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THE REAL ROI

MICROSOFT DYNAMICS GP IN THE SMB MARKET

THE BOTTOM LINE

Nucleus found 87 percent of Microsoft Dynamics GP small and medium-sized business customers had already achieved a positive ROI from their deployment. On average, those customers had a payback period of 21 months. Key returns included reduced administrative overhead, increased productivity, and reduced costs.

Microsoft Dynamics GP (formerly 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 small and medium-sized organizations (those with fewer 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 61 customers and contacted each one:

- Fifteen companies agreed to participate in interviews.
- Six companies declined to participate for various reasons.
- Forty 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.

Eighty-seven percent of customers had already achieved a positive ROI from their Microsoft Dynamics GP deployment, and those customers had an average payback of 21 months. Sixty percent of projects were completed on time, and 73 percent were on or under budget.

WHY MICROSOFT DYNAMICS GP

Most customers considered a number of different ERP solutions before deciding on Microsoft Dynamics GP, including SAP, PeopleSoft, and JD Edwards. Key reasons for selecting Microsoft Dynamics GP included:

- Technology environment. A number of customers selected Microsoft Dynamics GP because of its ability to integrate with other Microsoft products and technologies.
- Partner. Some companies selected the solution because their implementation partner recommended it.
- Business fit. Other companies found that the level of functionality in the solution met their needs best or could be easily customized to align with their business processes.

THE BENEFITS FROM MICROSOFT DYNAMICS GP

Organizations reported a number of benefits they achieved from using Microsoft Dynamics GP including reduced administrative overhead, increased productivity or reduced or avoided headcount, improved customer service and sales effectiveness, reduced IT costs, reduced accounting and audit costs, increased profits, improved inventory management, improved accounts receivables management, and reduced HR and payroll costs.

Reduced administrative overhead, increased productivity or reduced headcount

Whether they counted it as an increase in productivity, reduction or redeployment in headcount, or the ability to do more with the same number of employees, the biggest savings for most Microsoft Dynamics GP customers was in reduced administrative overhead and increased productivity.

Eighty-seven percent of companies were able to increase employee productivity or reduce or redeploy employees as a result of their Microsoft Dynamics GP

deployment. For companies reducing FTEs, on average they were able to eliminate 3 FTEs.

- For example, one company in the food industry was able to increase the volume of transactions it supported by 10 to 15 percent while maintaining the same number of staff.
- Another company noted, *"We were able to eliminate 40 hours a week out of our billing scenario and capture an additional 1 percent of our implementation revenue – eliminating a significant amount of back-end time trying to decipher their invoices against their contract."*

Improved customer service and sales

The integrated view of customers and orders and the resulting increase in visibility enabled a number of companies to achieve improvements in customer service and sales by using Microsoft Dynamics GP.

Fifty-three percent of companies deploying Microsoft Dynamics GP were able to improve customer service and sales efficiencies.

On the customer service side, these benefits often came from increased visibility into and more efficient processing of customer orders and invoices. One company found it was able to support more complex billing scenarios with clients because it could all be organized and viewed in Microsoft Dynamics GP: *"We work with companies that own a number of different facilities and now we have the ability to bill each facility separately or bill the chain in phases or groups – however they want."*

For sales people, rapid access to information enabled them to respond more quickly to customer needs and anticipate additional sales opportunities. One customer found that it didn't have to run ad-hoc reports any more for sales people: *"the reports about what you need to do are already in your 'in' box when you show up, so the time to review those reports is shorter. It helps accountability too, because when you get your report and your boss is copied on it, it's kind of hard to say you didn't know."* Another said, *"We're able to react to day-to-day business. We've had some examples where we had to figure out a proactive plan for customers because of a recall. Because of the system, we knew exactly whom to contact."*

Reduced IT costs

Fifty-three percent of companies were able to reduce IT costs by deploying Microsoft Dynamics GP to replace multiple disparate systems and applications.

For example, one technology company was able to avoid more than \$5,000 a year by deploying Microsoft Dynamics GP to replace disparate old systems that had to be customized each year to meet changing needs. Another company in manufacturing moved to Microsoft Dynamics GP because its old system couldn't be expanded to meet growing business needs. Yet another found, *"I can see all my data live – I can see any aspect of my business and I can do it with incredible quickness without a huge infrastructure. I don't have four IT guys here writing software all day long."*

A number of companies were able to reduce general computer and printing costs by using Microsoft Dynamics GP to move from pre-printed custom forms to standard forms that could be printed on a laser printer.

Reduced accounting and auditing costs

Thirty-three percent of companies were able to reduce accounting time or external auditing costs by deploying Microsoft Dynamics GP:

- *"It's easy to close the books – doing the yearend close with retained earnings is a 5-minute job, and I've never seen anything go that quickly."*
- *"Dynamics GP allows you to establish an accounting structure with your external accountants, and then just process orders according to that structure. When you close the books you just send the final file to them to review, which costs \$2000, as opposed to them coming out for two weeks, which costs \$20,000."*

Other benefits

Other key benefits companies noted included increased profitability through better inventory management, better management of accounts receivables, and other cost savings, and reduced HR and payroll costs.

For example, companies using the human resources and payroll functionality within Microsoft Dynamics GP found it gave them greater flexibility at a lower cost compared with outsourced payroll.

KEY COST AREAS

Key cost areas for Microsoft Dynamics GP customers included software, consulting, hardware, personnel, and training.

Software

The initial software investment to support a Microsoft Dynamics GP deployment ranged from \$35,000 to \$375,000 with a median of \$150,000 and an average of \$192,000. Companies paid from 7 percent to 34 percent in annual software license maintenance fees, with a median of 18 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	\$150,000	Initial license
Consulting	\$105,000	Initial consulting
Hardware	\$35,000	Median hardware
Personnel	\$187,500	4.5 FTEs for 5 months
Training	\$38,461	32 hours/user
<i>Ongoing costs</i>		
Software	\$26,625	18% annual maintenance
Personnel	\$100,000	1.0 FTEs
Total 3-year costs	\$895,837	

Consulting

Particularly for small and medium-sized organizations, Microsoft partners tend to take a strong advisory role in the technology selection and deployment process, beyond just integration and technology implementation. Many Microsoft Dynamics GP customers were able to leverage their partners' experience in previous deployments to build their project plan and adoption strategy. The median consulting spend for a Microsoft Dynamics GP deployment was \$105,000 and the average was \$101,042. Companies' consulting investment ranged from a low of \$25,000 to a high of \$200,000. In many cases consulting fees included the cost for solution training conducted by consultants.

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

<i>Initial costs</i>		
Software	\$192,000	Initial license
Consulting	\$101,042	Initial consulting
Hardware	\$41,500	Average hardware
Personnel	\$288,092	4.7 FTEs for 7.3 months
Training	\$39,934	25 hours/user
<i>Ongoing costs</i>		
Software	\$35,559	19% annual maintenance
Personnel	\$175,333	1.8 FTEs
Total 3-year costs	\$1,295,246	

Hardware

A few organizations were able to redeploy existing hardware to support their Microsoft Dynamics GP project and thus made no hardware investment. The median hardware spend was \$35,000 and the average was \$41,500.

Personnel

The size of the initial project team devoted to Microsoft Dynamics GP often depended on the number of departments impacted by the deployment; in many cases, a few on-site personnel were supplemented by full-time consulting staff that served as members of the project team. The median number of full-time equivalents (FTEs) on the project team was 4.5 for the length of the deployment; the average was 4.7.

On an ongoing basis, companies devoted between 1/3 and 7 FTEs to support Microsoft Dynamics GP, with an average of 1.8 and a median of 1.

Training

On average, users spent 25 hours in training to learn how to use the Microsoft Dynamics GP application. The median training time was 32 hours. In some cases, more ongoing training was necessary to ensure effective adoption of the solution, particularly when the Microsoft Dynamics GP deployment introduced significant process change or when users had limited previous experience with personal

computers. This level of training is normal for solutions such as Microsoft Dynamics GP.

BEST PRACTICES

The biggest challenges Microsoft Dynamics GP customers faced in achieving ROI from the solution were in effectively training and getting users to adopt the solution and in cleaning and converting data. Companies that were most successful followed similar strategies for partner and project management and training.

Partner selection

Most companies were very satisfied with the consulting partner they used to implement the solution; however, some companies found their needs would have been better met by an implementation partner that focused on working with customers more similar to them in size. For example, one customer using a large consulting organization found that although its consultants were able to effectively manage the deployment and deliver results, they weren't "low end" enough to support ongoing questions or challenges that came up after the initial deployment – so the company switched to a smaller organizations for ongoing needs.

Organizations considering a Microsoft Dynamics GP deployment should keep in mind that their implementation partner requires careful consideration as well. Checking references with similar scale and scope of deployment and establishing how much ongoing support will be delivered before you begin will help you to manage expectations and consulting expenses appropriately.

Project management

Having a clear timeline with specific milestones for customization, integration, testing, training, and deployment can reduce the risk associated with a deployment and ensure there are no surprises on the delivery date. Customers that developed their own project timeline and then managed consultants to meet were more successful in keeping their projects on time and on budget than those that didn't.

Training

The biggest challenge Microsoft Dynamics GP customers had was in ensuring effective user adoption. In some cases, where companies were moving from "green screens" to personal computer access, training had to start with how to use a mouse and navigate through windows. In another case, a company made a significant investment in developing a user interface that would be easier for users to navigate. Winning training strategies include:

- **Pilot.** Giving users the opportunity to practice on the solution before it went live helped reduce the fear factor and gave companies insight on minor interface changes that could be made to smooth adoption.
- **Pace.** You'll want to make sure your trainer has reasonable expectations for users comprehension and moves at a pace that's not over their heads. This may mean separate training classes for some users, or a train the trainer strategy that enables intensive training for some users and more basic training for general users.
- **Promote.** One company found in the course of deploying Microsoft Dynamics GP that they could realistically reduce the number of pricing configuration options for customers using the solution – reducing the salespeople's time

needed to get approval for orders. It promoted this real savings to users to gain support for the other process changes the solution required.

CONCLUSION

Microsoft Dynamics GP delivers a positive ROI to most customers by streamlining business processes and reducing costs – without expensive implementation and support costs. Organizations with multiple disparate solutions today will likely find they can achieve a significant ROI from deploying Microsoft Dynamics GP.

For small and medium sized organizations, finding a business management solution that can deliver returns without breaking the bank can sometimes be a challenge. A number of Microsoft Dynamics GP customers noted that while the solution took some effort to deploy, it enabled them to compete more effectively with much larger competitors because it supported visibility and efficiencies usually only possible with a more expensive technology solution. Thoughtful partner selection, project management, and focus on training and adoption will deliver maximum returns.