

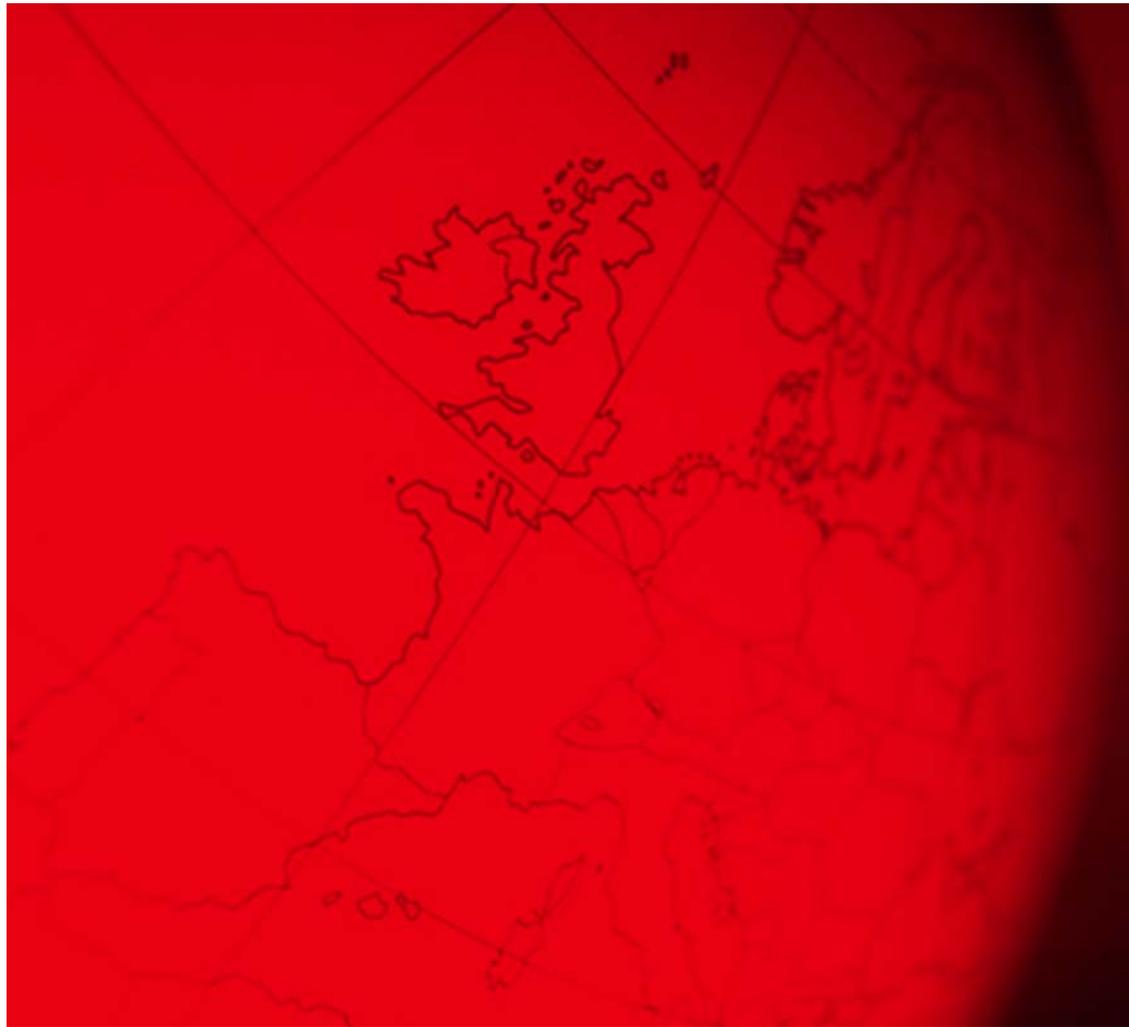
NUCLEUS
RESEARCH

May 2009

Document **J23**

GUIDEBOOK

MICROSOFT DYNAMICS NAV



Corporate Headquarters
Nucleus Research Inc.
100 State Street
Boston, MA 02109
Phone: +1 617.720.2000

Nucleus Research Inc.
NucleusResearch.com

THE BOTTOM LINE

Microsoft Dynamics NAV is a business management application that enables mid-sized organizations to streamline operations, increase productivity, improve visibility, and reduce costs. Deployed properly, Dynamics NAV can deliver a payback in fewer than 18 months.

Microsoft Dynamics NAV is a business management application for mid-sized businesses that supports financial management, supply chain management, manufacturing, business intelligence, project management, human resource management, and service management.

Working with Microsoft technologies including Microsoft Windows SharePoint Services and Microsoft SQL Server enables Dynamics NAV to connect to a wide range of applications and adapt to changing business needs with flexibility.

Dynamics NAV 2009 delivers a number of incremental capabilities:

- Dynamics NAV 2009 shipped with personalized role centers for 21 key job functions, accelerating the ability to create role-tailored views and business processes that provide different employees with a single overview of their own job-related tasks and information.
- New business intelligence and reporting capabilities and new business analytics functionality enable employees to drill into data, build and update reports, identify trends, and monitor key performance indicators.
- Web Services enable partners and customer to integrate Dynamics NAV 2009 data with other applications.

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

KEY BENEFIT AREAS

In its analysis of Dynamics NAV 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 connection with Microsoft Office and SharePoint Server enables Dynamics NAV users to reduce the time spent searching for and inputting information, driving increased productivity. The overall impact of productivity savings will depend on the number of users of the application and how much time they actually spend using it. One user, for example, who moved from a previous version to Dynamics NAV 2009, estimated that users spend about 25 percent less time in the application to complete the same work: *"The classic client can be very overwhelming. You have to search for information if what you do requires you to touch multiple areas. It doesn't matter for super users but in terms of getting a new employee up and running it's a lot faster with Dynamics NAV 2009."*

Users moving from disparate systems or paper-based processes can expect to increase Dynamics NAV user productivity by up to 20 percent; those upgrading from previous versions to Dynamics NAV 2009 will likely see up to a five percent increase in user productivity.

Most companies recognized returns from increased productivity by being able to grow their business without adding additional employees, and by reducing headcount:

- *"We have dropped some headcount through attrition, and in revenues have grown at about 5 percent per year."*
- *"We have shrunk but we're confident that when things turn around that we will be able to add capacity without adding people — largely because of Dynamics NAV and the efficiencies we've gained."*
- *"In our distribution center, we've been able to drop staff by 20 percent."*

Improved visibility

Microsoft Dynamics NAV's business intelligence capabilities are designed to provide all employees with the information they need to make decisions — and are designed for a growing company's evolving business intelligence needs as well as their IT strategy. Dynamics NAV ships with standard reports, report wizard and report design tools, account schedules and analysis reports, and analysis by dimensions. It also provides "transactional insight," which enables users to find all related documents or transactions from any transaction or document in the application, supporting tactical investigation of how a transaction has impacted accounts.

Nucleus found Dynamics NAV users benefited from increased visibility in two main ways: first, they were able to spend less time looking for information and building custom reports. Second, they were able to quickly leverage information as needed for better decision making and communications:

- *"We don't produce the volume of reports we used to with the legacy system. Most of the information in Dynamics NAV is available on the screen in just a few clicks. Users can access a lot of information on their own."*
- *"We've taken our usual report form and changed it to a request for information form and we ask a few questions and just add a couple of columns or a filter to get what we need."*
- *"Our sales organization has made significant improvements in customer service because orders and customer information are a lot more visible."*

Reduced administrative overhead

In addition to broad increases in employee productivity, many Dynamics NAV customers find they can completely automate processes that were supported by administrative staff before and redeploy those resources entirely. For example, one customer had one person in accounting responsible for reconciling UPS shipping orders with handling fees: *"We'd get a printout and then the next day they would have to take each order and add all those chipping charges onto the invoice and add handling fees and other things. We bought E-Ship [a Dynamics NAV partner-developed solution] that works with Dynamics NAV and it handles everything — now all accounting has to do is choose the orders and say "invoice."*

Reduced IT costs

Many companies adopting Dynamics NAV moved from a combination of legacy systems, homegrown applications, and paper processes, meaning that they were often able to take advantage of the integrated and flexible nature of Dynamics NAV to reduce IT costs in two key areas:

- Connection 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.

As one customer said, "We had a proprietary legacy system that we had been on for 15 years that wasn't connected to anything. We selected Dynamics NAV because it was flexible enough but not as complicated as SAP or Dynamics AX; we could take it and run it off the shelf."

Reduced inventory

One customer was able to use Dynamics NAV to integrate information from production and inventory departments and optimize the timing of purchases, reducing stockpiling and shortages and reducing inventory levels by 50 percent. Another customer said, *"We're not using all the heavy MRP yet but we cut our inventory an average of 25 percent because of improvements in the supply chain."*

Reduced accounting or audit costs

Greater visibility into information, the ability to rapidly generate reports and drill down into specific transactions, and the ability to identify problems in real time can result in reduced accounting or audit costs for Dynamics NAV users. For example, one company involved in food distribution found Dynamics NAV enabled it to make significant improvements in lot tracking and recall, cutting product recall times from days to hours.

Increased profits

The ability to automate otherwise costly tasks as well as the ability to make better business decisions enable Dynamics NAV customers to grow their revenues at higher margins, resulting in increased profits.

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 particular individual's or team's jobs can drive better tactical decision making and engage all workers in identifying opportunities to improve operations. Microsoft Dynamics NAV provides industry-specific solutions and functionality for high technology, chemical, food and beverage, and consumer packaged goods manufacturing companies.

Dynamics NAV enables manufacturers to make manufacturing processes more agile and flexible so they can rapidly respond to new initiatives, tactical changes, and customer requests. Role-tailored Web portals and multi-language capabilities

enable manufacturers to connect and communicate with partners and customers on a global, consistent basis. Dynamics NAV's data sharing and business analysis tools also enable manufacturers to increase product quality while managing costs. Key industry-specific incremental returns manufacturers achieve from Dynamics NAV include improved partner management.

Retail

Dynamics NAV enables specialty retailers to integrate customer-facing and back-office operations to better manage customer accounts, inventory and pricing controls, planning and forecasting, and customer service. The key potential returns for retailers are similar to those in other industries: increased productivity, reduced costs, improved visibility, reduced administrative overhead, reduced inventory, reduced accounting and audit costs, and ultimately increased profits.

Distribution

Wholesale distributors must predict manufacturers' outcomes while meeting customers' demands, which requires visibility across the entire distribution process. Dynamics NAV helps distributors to manage inventory and processes across the supply chain, analyze performance on a strategic and ad-hoc basis to identify opportunities for improvement, and extend even greater visibility to vendors and customers. Key industry-specific incremental returns manufacturers achieve from include improved vendor and customer management.

Professional services

Dynamics NAV can help professional services organizations such as engineering and construction firms manage projects, finances, and customers in one integrated application. Contract management and analysis and planning tools enable companies to effectively manage relationships and scale their businesses. Although realized somewhat differently, the key potential returns for professional services firms are similar to those in other industries: increased productivity, reduced costs, improved visibility, reduced administrative overhead, reduced inventory, reduced accounting and audit costs, and ultimately increased profits.

Public Sector

Public sector organizations are increasingly being asked to do more with less and to be more accountable for their budgets. Dynamics NAV helps mid-sized public agencies manage grants, accounts, commitments and encumbrances, and employees — and automate routine tasks — so public sector employees can focus their time and efforts on constituents and areas for improvement. Key vertical-specific benefits for government Dynamics NAV users include improved expense management, reduced budget review and allocation time, and better encumbrance and grant management. These benefits often translate into returns from greater productivity and reduced administrative overhead.

KEY COST AREAS

Companies considering an investment in Microsoft Dynamics NAV should evaluate both initial and ongoing costs in five categories.

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 NAV 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 NAV 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 NAV 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 NAV — most devoted fewer than one full-time administrator to support the application.

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

The flexibility of Dynamics NAV enables users to rapidly configure it to fit their business needs, and working with .NET enables companies to leverage their existing investments in other technologies and applications while providing users with a single point of access to information.

Dynamics NAV 2009 drives even greater productivity for individual end users with role-tailored views and role centers and a broader portfolio of data analysis and business intelligence tools. Microsoft Dynamics NAV helps organizations automate and simplify processes across the entire business to drive greater productivity, collaboration and communication, and, ultimately, growth.

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.