RESEARCH NOTE
PREVIEWING MICROSOFT DYNAMICS AX 2012

THE BOTTOM LINE

Enterprise applications have traditionally been at cross purposes: the more complex the processes they support, the more difficult they are for users to learn and adopt. With Dynamics AX 2012, Microsoft adds support for greater complexity while making work simpler for administrators, developers, and end users.   In its Convergence conference announcements, Microsoft also began to articulate its plan for Dynamics on Azure.

Convergence in Atlanta marked the tenth year of Microsoft's activity in the business applications market (started by Microsoft's acquisition of Great Plains). The main event announcement was the availability of public beta for Dynamics AX 2012, which is planned for release in August.

Dynamics AX provides industry-specific capabilities for manufacturing, distribution, retail, professional services, and the public sector and functionality to support core CPM, GRC, financials, CRM, supply chain management, HR and payroll, inventory management, project management, and SRM.

NEW CAPABILITIES

In its review of Dynamics AX 2012, Nucleus found functionality enhancements fell into four basic categories: user productivity, IT productivity, support for greater complexity, and more vertical-specific functionality (particularly in public sector and manufacturing).

More user productivity

Microsoft's investments in role-tailored user interfaces, embedded analytics, and improved interoperability with Microsoft Office should drive greater incremental AX user productivity and lower training costs and ramp-up time, as will integration with Crescent (Microsoft's ad-hoc data visualization tool).

AX 2012 also has the potential to reach a whole new group of users: shop floor employees. Kinect integration means that those who work in environments where accessing a PC simply isn't practical can now put their Xbox skills to use when accessing, inputting, or extracting ERP data. Forget that it's cool, it exists, and it actually works – now there's a valid reason for becoming a Dance Central expert. This makes a lot of sense given the other investments Microsoft has made in manufacturing functionality – now more users will be able to access it.

Manufacturers that effectively adopt this technology will likely automate more processes and tap new opportunities to increase profits, especially if users can provide more accurate and timely information on things like inventory and unfinished goods.

Less work for IT

Microsoft has also made investments in capabilities to make AX less costly to support and maintain:

- The recently-released Dynamics CRM connector provides out-of-the-box integration with Dynamics CRM, reducing the need for custom integration projects and allowing users to access CRM information within AX.
- A graphical workflow editor will enable business users to make changes to business processes and adjust processes over time as business needs change without the need for a developer.
- Role and task-focused security will reduce the administrator workload in setting, maintaining, and changing user permissions.

Microsoft also announced a model-driven configurator that will beta when Dynamics AX 2012 ships. With vertical templates and downloaded reference data that can be extended by ISVs and partners, the configurator runs on Azure but is designed to support on-premise deployments today and cloud Dynamics deployments in the future. Obviously this isn't the first time Microsoft has attempted such a tool. However, because it's completely model driven and can be easily updated and adapted (as it's running on Azure), Nucleus believes it will be successful in driving faster deployment times. Also, because the configurator is running in Azure, Microsoft will also be able to get real data (from willing customers who opt in) on how AX is actually being implemented and used.

Greater complexity

Perhaps the most significant step forward for AX 2012 is its ability to support a greater level of complexity, enabling it to compete more effectively against the traditional top-tier ERP players. AX 2012 includes:

- Support for mixed-mode manufacturing including lean, discrete, and process manufacturing
- Improved multi-site planning capabilities
- Supplier relationship management including employee and vendor self-service capabilities
- Global data sharing across companies and geographies.

These investments give Microsoft a better story for the upper midmarket and for its strategy to be spoke ERPs for large corporations running SAP or Oracle at corporate. It will also enable smaller manufacturers, in particular, to support their more complex processes or multiple production modes.

The importance of the industry layer

Microsoft announced new industry functionality for the manufacturing and public sector verticals. These investments in industry functionality for AX are driving both faster deployment times for customers and adoption of AX as a foundation for ISVs looking to replatform their products. This release should make AX more attractive for both manufacturers and public sector prospects.

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Microsoft Dynamics Ax Practice

AND AN ANSWER FOR THE CLOUD – SORT OF

Microsoft also announced Microsoft Dynamics ERP Online. The next major version of each ERP product will run on Azure, Microsoft's cloud platform. Microsoft believes many of its customers are not ready to think about running ERP in the cloud yet, but is starting to put specifics on the roadmap so customers can start to plan to move ERP to the cloud if they choose.

Microsoft already has many partners delivering hosted ERP (such as SAAS Plaza and MyGP Cloud) today. Nucleus believes it will be at least 12 months before Microsoft delivers Dynamics NAV for the cloud and even longer for the others, so those partners don't have to rush to change their business model, but others will need to learn to shift toward the saas services model if they want to survive.

CONNECTING THE DOTS

Since the browser wars and the ensuing US Supreme Court case, Microsoft has been publicly uber-cautious about using words like "integrated" and "complete stack." At Convergence this year, executives talked about how different Microsoft divisions were collaborating more than ever before, and touted the benefits of Microsoft's "pervasive interoperability" (translation: get it all from Microsoft). How is it that now so many of Microsoft's various divisions seem to be comfortable holding hands? There are a couple of reasons for broader collaboration between groups at Microsoft:

- PeopleSoft. If Larry Ellison could get away with making all the complementary acquisitions he has, incenting sales people to sell across the stack, and differentiating Oracle by its ability to provide a complete business solution, Microsoft should be allowed to as well.

- Profits. Dynamics is a strong growing area of Microsoft's business today, and the area with the greatest growth potential. Given that the company has missed the boat on a number of other areas, if Microsoft can get itself out of its earnings slump, Dynamics has the greatest potential to do it. Beyond its own licenses, Dynamics drives additional revenue, as customers tend to upgrade other parts of the Microsoft stack when they deploy Dynamics.

- Productivity. Given that most of the world is comfortable with the Microsoft Office desktop, focusing on usability, productivity, and looking like the rest of the desktop will make Dynamics applications easier to learn and adopt.

CONCLUSION

Old ERP was about transactions. Today's ERP is about making users better workers and better decision makers. Microsoft's investment in simplicity and usability for the end user, as well as integration with other Microsoft technologies, will both ease deployment and enable smaller IT teams to support more complex business processes. Although Microsoft still has to answer questions about Azure's platform as a service, the reality is customers who want ERP in the cloud today can get it from Microsoft and its partners in a number of different flavors. Those who are considering an upgrade know that AX 2012 was architected with a cloud roadmap and may deliver significant incremental value in the near-term, whether it's on premise or in a partner cloud.