant with automated feeds into the books to do consolidated reporting instead of doing it on spreadsheets."*
- *"We really increased the audit trail and the compliance of how we do our accounting."*
- *"The system can automatically do inter-company entries – before we had to do it manually."*

Increased productivity or reduced headcount

A number of companies interviewed in this analysis were experiencing significant growth and found they were able to sustain greater growth than other groups or divisions by using Microsoft Dynamics GP; others were able to redeploy personnel

as a result of their Microsoft Dynamics GP deployment. One company noted, *"We've been able to maintain our headcount while we increased sales by 25 percent."*

Thirty-five percent of companies were able to reduce headcount or avoid additional hires as a result of their Microsoft Dynamics GP deployment; the range of savings was from 1 FTE to 5.

IT savings

A number of companies were able to either replace costly mainframe systems or reduce ongoing support for multiple applications by deploying Microsoft Dynamics GP.

Twenty-nine percent of companies were able to reduce IT costs by moving to Microsoft Dynamics GP.

One customer said, *"We used to download information to SAS and print out hard copies and fax out information to our customers – now we can create a PDF statement, e-mail it out, and get electronic confirmation."*

Sales and customer service

Increased visibility into customer order, inventory, and financial information enabled a number of Microsoft Dynamics GP users to improve customer support or increase sales.

Twenty-four percent of companies improved sales or customer service efficiencies using Microsoft Dynamics GP.

"We have experienced a 35 percent reduction in incoming calls that don't result in orders, which means that more of our contacts are actually producing revenue."

KEY COST AREAS

Key cost areas where companies invested to support a Microsoft Dynamics GP deployment include software, hardware, personnel, consulting, and training.

Software

The initial software investment to support a Microsoft Dynamics GP deployment ranged from \$18,000 to \$800,000 with a median of \$250,000 and an average of \$279,667. Companies paid from 10 percent to 44 percent in annual software license maintenance fees, with a median of 17 percent and an average of 19 percent.

Table 1. The median 3-year cost of a Microsoft Dynamics GP deployment

<i>Initial costs</i>			
Software		\$250,000	
Consulting		\$125,000	
Hardware		\$42,500	
Personnel		\$350,000	6 FTEs for 7 months

Training	\$36,539	19 hours/user
<i>Ongoing costs</i>		
Software	\$42,500	17% annual maintenance
Personnel	\$175,000	1.8 FTEs
Total 3-year costs	\$1,456,538	

Consulting

Companies contracted with a number of different Microsoft partners to support the development, integration, testing, and training of Microsoft Dynamics GP. The size of the consulting partner to support a Microsoft Dynamics GP implementation ranged from large multinational consulting and system integration firms to regional and vertical-specific Microsoft technology specialists.

The median consulting spend for a Microsoft Dynamics GP deployment was \$125,000 and the average was \$170,679. Companies' consulting investment ranged from a low of \$12,000 to a high of \$600,000. In a number of cases, the consulting cost included a set fee for a certain number of hours of training sessions for end users that were supplied by the implementation partner.

Table 2. The average 3-year cost of a Microsoft Dynamics GP deployment

<i>Initial costs</i>		
Software	\$279,667	
Consulting	\$170,679	
Hardware	\$132,917	
Personnel	\$655,722	7 FTEs for 11 months
Training	\$125,718	24 hours/user
<i>Ongoing costs</i>		
Software	\$53,156	19% annual maintenance
Personnel	\$300,000	3 FTEs
Total 3-year costs	\$2,424,112	

Hardware

A few organizations were able to redeploy existing hardware to support their Microsoft Dynamics GP project and thus made no hardware investment. On the high end, one company moving from "dumb" terminals to personal computers to support Microsoft Dynamics GP spent \$1 million on hardware. The median hardware spend was \$42,500 and the average was \$132,917.

Personnel

Most companies used a combination of IT, finance, and line of business people to support planning and management of their Microsoft Dynamics GP project. The median project team needed to support a Microsoft Dynamics GP deployment was six full-time equivalents (FTEs) for a period of seven months; the average was seven FTEs for 11 months.

On an ongoing basis, companies devoted between 1 and 15 FTEs to support Microsoft Dynamics GP, with an average of 3 and a median of 1.8.

Training

On average, users spent 24 hours in training to learn how to effectively use the Microsoft Dynamics GP application. The median training time was 19 hours. Companies that involved users in the testing and piloting process tended to spend less time actually training users on the application because users already had some familiarity with it. A number of companies also used a “train the trainer” scenario where specific power users in each divisional group would receive intensive training and then would help to support broader adoption of Microsoft Dynamics GP for their peers.

BEST PRACTICES

In addition to having a clear view of business needs and specific goals they expected to achieve from their Microsoft Dynamics GP deployment, enterprise customers followed a number of key best practices to keep their project on time and budget and maximize ROI.

Manage time and project expectations

Particularly in projects that involve multiple departments and reporting structures, having a clear view of the project timeline – and the resolve to “push back” if unrealistic timelines are driven – can help ensure effective adoption and appropriate time for piloting and testing. In the case of Microsoft Dynamics GP, a number of customers noted that they were under fairly aggressive timelines due to other business constraints.

Other companies would have taken more time for testing and training if possible; still others pointed to the importance of a clear project roadmap and timeline which gave them the structured response they needed when executives pushed to accelerate the deployment: *“We had a lot of pressure from management to get it over with quicker, but we knew we couldn’t do that. We weren’t going to be successful unless we had enough time – we had to sustain that level of training, and that’s why we’ve been so successful. People didn’t love it at first because they didn’t understand it – but they like it now.”*

Limit customization

Like many other ERP customers Nucleus has analyzed, a number of Microsoft Dynamics GP customers noted that limiting customization enabled them to speed deployment; still others noted that limiting customization would have also made the upgrade process less time consuming and costly: *“I wouldn’t do so many customizations. We were so concerned with making it look like what people were used to. What we’ve found with the upgrades is that it is very difficult to bring over the customizations and then you have to test everything to make sure it’s all there. The more changes you make, the more you have to worry about when upgrades come along.”*

Focus on data entry and transformation

Given that one of the greatest benefits from a Microsoft Dynamics GP deployment is better visibility and access to information, the quality and clarity of that information is key to returns. Many companies noted that taking the time with their implementation partner to carefully map out how data would be transformed and entered into Microsoft Dynamics GP was a key factor to the success of their project; others wished they had spent more time on data planning because it would have reduced manual data entry costs further along in the deployment.

Manage to a project plan

Project management is key to successful ROI from an ERP implementation, and many companies noted effective sharing and communication on project plans with their implementation partners had a significant impact on the project being delivered on time and on budget. For those that communicated well and had clear timelines, any issues that did come up during the deployment and testing phase were easily resolved. Those companies that “didn’t worry” about specifics such as how a particular unique data model or customization would work, or weren’t granular enough in their project plan for developing Microsoft Dynamics GP reporting capabilities, found they often ended up spending more time and in some cases more money than they had originally expected to get the features and functionality as they needed it.

CONCLUSION

For larger organizations, a positive ROI from Microsoft Dynamics GP is all about visibility – particularly where multiple companies and entities are concerned. Organizations achieved a positive ROI on the top line by enabling sales, customer service, and decision makers to better do their jobs with better information, and achieved a positive ROI on the operational side by shortening the cycle times for accounting and reducing the costs of ensuring compliance.