The Definitive Guide to a Successful Microsoft Dynamics 365 Digital Transformation

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THIRD STAGE
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Implementing Microsoft D365 is no easy feat. With its robust and broad capability, it has the power to transform your business. On the other hand, it is easy to be overwhelmed by the flexibility of the software and fail to translate the technology into a successful transformation.

In our years of helping our clients through their Dynamics 365 and ERP implementations, we have identified the key best practices that are most likely to result in Dynamics 365 digital transformation or failure. These lessons are meant to provide unbiased and unfiltered guidance for those about to embark on Microsoft D365 implementation. Not coincidentally, most of these lessons also apply to organizations about to embark on digital transformations involving technology other than Dynamics 365.

THE THIRD STAGE
OF DYNAMICS 365 IMPLEMENTATION SUCCESS

An unfortunate aspect of Microsoft D365 initiatives is the failure of so many organizations (and their consultants) to reach that ideal state of a complex digital transformation. These initiatives are peppered with landmines and risks, yet few seem to know how to navigate them well – despite decades of history and lessons to draw from.

The answers aren't that complicated, and they certainly aren't rocket science. There are distinct things that make certain projects succeed and fail.

THE THREE STAGES OF DYNAMICS 365 DIGITAL TRANSFORMATION

There are three distinct stages of a Dynamics 365 digital transformation. Unfortunately, most don't ever reach get past the first two:

» 1st STAGE

Project inception. The software is selected and an implementation begins. The project either never goes live with the new technology, or it is an unmitigated failure.

» 2nd STAGE

The implementation is completed – but usually just for a fraction of the expected technical functionality, scope, and benefits.

» 3rd STAGE

A full digital and business transformation is complete. Full technical capabilities are realized, business processes are optimized, and the organization is aligned with the future-state. Most importantly, business benefits and a positive return on investment are realized.

Much like a space rocket launch, the first two stages are important to get to the third, but optimal heights and speed aren't possible until the third stage launch of the fastest and last-remaining rocket. The third stage booster can't be bogged down by the inefficiencies and dead weight. Clear best practices and expertise are required to overcome the gravitational pull of the current state.

THE BASICS
OF A SUCCESSFUL IMPLEMENTATION

Like any digital transformation initiative, a Microsoft Dynamics implementation project has potential benefits and risks. The software has a good deal of potential to transform your business, but the road to business value can be a tricky one.

During our years as a Microsoft Dynamics 365 expert witness and consultant, we have identified a number of best practices for these transformations. Some are common to any ERP implementation, while others are somewhat unique to this specific enterprise software. Following these best practices will help mitigate risks and make your project successful.

Here are the best practices and tips to keep in mind as you begin your project:

THE FLEXIBILITY OF MICROSOFT DYNAMICS 365 IS A BLESSING AND A CURSE

Microsoft Dynamics 365 is more flexible than the average ERP software. This provides a great deal of adaptability to your business processes and requirements. But, just because you can change the software easily doesn't mean that you should.

Along with this flexibility comes two risks. First, too much customization is a problem that often plagues Dynamics and other types of ERP implementations. Second, the software's flexibility may make it more tempting to automate your broken business processes instead of implementing more efficient ones. Most customers appreciate the flexibility of the software, but you will need to manage the downside risk as well.

PROJECT GOVERNANCE IS KEY TO A MICROSOFT DYNAMICS 365 IMPLEMENTATION PROJECT

You will need strong project governance in order to manage customization and other potential risks. It begins with a strong vision and business case for the project, along with a clear project charter, clear decision criteria, and defined roles and responsibilities. This helps provide guardrails to keep your implementation project on track.

ORGANIZATIONAL CHANGE MANAGEMENT, TRAINING, AND COMMUNICATIONS IS MORE IMPORTANT THAN YOU MAY THINK

Microsoft Dynamics 365 has a very Microsoft look and feel. This can lure your project team into thinking it will be easy for employees to learn and adapt to. That seem true on the surface, but there are a number of risks with this line of thinking.

Even if the user interface is familiar, employees will still need to learn new business processes and roles and responsibilities. They will need to understand how their jobs will change – and they may not like those job modifications. This is especially true for broader business transformations versus simpler incremental improvements. This means that a complete and effective organizational change management strategy will be key to your success.

A CLEAR SOLUTION ARCHITECTURE IS A PREREQUISITE TO A SUCCESSFUL MICROSOFT DYNAMICS 365 IMPLEMENTATION PROJECT

Microsoft's flexibility and relative ease of integration puts more pressure on a well-defined system architecture. Your integration strategy, data migration plan, business intelligence, and other key components need to be part of your implementation project.

For example, if you are a retailer integrating D365 to a third-party point of sale system, you will need to define the integration points and map data fields. You will also need to define where the single source of customer truth will reside and how your business intelligence and planning tools will draw from these multiple systems. This challenge increases with each system you bolt on.

NOT ALL MICROSOFT DYNAMICS 365 SYSTEM INTEGRATORS ARE CREATED EQUALLY

Compared to other ERP vendors, Microsoft has a fairly fragmented channel of resellers and system integrators. In addition, Microsoft takes a more hands-off approach to sales and implementation support than other vendors do. This can be difficult to navigate as you evaluate the software and eventually implement it.

Many organizations simply go to the first reseller or system integrator that Microsoft refers them to. Keep in mind that you do not need to purchase software or services from the first partner that Microsoft refers you to. Be sure to evaluate potential options and find the one that is the right fit for your organization.

UNDERSTAND THE SCOPE OF FUNCTIONALITY OF MICROSOFT DYNAMICS 365

If you're a current user of Great Plains, Navision, or Axapta, the functionality that you have come to expect may or may not have been migrated to Dynamics 365. The company is further along migrating some functionality more so than others, such as with core financial and business intelligence processes. The product has not reached full maturity yet in other areas. Be sure to clearly understand what scope you are or aren't getting with the D365 solution as part of your independent ERP evaluation process.

MICROSOFT CRM IS A MATURE CLOUD SOLUTION WITHIN THE MICROSOFT DYNAMICS 365 PLATFORM

Fortunately, Microsoft's CRM solution has been gaining traction in recent years. Even prior to D365's launch, Microsoft CRM product had been providing a viable alternative to Salesforce to make inroads with larger organizations. This helped Microsoft move upstream from the typically small to mid-size customers of its legacy Great Plains and Navision products. As a result, its cloud CRM offering is more robust and mature than some of its ERP counterparts.

DECIDE IF YOU ARE REALLY READY FOR THE CLOUD

Cloud deployments may sound good, but many find that they don't actually want a cloud solution once they fully understand the implications. In recent months We've been working with two clients with global operations. Both are struggling with connectivity in remote locations. They are still deploying Microsoft D365, but cloud deployments can be easier said than done. Be sure you understand the risks, costs, benefits, and tradeoffs before fully committing to this flagship cloud offering.

DON'T ASSUME ORGANIZATIONAL CHANGE MANAGEMENT WILL BE EASY

Dynamics 365 has a distinctly Microsoft look and feel, so it can be tempting to think that organizational change management and workforce transitioning will be easy. It won't be. Its implementation will still require business process changes, new roles and responsibilities, and most likely some major cultural shifts as well. This has been an important factor in our experience as a Microsoft Dynamics 365 expert witness. Investing in your organizational change management strategy is a key success factor for Microsoft Dynamics 365 implementations.

DEFINE A CLEAR DIGITAL STRATEGY AND ROADMAP TO ADDRESS YOUR NEEDS

Whatever system you do or don't choose, the decision shouldn't be done in a vacuum. An independent comparison of SAP S4/HANA, Oracle Cloud ERP, and Microsoft Dynamics should be an input into your decision process. And your decisions should be part of a bigger-picture, longer-term digital strategy and roadmap that is aligned with your overall corporate strategy and objectives.

HOW TO PLAN
FOR MICROSOFT D365 IMPLEMENTATION PROJECT

The decision to move forward with Microsoft D365 implementation project is a big one. The stakes are high, potential business benefits are even higher, and there are significant risks to be mitigated.

One of the biggest challenges with D365 implementations is that they can be expensive. Even more so if you don't have a solid plan and structure in place. Every extra day it takes your company to make decisions can be very costly when the meter is running on dozens (or in some cases, hundreds, if you're a larger organization) of consultants from your Dynamics 365 system integrator.

To avoid these pitfalls and to ensure a successful Microsoft D365 implementation, your team should keep the following in mind:

DEVELOP A REALISTIC VIEW OF TIME AND COST

Unrealistic expectations are some of the biggest mistakes you can make early on. If your expectations are misaligned, you will end up making poor decisions later on. For example, organizational change management is one of the first things to be eliminated from scope – even though it is one of the most critical success factors you can invest in.

We've studied several hundred Dynamics 365 implementations over the last 10 years. Here are a few benchmark metrics to determine if your estimated time and cost is realistic:

- *The average Dynamics 365 implementation costs 3-5 times the investment in software, and*
- *The average Dynamics 365 implementation costs 3-4% of a company's annual revenue*

These metrics might go up or down based on a number of complexity factors. This initial implementation time and cost estimate should be refined based on the factors below.

DEFINE A PHASING STRATEGY THAT ALIGNS WITH YOUR CULTURE

Some companies intend for changes to happen quickly, but then they end up phasing the transformation in a way that dilutes that intent. Things like availability of internal resources, willingness to push team members to do whatever it takes to meet timelines (or not), and risk tolerance all factor into how appropriate your implementation strategy might be.

Your phasing strategy should ultimately align with your culture. This alignment is more important than any decision you make. Make sure that the phasing strategy you put in place fits your cultural, operational, and organizational needs.

UNDERSTAND THE MAGNITUDE OF PROCESS CHANGE YOU'RE WILLING TO TAKE

There's no doubt that D365 will enable business transformations beyond your wildest expectations. But, that doesn't mean you should tackle too big of a change all at once. Instead, it makes sense to:

1 *Define how much you're really willing to change – in actuality, not just what sounds good in theory*

2 *Ensure that this project vision is consistent with your corporate strategy and vision*

3 *Define an effective global change management strategy to manage that change*

4 *Adjust your phasing strategy and project scope as needed*

Once you have addressed this component, you can shift to executing, managing change, and ensuring overall alignment.

DEVELOP YOUR INTERNAL AND EXTERNAL RESOURCE PLAN

Offering up sufficient internal resource support is one of the biggest challenges you will face on your Microsoft D365 implementation. Most companies we work with are fairly resource constrained, so pulling the best ones out of daily operations is a real challenge.

These steps will help you accomplish these things:

1 *Define clear roles and responsibilities between your organization, your Dynamics 365 system integrator, and other third parties*

2 *Define the gaps between the resources you need and the ones you currently have*

3 *Define the appropriate mix between internal and external roles (including onshore vs offshore development resources)*

4 *Hire the internal and external resources you need to support the project*

5 *Adjust your project strategy and plan accordingly*

6 *Hire resources to backfill your project team as needed*

If anything is going to slow you down and cause budgetary overruns, lack of resources is one of the most likely. Your effective resource plan will help mitigate this risk.

DEVELOP AN ORGANIZATIONAL CHANGE MANAGEMENT PLAN

The organizational changes required to enable an D365 implementation will be great. The technology will be much easier to change than the people or business processes. With this in mind, you will need to define an effective global organizational change management strategy to enable the overall transformation.

Your change strategy should include:

- *Organizational readiness*
- *Communications*
- *Organizational design*
- *Training*
- *Executive and stakeholder alignment*
- *Benefits realization*
- *Workforce transition*
- *Cultural transformation*

An effective organizational change and operational transition plan is the most important thing you can do to ensure project success.

DEFINE YOUR IT TRANSITION STRATEGY AND PLAN

Don't forget about your IT department. Even though this should be a business initiative rather than an IT-driven one, your IT department will be as impacted as anyone. They will require new skills, physical architectures, and training to effectively support the project in the long- and short-term.

Here are some of the things that should be addressed as part of your IT transition plan:

- *System architecture and integration points*
- *Application decommissioning plan*
- *Skills migration and training*
- *Reporting roles and responsibilities*
- *Project and post-go-live support processes (help desk support)*
- *Longer-term Center of Excellence plans*

Remember that this is group that will manage the environment long after the Dynamics 365 consultants and project team members are gone.

BUILD FOR MICROSOFT D365 SUSTAINABILITY WITHIN YOUR ORGANIZATION

Your transformation to D365 is a journey, not just a one-off project with a definitive start and end date. You need to plan and act accordingly. This should be addressed as part of your Microsoft D365 project quality assurance work stream.

Address this risk by developing and executing Microsoft D365 center of excellence strategy. This will ensure that you have the appropriate factors in place:

- *Microsoft D365 knowledge transfer between your system integrator and your internal project resources*
- *A clear support plan going forward*
- *Better integration between your business operations and IT staff*
- *A clear transition plan for your IT staff*
- *A clear upgrade strategy and plan in the future*

If you're in this Dynamics 365 transformation for the long-haul, then you'll need to build a sustainable organization to support that vision.

HOW TO ESTIMATE
MICROSOFT D365 IMPLEMENTATION TIME AND COST

Creating an ERP implementation plan and budget is a difficult undertaking. Not many people know how to estimate the implementation time and cost for Microsoft D365 project.

THE CHALLENGE OF ESTIMATING IMPLEMENTATION TIME AND COST

Bias and lack of independence are two the biggest reasons why companies struggle to create accurate estimates for their Microsoft D365 implementation. CIOs and CFOs too often rely too much on sales proposals to determine their "final" implementation time and budgets.

There are a number of problems with this over-dependence on sales proposals in determining the implementation time and cost:

- *Vendor and system integrator sales reps typically assume best case scenarios in creating their estimates*
- *Sales reps have no financial incentive to give you a realistic estimate, but they do have an incentive to err on the side of lowballing the estimate*
- *Implementation assumptions are often flawed or incomplete*
- *Estimates often don't take critical complexity factors into account*

This last point is perhaps the most important. Not enough system integrators, consultants, or project teams accurately take these factors into account when planning their projects. This is one of the major reasons why so many projects take more time and money than expected. This planning and estimation process is even more than important than your decision to choose Dynamics 365 as your software vendor.

LEVERAGING THE COMPLEXITY FACTORS IN YOUR MICROSOFT D365 IMPLEMENTATION TIME AND COST ESTIMATE

Your implementation time and cost will largely be driven by factors outside the realm of your technology. Instead, time and cost are more a factor of your own internal situation and competencies than it is the software itself.

Below are the factors most likely to impact your implementation time and cost:
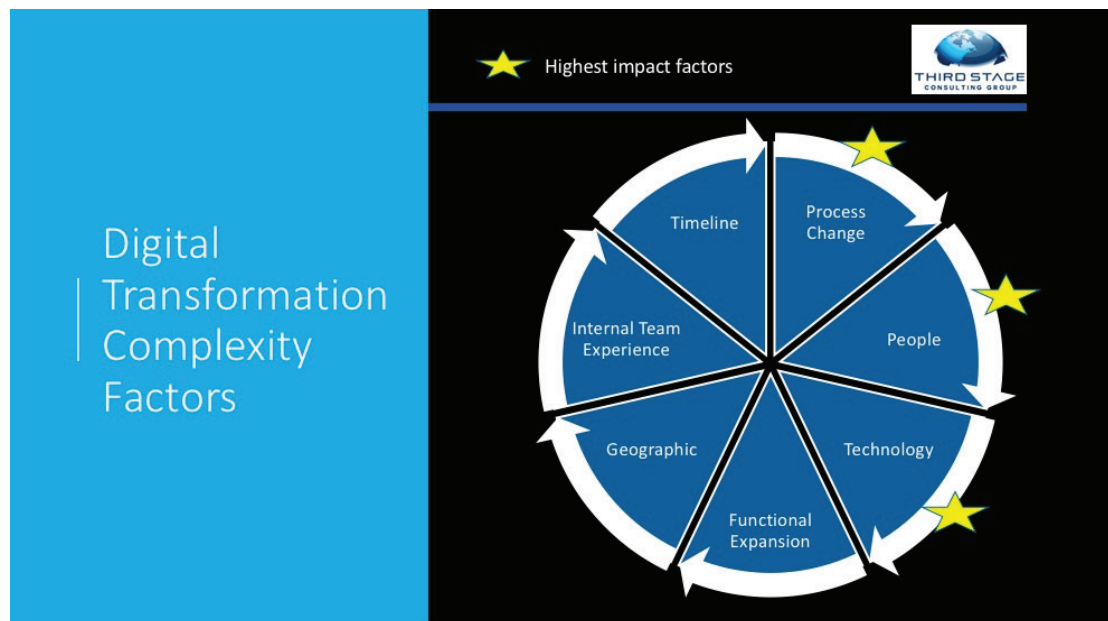
Magnitude of business process change

The magnitude of change between your current and future state business processes will have a significant impact on your implementation time and cost. It also has a large impact on your implementation risk profile. The larger the change, the more time and money it will take.

It is important to assess the maturity of your current business processes and compare to the level of maturity required in the future. Be sure to ask, "how much change are we really willing to tackle?" when scoping and planning for your project.

Impact on people

Similarly, the magnitude of change on people will have a significant impact. The more cultural and organizational change required, the more time and money it will take. For example, a company moving from a loose confederation of independent business units to a highly coordinated, standardized business will spend more time and money than on making more incremental changes.

For this reason, an effective organizational change management plan needs to be factored into your overall implementation strategy and plan. This will help determine how much time and money your project will ultimately end up costing.

Technology

Technology has an impact, but not in the way you might think. The real impact is more centered around your internal technical competencies now versus what you will need in the future.

For example, an organization migrating from a legacy AS/400 system to Microsoft D365 will spend more time and money than one migrating from a Y2K ERP system to a more incremental improvement. Conversely, simpler ERP upgrades will take less time and money than the larger, rip-and-replace projects.

Functional expansion

If you are simply automating functional processes already automated by your current legacy system, then your implementation time and cost will be less than one adding new functionality. The more extended functionality you wish to add to your scope, the more time and money you will spend.

For example, implementing core financials and accounting will be much less complex than implementing advanced planning, machine learning, and other functionality that you do not currently have. These extended functions will also increase your implementation time and cost.

Geographic considerations

Simply put, the more geographically diversified your end-users will be, the more time and money you will spend on your project. Implementations spanning multiple countries and diverse cultures are the most complex, followed by multi-site domestic implementations. Single-site implementations are the least complex from a geography perspective.

Internal team experience

If your internal team lacks past implementation experience, then you will probably spend more time and money on your deployment. You need not have the qualifications of an outside consulting firm, but some past experience among team members always helps. This is a qualitative factor that can be assessed by independent consultants such as those at Third Stage.
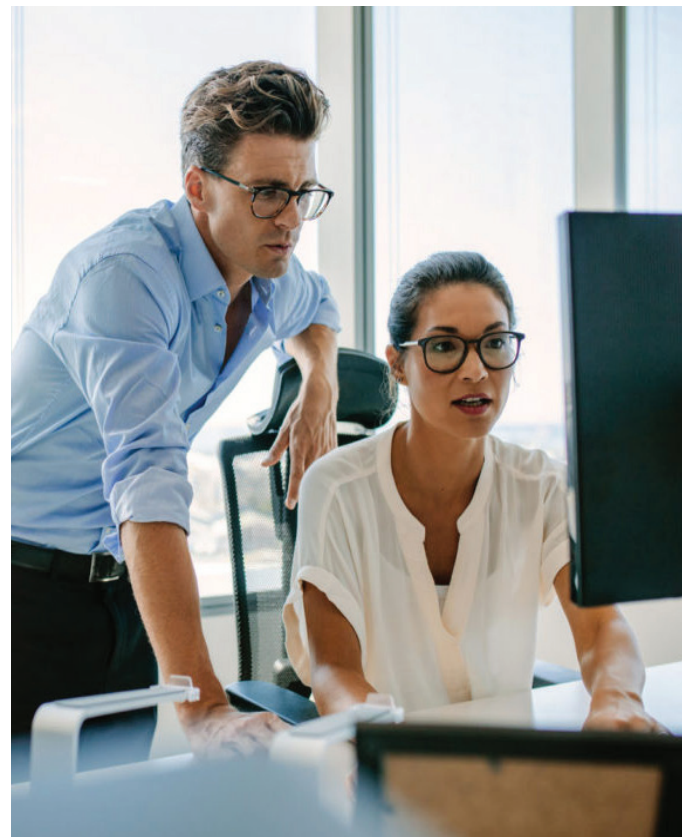
FINDING THE BEST
DYNAMICS 365 SYSTEM INTEGRATOR

Choosing or upgrading to Microsoft Dynamics 365 as your preferred ERP system is a big milestone. But selecting the best Microsoft Dynamics 365 system integrator for your company is an even bigger decision.

D365 is a great product that fits well with a number of companies. This is a good first step. But, ERP implementation success generally has less to do with the software you choose and more to do with how you implement the software. This is one of the key lessons from our experience as a Microsoft Dynamics 365 expert witness.

Choosing a D365 system integrator has a number of dimensions. Here are some tips to choose the best Microsoft Dynamics 365 system integrator:

ASSESS THE COMPETENCIES OF THE MICROSOFT DYNAMICS 365 SYSTEM INTEGRATOR

Your D365 integrator is only as good as its team members. You should assess the skills of potential system integrator competencies – not only in Microsoft Dynamics 365, but in project management, business process, and other skills important to your implementation. If your integrator or reseller doesn't have that experience, then you should plug that gap with a third-party firm that can provide the required experience.

LOOK FOR PAST EXPERIENCE WITH PROJECTS SIMILAR TO YOURS

Your organization is a unique one, so ensure you work with a D365 integrator with relevant experience. You will want to find a team that has worked with organizations like yours. This includes your industry, culture, and scope. This will ensure that your consultants aren't learning on the job or delivering a solution that doesn't fit your needs.

In addition, you will want to make sure your system integrator team has experience with similar scope. If you are implementing finance and operations, point of sale (POS), Power BI, or other Microsoft tools, make sure your chosen integrator has the relevant product experience. This is especially important since D365 is a relatively new product in the market.

ASSESS YOUR SYSTEM INTEGRATOR'S PROPOSED TIME AND COSTS WITH A GRAIN OF SALT

Microsoft Dynamics 365 system integrators don't have an incentive to be realistic about their estimated implementation duration and cost. This could explain why most D365 implementations take more time and money than expected. This makes it difficult to estimate the implementation time and cost for your Microsoft Dynamics 365 implementation.

The way around this is to take your integrator's proposed plan and budget with a grain of salt. Look for critical activities that are missing from their plan, such as organizational change management and implementation readiness. Then, determine how you will fill those gaps internally or with other third-party Microsoft Dynamics 365 consultants.

DETERMINE HOW YOU WILL ADDRESS YOUR MICROSOFT DYNAMICS ORGANIZATIONAL CHANGE MANAGEMENT

If your system integrator is like most, then they are exclusively focused on D365 functionality – not on organizational change management. Yet, org change will arguably be the most important aspect of your successful Microsoft Dynamics 365 implementation. You will want to identify strong organizational change consultants such as those at Third Stage to ensure your project's success.

REGARDLESS OF WHICH ONE YOU CHOOSE, ESTABLISH A STRONG PROJECT QA PROCESS FOR YOUR MICROSOFT DYNAMICS 365 IMPLEMENTATION

No matter which system integrator you choose, your Microsoft Dynamics 365 implementation will involve a great deal of risk. The best way to mitigate that risk is to establish a strong project quality assurance process for your Microsoft D365 implementation.
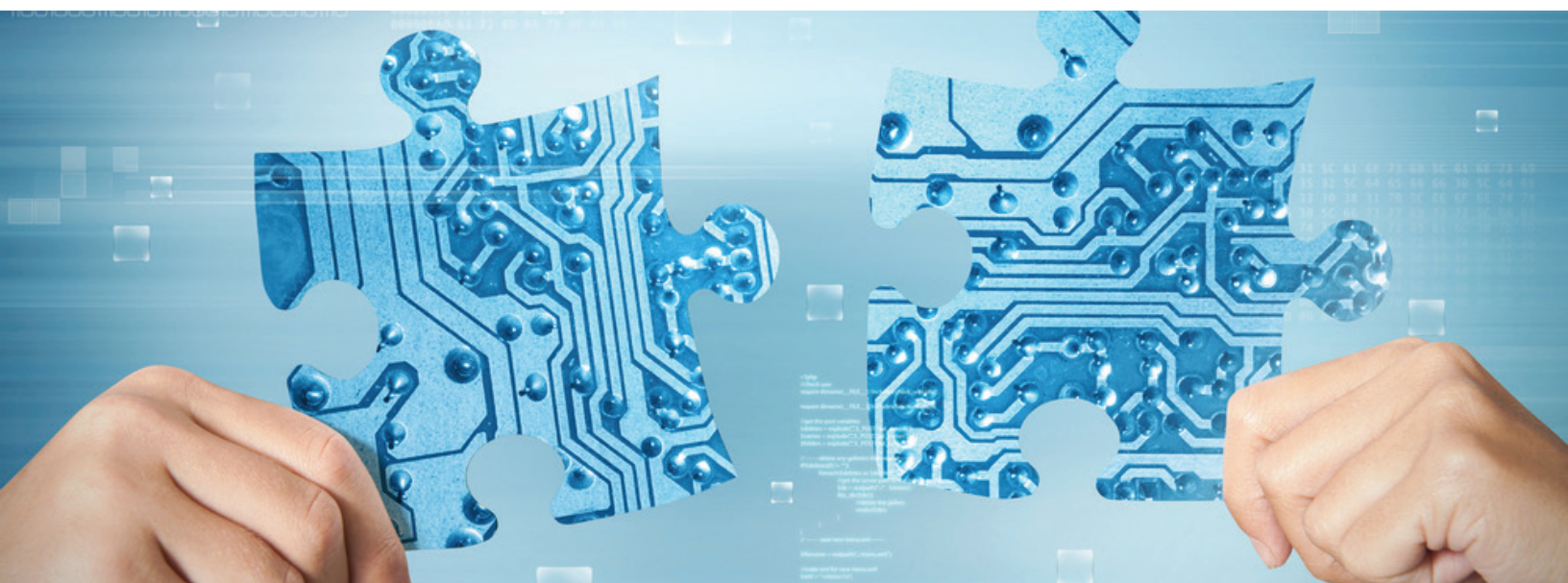
WHY YOUR
DYNAMICS 365 SYSTEM INTEGRATOR
ISN'T THE SILVER BULLET YOU'RE LOOKING FOR

Choosing the right Dynamics 365 system integrator is as important – if not more important – than the choice to deploy D365 in the first place. Unfortunately, the right choice here doesn't solve all of your problems, either.

We work with plenty of clients who spend considerable time evaluating Deloitte vs. Capgemini vs. Accenture and other Dynamics 365 system integrators. This is indeed an important activity, but even these best Dynamics 365 system integrators have competency gaps to be filled.

This is an important aspect of ensuring a successful Microsoft D365 implementation. Your system integrator is an important piece of the puzzle, but it's up to you to put together the puzzle and fill in the missing pieces. Recognizing this early on will help you develop a more complete, realistic, and effective implementation plan to start.

Here are some of the areas where Dynamics 365 system integrators typically need help:

PROGRAM MANAGEMENT AND GOVERNANCE

Dynamics 365 system integrators are typically strong at managing their own project teams and activities, but those are part of a broader program that needs to be managed. Internal resources, risk mitigation, and non-technology related activities all need to be integrated into a single program. It is up to you, the implementing organization, to create an overarching program governance structure and plan that pulls together various workstreams and resources.

INDEPENDENT PROJECT QUALITY ASSURANCE

Microsoft D365 projects can get off track pretty quickly. As good as your system integrator may be, they are too entrenched in the functional and technical details of your program to recognize risks percolating along the way. And, they are only as good as their last few D365 implementations. For this reason, it is important to have a third-party provide Dynamics 365 project quality assurance to act as an extension of your program management office to keep your project on track. Independent experts such as Third Stage Consulting can help in this area.

STRATEGIC ORGANIZATIONAL CHANGE MANAGEMENT

We find that Deloitte, Capgemini, Accenture, and other Dynamics 365 system integrators are fairly good at tactical organizational change management, but not at the more strategic aspects. For example, you will need to address organizational design and job descriptions as part of your digital transformation – something that falls outside the realm of Dynamics 365 organizational change management. This is especially true for organizational change on global Dynamics 365 implementations.

Also, it is important to recognize that system integrators are typically very good at what they do (functional and technical Dynamics 365 consulting), but not so good at what they don't do (organizational change management). This is where independent, third-party expertise can help. Companies such as Third Stage Consulting can help provide organizational change competencies required for success.

DATA CLEANSING AND MIGRATION

Dynamics 365 system integrators often treat data conversion as an afterthought. As long as the software works, what difference does the data make anyway, right? Not really. Data is a key component for keeping your business running smoothly during the transition. It is also the key to taking advantage of predictive analytics, machine learning, business intelligence, and other advantages of the software.

Dedicated focus on data cleansing and migration will be key. Your legacy data probably needs some TLC, so ensure that you have someone helping you through the process. Data is typically on the project critical path, so delays in this area are more likely to delay the overall transformation program. There are independent third parties specializing in data migration that can help address this critical component better than your system integrator. Third Stage Consulting's data team, for example, can help.

BUILDING INTERNAL MICROSOFT D365 COMPETENCIES

Overdependence on Dynamics 365 consultants is a problem that many face. Another common problem is deferring too much to your Dynamics 365 system integrator because you don't know enough about D365. Both challenges can be mitigated by better building your internal competencies to become self-sufficient sooner.

Taking time to build these internal competencies early on will help ensure success in the long-term. Knowledge transfer from your system integrator won't occur through osmosis, so you will need something more deliberate.

These are some of the things required to augment your Dynamics 365 system integrator's deficiencies and make the best use of their strengths. This also helps ensure that you are being as effective and deliberate as possible with your system integrator.

THE MISSING PIECES
OF YOUR DYNAMICS 365 ORGANIZATIONAL CHANGE MANAGEMENT STRATEGY

The term "organizational change management" has many meanings. Some understand it. Most don't. And most Dynamics 365 implementations fail because of it. Most digital transformation initiatives lack a solid Dynamics 365 organizational change management strategy.

We find that most project teams and systems integrators recognize the need for the basics. Employee training and basic communications are two of the most common activities. These two things unfortunately barely scratch the surface of what is required to effect real and lasting change. Much more is required to make digital transformations successful.

Here are a handful of things that are probably missing from your organizational change management strategy. They should be integrated into your transformation if you want it to be successful.

SKILLS ASSESSMENT AND ORGANIZATIONAL DESIGN

System integrators such as Deloitte, Capgemini, and Deloitte view organizational impact at the software / transactional level. However, there are broader changes to job descriptions and required skills that extend well beyond software workflows.

For example, customer service reps may not have access to much more customer history and predictive analytics. How should they be using this information to perform their jobs more effectively? What will they do with the time they save from not having to manually search for information? These questions need to be clearly defined so the organization is aligned with the implementation, and vice versa.

IMPLEMENTING ORGANIZATIONAL CHANGES PRIOR TO YOUR DYNAMICS 365 IMPLEMENTATION
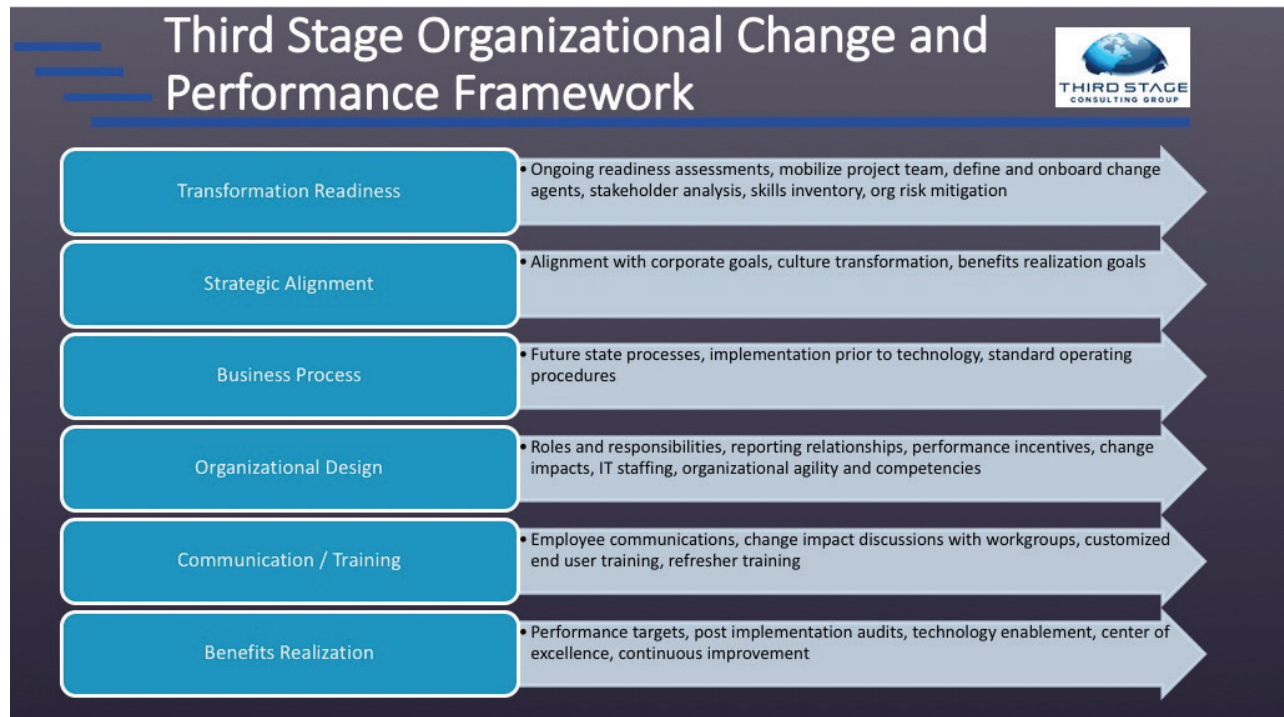
Contrary to popular belief, there is no need to wait until for new software to go-live before implementing some process and organizational changes. Chances are, some operating procedures can be effectively implemented even before the software. The benefits of this proactive approach are numerous. The primary advantage is that you are able to phase changes over time rather than overloading the organization with mass changes on the day of go-live.

CULTURAL TRANSFORMATION OF YOUR ORGANIZATION

Most people don't equate digital transformation to culture. But, the changes to your culture are a lot more significant than you think. We have written about how culture is the most overlooked component of organizational change strategies. This is especially true for global digital transformations.

Think about a retailer embarking on a digital transformation or Dynamics 365 implementation. A recent client of ours decided to leverage technology to help them better compete with Amazon via an integrated omni-channel strategy. This required different ways of thinking and acting – not just a new way of using a back-office ERP system. It is important that your organizational change strategy include dedicated strategies to help transform the culture of your company.

Third Stage Organizational Change and Performance Framework

Phase	Description
Transformation Readiness	Ongoing readiness assessments, mobilize project team, define and onboard change agents, stakeholder analysis, skills inventory, org risk mitigation
Strategic Alignment	Alignment with corporate goals, culture transformation, benefits realization goals
Business Process	Future state processes, implementation prior to technology, standard operating procedures
Organizational Design	Roles and responsibilities, reporting relationships, performance incentives, change impacts, IT staffing, organizational agility and competencies
Communication / Training	Employee communications, change impact discussions with workgroups, customized end user training, refresher training
Benefits Realization	Performance targets, post implementation audits, technology enablement, center of excellence, continuous improvement

IT TRANSFORMATION AND CENTER OF EXCELLENCE

Dynamics 365 digital transformations have significant impacts on your IT department. Your IT organization needs to develop new skills and competencies to support this new technology going forward.

This is where organizational change management can help. It is important to identify the skills required in the future, and in some cases, which jobs may need to be created to build the necessary competencies. In addition, effective organizational change management strategies will ensure that the IT group is part of a cross-functional center of excellence that supports ongoing improvements to the company's operations going forward.

BENEFITS REALIZATION

Organizational change management is often viewed as a "soft" competency that isn't really required. This is one of the biggest misconceptions of this critical domain.

Organizational change is one thing that has a material impact on tangible business results. Moreover, you can't achieve what you don't measure. The goal of your organizational change management strategy should be to bridge the gap between the intangible side of human change and measurable business benefits. This is where a robust benefits realization plan can help keep your team focused on the highest-value improvements that will transform your business as part of your Dynamics 365 implementation.

HOW TO FACILITATE
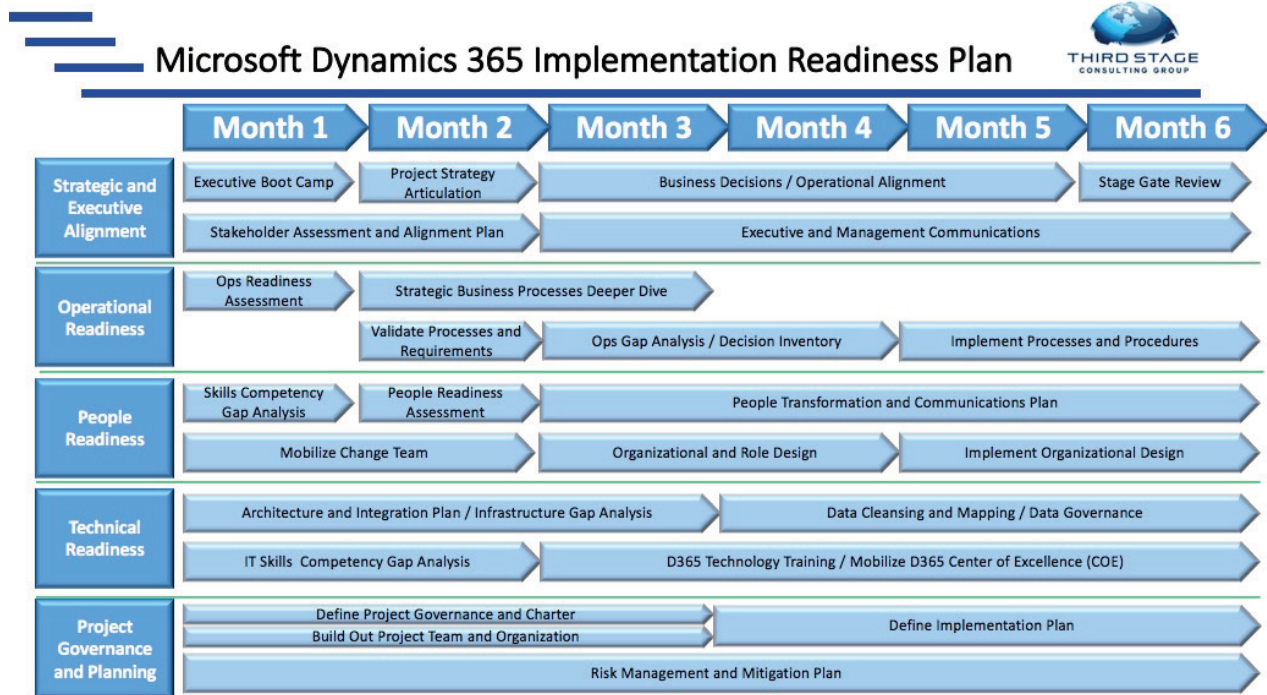## THE D365 IMPLEMENTATION READINESS PROCESS

Once a company has selected Microsoft Dynamics 365, momentum is high. Employees and executives are excited and want to jump right into implementation. But an effective Microsoft Dynamics 365 implementation readiness phase is important to ensure your project's success.

First, it helps to understand how projects like these typically unfold: your D365 system integrator appears at your doorstep ready to start designing, configuring, and deploying your shiny new technology. The problem is, you haven't yet defined your future operational model, assembled your project team, or started to build the internal competencies to engage with the Microsoft Dynamics 365 consultants in a meaningful way.

The impact of this lack of preparedness is significant. We have seen many of these symptoms in our experience as a Microsoft Dynamics expert witness. Here are just a few of the symptoms that proliferate as a result:

- *Executives aren't aligned on the direction of the project*
- *Internal decision-making regarding how the business will look slows down the project*
- *Internal project team members become overwhelmed with the multitude of decisions they need to make as a result of the software's flexibility*
- *Project costs escalate while the meter is running on the expensive consultants*
- *Employees revert to the old ways of doing things because they are under too much time pressure to make meaningful changes*
- *The internal project team is incomplete and ineffective, since most organizations don't have their team ready on day 1 of implementation*
- *Organizational change management issues – which are already a challenge in any project – are further magnified*
- *Your internal IT organization doesn't have the internal competencies to effectively support the D365 implementation and offer sustainable post-go-live support*
- *There isn't a clear enterprise architecture and integration plan for the various phases of the rollout*
- *Your team becomes frustrated with the delays and project overruns*

On the other hand, executing an effective Microsoft Dynamics 365 implementation readiness strategy will mitigate these risks. It makes your implementation go smoother, faster, and more effectively than if you skip the process altogether. Many of our clients equate this to a sort of insurance policy to hedge against the various risks of transformation.

Microsoft Dynamics 365 Implementation Readiness Plan

	Month 1	Month 2	Month 3	Month 4	Month 5	Month 6
Strategic and Executive Alignment	Executive Boot Camp	Project Strategy Articulation	Business Decisions / Operational Alignment			Stage Gate Review
	Stakeholder Assessment and Alignment Plan		Executive and Management Communications			
Operational Readiness	Ops Readiness Assessment	Strategic Business Processes Deeper Dive				
		Validate Processes and Requirements	Ops Gap Analysis / Decision Inventory		Implement Processes and Procedures	
People Readiness	Skills Competency Gap Analysis	People Readiness Assessment	People Transformation and Communications Plan			
	Mobilize Change Team		Organizational and Role Design		Implement Organizational Design	
Technical Readiness	Architecture and Integration Plan / Infrastructure Gap Analysis			Data Cleansing and Mapping / Data Governance		
	IT Skills Competency Gap Analysis		D365 Technology Training / Mobilize D365 Center of Excellence (COE)			
Project Governance and Planning	Define Project Governance and Charter			Define Implementation Plan		
	Build Out Project Team and Organization					
	Risk Management and Mitigation Plan					

But what exactly does implementation readiness mean? The graphic above provides a sample plan we deployed with a client. We have seen these phases last anywhere from three to six months. We typically focus on five workstreams prior to beginning your Microsoft Dynamics 365 implementation.

Strategic and executive alignment.

This focuses on ensuring that your executive team is aligned on how much of a transformation your D365 project will entail. For example, are we going to consolidate and standardize business operations across multiple locations? Or, are we going to make more incremental changes? Lack of clarity on key strategic decisions like these can completely derail a Microsoft Dynamics 365 implementation.

Operational readiness.

What will our business processes look like going forward? What are the major business process decisions we need to make in order to effectively lead the D365 consultants in the right direction? What business process changes do we want to start deploying now – even before we go live with new software? These are all decisions that should be made prior to beginning your transformation.

People readiness.

Organizational change management is always on the critical path of a Microsoft Dynamics 365 implementation. You should take the time to assemble your internal change team and develop a change strategy and plan prior to implementation. Also, any organizational impacts defined in your requirements gathering phase should be addressed. Remember, these are all things that most systems integrators don't do well – or don't do at all.
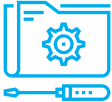
Technical readiness.

Microsoft Dynamics 365 typically requires significant changes to your IT organization. You should start building internal IT support competencies as soon as possible so that you are not overly dependent on your Dynamics system integrator. You should define and develop new skills to support this future state, including standing up an internal D365 center of excellence.

In addition, you should also have a clear enterprise architecture plan and begin developing your data strategy. Many Dynamics customers are finding the need to deploy hybrid solutions that augment core functionality with on-premise AX, GP, and NAV functionality that has not yet been built into D365. It is important to have this technology roadmap clearly defined before you start building the software.

Project governance and planning.

You may have a draft implementation proposal from your D365 system integrator, but that doesn't mean your project is ready to start. You will want to establish an overall program plan with activities required outside the system integrator's realm. Organizational change management, data migration, and other key activities need to be incorporated as well. It is important to remember that this is a project that you own and are responsible for – not your system integrator or anyone else. Even the best Microsoft Dynamics 365 system integrators need to be managed.

Your Microsoft Dynamics 365 system integrator may be rushing to start your project ASAP, but it's important to take the time to build a strong foundation first. This will save you considerable time and money and will ensure a successful Microsoft Dynamics 365 implementation.
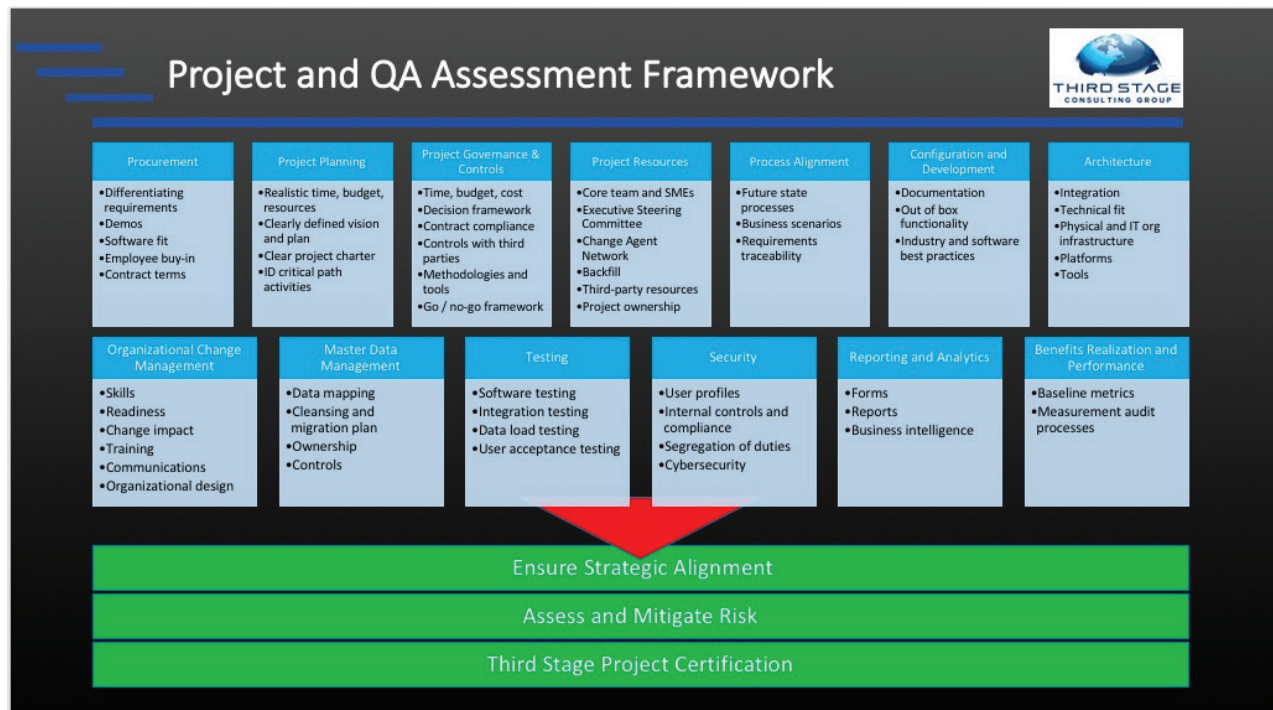
HOW TO ENSURE
MICROSOFT D365 PROJECT QUALITY ASSURANCE

Microsoft D365 implementations can be difficult. With its flexibility, open architecture, and broad functionality, the technology can provide potential quantum leap improvements to businesses.

But, many companies have trouble stomaching the transformation from their legacy systems to something so different. Employees resist the massive changes. Customizations break the system to create problems. Business processes aren't in sync. Or, project management doesn't keep the project on track. The pitfalls for these types of projects are endless.

In order to address the more common – but harder to solve – problems associated with people and processes, many of our clients hire us to help keep their projects on track. We help provide the guardrails to mitigate risk and to ensure that momentum isn't lost along the way. It's a sort of insurance policy for companies that spend millions, tens of millions, or even hundreds of millions on these initiatives.

In our experience providing Microsoft D365 project quality assurance, we have learned a number of lessons. Many of these lessons also apply to companies about to embark on an implementation of other types of ERP software as well.

Here are five ways to ensure Microsoft D365 project quality assurance for your organization:

1 **SPEND PLENTY OF TIME PREPARING FOR YOUR MICROSOFT D365 IMPLEMENTATION**

The decision to move forward with an D365 implementation can be exciting. Momentum is strong, employees are excited, and the possibilities are endless. Don't let those positive aspects of your situation cause you to jump prematurely into implementation without proper preparation. The more time you spend preparing early on, the smoother the implementation will go.

2 **MAP YOUR BUSINESS PROCESSES AND DEFINE BUSINESS PROCESS IMPROVEMENTS**

Most Dynamics 365 system integrators have a fairly robust process for mapping your business processes to standard software functionality. The problem is that they typically don't take the time to define how your business processes can or should improve. Instead, they tend to focus on how software will be used to automate current processes. Be sure to take the time to map out business process improvements you expect to see during implementation. This will help with system design, configuration, training, and communication.

3 **DEVELOP A STRONG DYNAMICS 365 ORGANIZATIONAL CHANGE MANAGEMENT STRATEGY AND PLAN**

More than any other work stream, organizational change management will make or break your implementation. Your people need to understand how their jobs will change. They need to understand how they're going to leverage that sophisticated machine learning or predictive analytics functionality. They need to understand what they are going to do with all the time they currently spend collecting data and massaging spreadsheets. A robust organizational change management strategy and plan has a direct correlation on your level of Dynamics 365 implementation success.

4 **DON'T FORGET ABOUT YOUR CULTURE**

Most Dynamics 365 clients We've worked with over the last 20 years implement the software because they want to integrate their operations. They've grown up with disparate systems, processes, and data, so they view their Dynamics 365 project as a catalyst for adopting a more efficient operating model across their international operations. This is a massive cultural shift for most. Be sure that you incorporate this important work stream into your D365 implementation plan.

5 ASK FOR OUTSIDE HELP

Chances are that your organization doesn't implement Dynamics 365 or enterprise software very often. With each mistake potentially costing millions on projects of this size and magnitude, you don't have a lot of room for error. Be sure to hire outside third parties that do this every day and have the battle scars to prove it. Third Stage Consulting Group is an independent consulting firm that does exactly that.

These are just a few of the things you can do to ensure your D365 project is successful. A robust project quality assurance framework will provide more detail and mitigate more risk as well.

LESSONS
FROM A DYNAMICS 365 EXPERT WITNESS

We have been involved with Microsoft Dynamics implementations for nearly 20 years now. We have also spent the last decade providing Microsoft Dynamics expert witness testimony in implementation failures and lawsuits.

There are some basic lessons from these experiences, which also apply to any ERP implementation. For example:

- *A clear digital strategy and project vision is an important prerequisite to a successful implementation*
- *Your project will fail without organizational change management, communications, and training*
- *Project governance and controls are essential*
- *Too much customization*

In addition to these common tenants – which apply whether you're implementing SAP S/4HANA , Oracle Cloud, Microsoft Dynamics, or any other solution – there are some important lessons specific to MSD365 deployments. We have found these lessons to apply to Navision (NAV), Axapta (AX), and Dynamics (D365) implementations:

THE FLEXIBILITY OF MICROSOFT DYNAMICS IS A DOUBLE-EDGED SWORD

Dynamics is on the more flexible side of ERP systems available in the market. This is mostly a good thing, but there is also a dark side. This flexibility often leads to more customization that you need. In other words, just because you can easily change the software doesn't mean you always should. You should only customize to preserve your company's "secret sauce" or competitive differentiators.

DON'T LET THE FAMILIAR MICROSOFT LOOK AND FEEL FOOL YOU INTO SKIMPING ON ORGANIZATIONAL CHANGE MANAGEMENT, TRAINING, AND COMMUNICATIONS

When we see demos of the product or poke around in the system during a client's conference room pilot, I feel like it's obvious that I'm using a Microsoft product. It looks and feels like a Windows-based machine. Some may think it makes the product relatively easy to learn, so they underestimate the effort required for effective organizational change management, training and communications. Don't fall into this trap.

A "POST-MODERN" ERP SOLUTION WITH MICROSOFT DYNAMICS AT THE CORE REQUIRES MORE IT SOPHISTICATION

In addition to its flexibility, Dynamics' open architecture makes it relatively easy to integrate with other systems. Some use Dynamics as the core back office system, while integrating to other best-of-breed systems, such as Salesforce CRM, Workday HCM, or business intelligence tools. Some refer to this as a "post-modern" ERP approach. This can be a good option, but be aware that it requires a certain amount of internal IT sophistication, management, and support that you may or may not have at the moment.

PROJECT GOVERNANCE AND CONTROLS ARE ESPECIALLY IMPORTANT

While a solid PMO function is critical to any ERP implementation, Dynamics' flexibility requires more discipline, governance, and controls. Otherwise, it is too easy for projects to go down a number of rabbit holes and get off track. Make sure you have a solid project charter with well-defined controls, decision criteria, and other specifications. It may also help you to hire an independent third-party consultant to provide project quality assurance along the way (a service that our team at Third Stage provides).

DON'T FORGET TO HIRE THE RIGHT MICROSOFT DYNAMICS SYSTEM INTEGRATOR

The right Dynamics system integrator can make or break a project. Although Microsoft has built a very robust ecosystem of resellers and integrators, this provides too many choices. There are some great integrators out there, but there are also some very weak ones. It is important to narrow the field to the ones that are the best fit for you – not just the ones that Microsoft might recommend to you. This is another way that Third Stage can help you get your project on the right track.

CONCLUSION

In our years of helping our clients implement Microsoft D365 and other ERP systems, we find that most mistakes can be avoided. A proper Dynamics 365 implementation strategy, execution, and best practices will make your transformation successful. The difference between success and failure isn't due to luck, so we hope these lessons help you chart a course to a more successful initiative.

About Eric Kimberling

Eric Kimberling is the most recognized and respected independent ERP systems expert in the world, giving 100% unbiased advice to clients for over 20 years. Eric has dedicated himself to giving keynote speeches at industry conferences and universities worldwide, and has been quoted in thousands of articles in newspapers, magazines, and books, including the Wall Street Journal, CIO Magazine, and Fortune. He has served as the expert witness in the industry's highest-profile legal cases, representing both government and private companies across the globe. He is also the author of the acclaimed books, "An Expert's Guide to ERP Success" and "Lessons from Over 1,000 ERP Implementations."

Eric is an expert in organizational change management, project management, implementation, and evaluations of ERP systems. His extensive experience includes ERP software selection, organizational change management, implementation project management, and benefits realization. In addition to his extensive ERP experience, Eric has also helped clients with merger and acquisition business integration, via strategic planning, business process reengineering, and Six Sigma. He further demonstrates his innovative and unparalleled industry experience as the lead facilitator of a weekly webinar series.

Throughout his career, Eric has helped hundreds of high-profile enterprises worldwide with their ERP initiatives, including Nucor Steel, Fisher and Paykel Healthcare, Kodak, Samsonite, Coors, Boeing, Duke Energy, Filson, and Lucent Technologies, to name a few. He has helped manage ERP implementations and reengineer global supply chains in countries as diverse as China, India, Singapore, Hong Kong, New Zealand, South Africa, and the United States. He has won numerous industry awards for his experience and contributions, including Supply Chain Pro to Know and Best Independent ERP Blog award from ERP Focus.

About Third Stage Consulting

Founded by industry thought leader Eric Kimberling and supported by the industry's leading consultants who have also spun off from his previous venture, Third Stage brings our clients an unparalleled wealth of experience. Comprised of senior business and technology advisors, project managers, process engineers and change innovators, our team has led some of the most complex and well-known technology initiatives over the past 20+ years.

Our consulting approach and methodologies stem from the core objective of improving businesses operational efficiencies and profitability through optimizing the use of technology. Technology, in one way or another, influences every single aspect of business today. With the immense amount of technologies available, it is rarely easy to determine the best technology strategy. Expertise is needed to help determine when, where and how to implement new systems, to make use of emerging technologies and to map technology investment to a positive ROI. This is where Third Stage Consulting thrives.

Our Services

- ERP Software and Digital Transformation Strategy
- ERP Software Selection and Validation
- Organizational Change Management
- Business Process Management
- ERP Implementation Project Management
- ERP Expert Witness
- SAP, Oracle, Microsoft Dynamics, and ERP Staffing
- ERP Software Industry Research, Analysis, and Market Positioning

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