



Convergence 2008: Microsoft Is Serious About Business Applications

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Productivity, adaptability, and innovation took center stage at **Microsoft Business Solutions' (MBS)** annual Convergence conference this year. The keynotes from executives as well as the common usability and extensibility showcased across the products signaled Microsoft's commitments to the business applications market and moving forward with all four ERP products, as well as a long-term commitment to software plus services. It also showed a company with a vision: supporting a diverse set of customer shapes and sizes with a blend of hosted services and on-premise software.

People ready

Microsoft remained consistent with its People Ready positioning and messaging launched at last year's Convergence. The plan is still to deliver role-tailored user experiences that are to be part of the next wave of releases for all Dynamics ERP products, starting with Dynamics AX 2009 (available in 2Q08). For this effort, Microsoft embarked on a research project with the University of Copenhagen to understand the subconscious reaction to visual cues. It then translated those findings back into the development of 30 role-based user experiences that will ship with the new releases of the Dynamics products.

The role centers are based on predefined organizational roles combined with integrated reporting, key performance indicators (KPIs), and task management functionality. The objective is to deliver actionable data in the context of the application itself to abate multiple clicks and switches from screen to screen or to other applications, which can hinder the end user's personal productivity.

In addition to improved scalability and transactional threshold processing, here are some other Dynamics AX 2009 features:

- **Multisite**—Upper-midmarket customers that need to scale to compete globally and manage a complex organizational structure are set to gain visibility into daily operations, including inventory and order status, which should foster better access. It is also to control information at each location, which should result in better supply chain planning, order and fulfillment management, and revenue management across multiple facilities and geographies.
- **Scalability and technology improvements**—While total cost of ownership (TCO) is a moving target of a calculation, MBS is continuing to combine the multiple Microsoft technologies back into its products in an effort to improve efficiencies and decrease TCO. The R&D efforts for the launch of Dynamics AX 2009 have led to increases in transactional threshold levels and database compression.
- **Compliance center**—This is a SharePoint application integrated with Dynamics AX. It's designed to be a one-stop shop for companies to create their own repositories of business rules and controls for compliance functions and segregation of duties. Initial discussions centered on financial compliance. It's still not clear if the compliance center will be the repository for all compliance matters (environmental, industry specific, and so forth). However, a central compliance control point for Microsoft's target market is becoming a necessity.

For future release plans, Dynamics NAV 2009 will come in 2H08, followed by releases of Dynamics POS 2009, Dynamics GP 11, Dynamics SL 8, and Dynamics CRM 5 in 2009 and 2010.

Business ready

Microsoft is keen to extend its business applications' reach beyond onsite deployments of the Dynamics products and onto the web—or in the clouds, to use company terminology. Supporting this goal is Microsoft's flexible software-plus-services approach, with Microsoft, its partners, or customers doing the hosting. It announced three services that are accessories to its on-premises products that can be consumed as a service:

- **Search engine keyword marketing services**—This connects Dynamics CRM with Microsoft adCenter to not only edit and manage, but also contextualize the performance and efficacy of online advertising campaigns.
- **Marketplace services**—This pushes excess inventory listed in the ERP application to **eBay** for online auctions, and then downloads the transactions back into the ERP system to handle the payment and shipping functions.
- **Credit card validation**—This product uses **Chase Paymentech** services and **PayPal** payment processing services to extend ERP for credit-card processing and payment services.

While these three services might appear to the naked eye as high-level accessories to complement on-premises applications, there's a bigger issue. Microsoft is showing it can integrate with a majority of services. By using cloud computing, the company is intent on using the on-premises Dynamics products—the Dynamics ERP packages and Dynamics CRM—to provide its customers the opportunity to deploy and consume business

application functionality in as flexible a fashion as possible.

Partner ready

It's evident that Microsoft's customer-driven, outside-in R&D efforts continue to make their way into the product roadmaps. This process should not divert. It's now up to the company's sizeable partner channel to deliver the goods.

The global capabilities included in the latest version of Dynamics AX have yet to be tested in full service. The product will also allow deployment by larger companies too, increasing the competitive positioning against other ERP providers.

As Microsoft continues to expand the horizontal abilities of the full set of Dynamics ERP products, the message to partners begins to clarify: the more vertically specialized your company can be, the greater the opportunity of flourishing within the Microsoft community. That said, growing the vertically focused implementation partners and attracting more partners to fulfill global deployments remains a challenge. This means larger partners such as **Avanade**, **Fullscope**, and **Tectura** will remain important contributors to the overall Dynamics product line revenue stream.

For recruitment, process is starting on the CRM side. **EDS**, which currently services more than 3 million desktops and more than 100,000 servers, unveiled plans, this week, to join the MBS partner community to deploy Dynamics CRM to both midsize and large enterprises. Is it now only a short time until India, Inc. joins the community?

Is Microsoft Business Solutions future ready?

In his keynote, Microsoft CEO Steve Ballmer referred to pushing the business applications strategy as "the biggest decision I made as a CEO." While it's easy to be momentarily distracted by the company's zeal to acquire **Yahoo!**, his approach to the long-term business applications strategy is to create a community of partners and customers that are bonded together through the use of the MBS's Dynamics ERP and CRM products. Together they will support Microsoft technologies to create an environment in which businesses subscribe to the processes they need, rather than continue to license inflexible applications with more functionality and less accessibility.

Is Microsoft a serious player in the business application market? Can it transform the market with its software-plus-services play? AMR Research has recently initiated a research project to explore these topics. In the meantime, we welcome your thoughts and opinions—sjacobson@amrresearch.com and nmontgomery@amrresearch.com.