

FORRESTER®

The Total Economic Impact™ Of Microsoft Dynamics 365 Finance

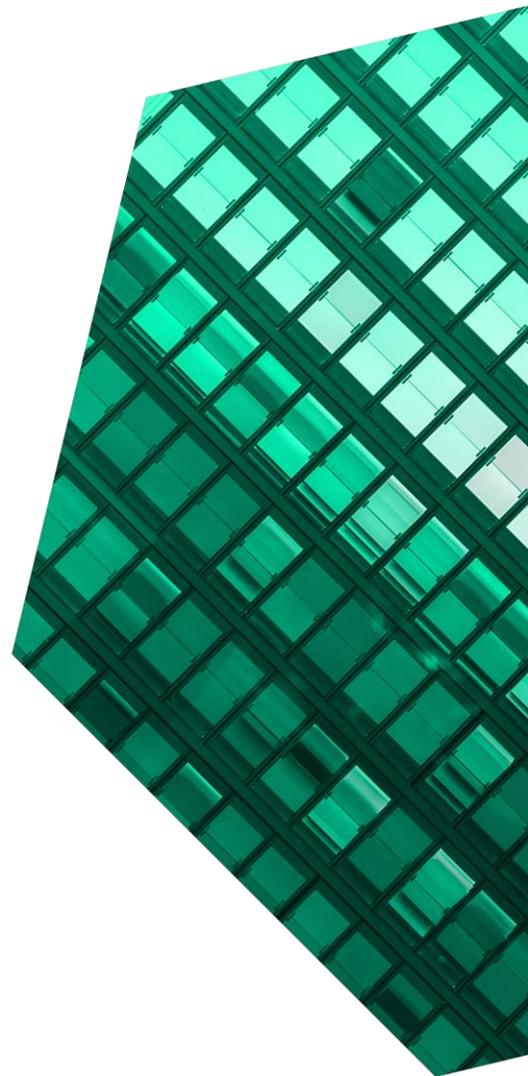
Cost Savings And Business Benefits
Enabled By Dynamics 365 Finance

JULY 2022

Table Of Contents

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| | |
|--|-----------|
| Executive Summary | 1 |
| The Microsoft Dynamics 365 Finance Customer Journey | 6 |
| Key Challenges | 6 |
| Investment Objectives..... | 7 |
| Composite Organization..... | 7 |
| Analysis Of Benefits | 8 |
| Finance Personnel Productivity Improvements..... | 8 |
| IT Staff Productivity Improvements..... | 10 |
| Avoided Legacy Costs | 12 |
| Unquantified Benefits..... | 13 |
| Flexibility..... | 14 |
| Analysis Of Costs | 15 |
| Dynamics 365 Subscription Fees | 15 |
| Initial Partner Implementation And Support Fees | 16 |
| | 17 |
| Internal Implementation And Ongoing Management Effort..... | 17 |
| Financial Summary | 19 |
| Appendix A: Total Economic Impact | 20 |
| Appendix B: Endnotes | 21 |



ABOUT FORRESTER CONSULTING

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Executive Summary

Dynamics 365 Finance uses the power of the Microsoft Cloud to drive global scale, financial dexterity, and operational proficiency while protecting existing investments. Organizations can use real-time insights to improve business outcomes and automated processes to promote productivity. Interoperability with other Microsoft solutions ensures business data is securely available within workflows. Organizations can avoid additional hires, reduce burden on staff, and modernize disconnected legacy ERP solutions.

Digital initiatives need to drive transformation across the business model, which includes financial, operational, and organizational processes. Yet many enterprise resource planning (ERP) initiatives have failed to deliver on their promises to unify and connect business processes.¹ Legacy systems became highly customized to meet the needs of businesses and are difficult to update or change to support new digital business models. Finance, operations, and manufacturing professionals fear the wrong kind of disruption to their organization's ERP system could cripple the enterprise.

Today, we see the beginning of a new era of operational systems that are so different that calling them ERP systems no longer makes sense. Forrester calls them digital operations platforms (DOPs) to reflect their agile, AI-based, and experience-driven nature and the critical role they play in digital business.²

Microsoft commissioned Forrester Consulting to conduct a Total Economic Impact™ (TEI) study and examine the potential return on investment (ROI) enterprises may realize by deploying [Microsoft Dynamics 365 Finance](#).³ The purpose of this study is

KEY STATISTICS



Return on investment (ROI)
122%



Net present value (NPV)
\$3.41M

to provide readers with a framework to evaluate the potential financial impact of Dynamics 365 Finance on their organizations.

To better understand the benefits, costs, and risks associated with this investment, Forrester interviewed four representatives with experience using Dynamics 365 Finance. For the purposes of this study, Forrester aggregated the interviewees' experiences and combined the results into a single [composite organization](#) that is a retail and wholesale organization with 120 finance personnel and revenue of \$750 million per year.

Prior to using Dynamics 365 Finance, the interviewees' companies were hampered by their on-premises, heavily customized finance ERP solutions. Finance and IT staff struggled through manual, suboptimal processes while the organizations lacked the real-time insights and platform flexibility required to innovate and keep up with the speed of business and/or respond to disruption.

Finance and accounting
productivity improvements
Up to 55%



“Dynamics 365 Finance has given us a platform for better data quality and given us a platform for standardizing and reimagining our accounting processes.”

— Director of finance operations, consulting

Migrating to Dynamics 365 Finance in the cloud gave these organizations the opportunity to reevaluate their finance ERP’s relationship to the business, promoting better decision-making from real-time insights and the business agility required to innovate and succeed in trying market conditions. Processes were streamlined, infrastructure and solution costs were avoided, and the organizations reaped the benefits of personnel productivity and cost savings.

KEY FINDINGS

Quantified benefits. Three-year, risk-adjusted present value (PV) quantified benefits for the composite organization include:

- **Finance personnel productivity improvements by up to 55%.** By standardizing on Dynamics 365 Finance, the composite organization streamlines and standardizes financial processes across regions and teams, leverages real-time information for key business decision-making, and ultimately improves finance staff productivity and reduces the need for external hires. This represents nearly \$2.3 million in productivity savings and avoided hires to the composite organization over three years.

- **IT staff productivity improvements worth more than \$400,000.** Standardizing on Dynamics 365 Finance allows the organization to save IT administrator and developer staff hours by providing an easier-to-maintain finance ERP solution that provides more functionality with fewer customizations to develop and support.
- **Legacy cost savings of over \$3.5 million.** By migrating to Dynamics 365 in the cloud, the composite organization saves on expensive infrastructure refreshes, redundant ERP solutions, and external support costs.

Unquantified benefits. Benefits that are not quantified in this study include:

- **Visibility and access to real-time data improve business agility and decision-making.** Dynamics 365 Finance allows the organization to enhance its business decision-making with accurate, real-time data rather than the stagnant and often inaccurate data that had become the norm, helping it maximize revenues.
- **Improved system availability.** Dynamics 365 in the cloud is inherently more resilient than the organization’s previous on-premises finance ERP

tools, decreasing the likelihood of an outage or disruption to finance or accounting processes.

- **Improved regulatory compliance.** Dynamics 365 makes a significant impact on regulatory compliance processes for the organization while navigating expansion across different regions amid shifting regulatory requirements.
- **Quality of life improvements for finance personnel.** By standardizing on features, functionality, and processes with Dynamics 365 Finance, the organization's finance personnel save time through the elimination of tedious, repetitive work.

Costs. Three-year, risk-adjusted PV costs for the composite organization include:

- **Dynamics 365 subscription fees.** The organization pays Microsoft a subscription fee for its usage of Dynamics 365 Finance based on a per-month, per-user basis
- **Initial partner implementation and support fees.** The organization works with a Microsoft partner to plan, implement, and support its Dynamics 365 Finance deployment.
- **Internal implementation and ongoing management effort.** The composite organization designates 12 IT and business personnel to support the Dynamics 365 Finance deployment on an initial (implementation) and ongoing basis.

The representative interviews and financial analysis found that a composite organization experiences benefits of \$6.22 million over three years versus costs of \$2.80 million, adding up to a net present value (NPV) of \$3.41 million and an ROI of 122%.

“We had 10 years of finance data in various states of quality. We had a company that has a nearly billion-dollar footprint with nearly 20 different ways we were doing accounting, [and] none of which were perfect. We needed to align on a common system that didn't require all these customizations.”

— Director of finance operations, consulting



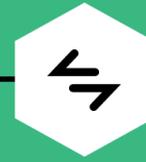
ROI
122%



BENEFITS PV
\$6.22M

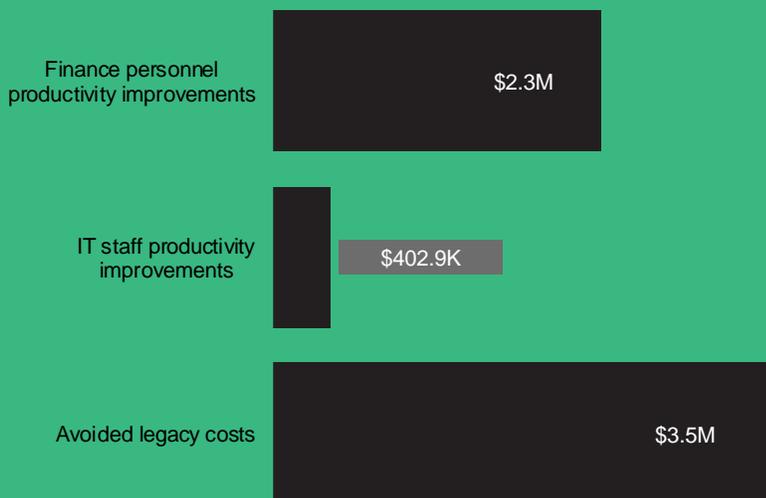


NPV
\$3.41M



PAYBACK
9 months

Benefits (Three-Year)



TEI FRAMEWORK AND METHODOLOGY

From the information provided in the interviews, Forrester constructed a Total Economic Impact™ framework for those organizations considering an investment in Microsoft Dynamics 365 Finance.

The objective of the framework is to identify the cost, benefit, flexibility, and risk factors that affect the investment decision. Forrester took a multistep approach to evaluate the impact that Dynamics 365 Finance can have on an organization.

DISCLOSURES

Readers should be aware of the following:

This study is commissioned by Microsoft and delivered by Forrester Consulting. It is not meant to be used as a competitive analysis.

Forrester makes no assumptions as to the potential ROI that other organizations will receive. Forrester strongly advises that readers use their own estimates within the framework provided in the study to determine the appropriateness of an investment in Dynamics 365 Finance.

Microsoft reviewed and provided feedback to Forrester, but Forrester maintains editorial control over the study and its findings and does not accept changes to the study that contradict Forrester's findings or obscure the meaning of the study.

Microsoft provided the customer names for the interviews but did not participate in the interviews.



DUE DILIGENCE

Interviewed Microsoft stakeholders and Forrester analysts to gather data relative to Dynamics 365 Finance.



INTERVIEWS

Interviewed four representatives at organizations using Dynamics 365 Finance to obtain data with respect to costs, benefits, and risks.



COMPOSITE ORGANIZATION

Designed a composite organization based on characteristics of the interviewees' organizations.



FINANCIAL MODEL FRAMEWORK

Constructed a financial model representative of the interviews using the TEI methodology and risk-adjusted the financial model based on issues and concerns of the interviewees.



CASE STUDY

Employed four fundamental elements of TEI in modeling the investment impact: benefits, costs, flexibility, and risks. Given the increasing sophistication of ROI analyses related to IT investments, Forrester's TEI methodology provides a complete picture of the total economic impact of purchase decisions. Please see Appendix A for additional information on the TEI methodology.

The Microsoft Dynamics 365 Finance Customer Journey

■ Drivers leading to the Dynamics 365 Finance investment

Interviews

| Role | Industry | Region | Revenue |
|--------------------------------|---------------------|---------------|----------------|
| Director of finance operations | Consulting | Global | ~\$60 million |
| Technical lead | Finance technology | Global | ~\$300 million |
| Finance lead | Retailer | Global | ~\$966 million |
| CIO | Retailer/wholesaler | North America | ~\$983 million |

KEY CHALLENGES

The interviewees noted how their organizations struggled with common challenges, including:

- **Aging legacy solutions and the excessive cost of maintenance.** Interviewees noted that their organizations' legacy finance ERP tools were on-premises, requiring frequent infrastructure refreshes, maintenance, and personnel hours dedicated to these tasks. Given this large infrastructure footprint, scaling the system as the organizations grew was difficult to manage efficiently without either overprovisioning hardware (leading to excessive cost) or underprovisioning, which hampered performance and stifled growth.
- **Heavy reliance on customizations despite limited technical expertise.** Prior to the move to Dynamics 365 Finance, interviewees' organizations found themselves with heavily customized legacy ERP solutions resulting from years of development specific to their organizations' financial processes. These customizations had often been completed many years prior by IT staff or implementation partners who were no longer at the organizations, which posed challenges to those responsible for maintaining these customizations and expanding this functionality as the need arose. The interviewee at the consulting organization

“We couldn’t stay on our growth trajectory with such an old, customized ERP. Skill sets were scarce, tribal knowledge was the rule of the day, and the on-premises platform required care and feeding, both from a technology and application support standpoint. We needed to get to the new feature sets that we could get on Dynamics 365 in the cloud.”

CIO, retailer/wholesaler

summarized: “Our legacy finance system had customizations that were done by partner a long time ago, not by our IT staff. So, they didn’t necessarily know what our system was doing at all times. They didn’t have the ability to kind of maintain it as well as they wanted to.”

- **Disjointed and manual financial and accounting processes prone to error.** Several

interviewees noted to Forrester that finance and accounting processes varied across their organizations resulting from their lack of standardization on one platform. Manual work within these processes was common, resulting in errors inevitable to manual labor. The finance lead from the retailer said: “There was a ton of risk to our financial data because our staff [was literally] copying and pasting. A lot of errors were being made.”

- **Static data hampered business decision-making and flexibility.** The interviewees’ organizations did not have real-time visibility into their financial information on their legacy systems, as reporting was manual and reports were essentially snapshots of the moment they were created. Interviewees noted that managing core business decisions without real-time information was becoming increasingly complicated and risky.

INVESTMENT OBJECTIVES

The interviewees’ organizations searched for a solution that could:

- Deliver core finance and accounting functionality out of the box without the need for heavy customizations.
- Enable staff with real-time visibility into financial information for better business decision-making.
- Scale with the current demands of the business.

COMPOSITE ORGANIZATION

Based on the interviews, Forrester constructed a TEI framework, a composite company, and an ROI analysis that illustrates the areas financially affected. The composite organization is representative of the four interviewees, and it is used to present the aggregate financial analysis in the next section. The composite organization has the following characteristics:

Description of composite. The composite organization is a global, \$750 million-dollar retailer/wholesaler with 2,000 employees, 120 of whom are finance and accounting staff. The organization operates 50 retail locations mainly based in North America, and it manages 100 wholesale customers globally.

Deployment characteristics. The composite organization works with a Microsoft implementation partner to replace its aging, disparate, on-premises finance ERP systems with Dynamics 365 Finance hosted on Microsoft Azure. Prior to going live on Dynamics 365, there is a six-month implementation period to determine business requirements, designate the supporting personnel, and work with the partner to support the implementation. Only very slight customizations are required for the organization’s Dynamics 365 Finance deployment given the level of base functionality on Dynamics as compared with the legacy solutions.

Key Assumptions

- **\$750 million revenue**
- **2,000 employees**
- **120 finance and accounting staff members**
- **Migrates from on-premises ERP to Dynamics 365 in the cloud**

Analysis Of Benefits

■ Quantified benefit data as applied to the composite

| Total Benefits | | | | | | |
|----------------|---|-------------|-------------|-------------|-------------|---------------|
| Ref. | Benefit | Year 1 | Year 2 | Year 3 | Total | Present Value |
| Atr | Finance personnel productivity improvements | \$881,971 | \$927,115 | \$972,259 | \$2,781,346 | \$2,298,476 |
| Btr | IT staff productivity improvements | \$162,000 | \$162,000 | \$162,000 | \$486,000 | \$402,870 |
| Ctr | Avoided legacy costs | \$1,414,800 | \$1,414,800 | \$1,414,800 | \$4,244,400 | \$3,518,398 |
| | Total benefits (risk-adjusted) | \$2,458,771 | \$2,503,915 | \$2,549,059 | \$7,511,746 | \$6,219,744 |

FINANCE PERSONNEL PRODUCTIVITY IMPROVEMENTS

Evidence and data. Interviewees said that prior to implementing Dynamics 365 Finance, their organizations' finance and accounting personnel experienced symptoms related to their legacy finance ERP deployments. Former processes required staff to manually create and circulate reports, requiring an inordinate number of working hours while delivering static financial data that was often stale by the time it reached business decision-makers. Across the organizations' regions, office locations, or retail locations, different solutions required different financial processes, making standardization across teams and regions nearly impossible. By standardizing on Dynamics 365 Finance, the interviewees' companies were able to streamline and standardize financial processes across regions and teams, leverage real-time information for key business decision-making, and ultimately reduce the need for external hires despite significant growth.

- The finance lead from the retailer told Forrester their organization required three full-time finance personnel to compile and distribute reports prior to the Dynamics 365 Finance implementation. These staff members have since been realigned to other tasks within finance, saving on

headcount. The same interviewee also noted productivity increases for staff at the organization's retail locations resulting from Dynamics 365 Finance's expense management functionality, which eliminated the need to physically compile, scan, and upload receipts.

- The CIO from the retailer/wholesaler said that by implementing Dynamics 365 Finance, their organization was able to completely automate its procurement processes, wholesale customer invoicing, and customer payments. These were all previously manual processes that required dedicated staff and frequently led to delays. The interviewee noted that this all adds up to a better customer experience for their organization's retail and wholesale partners.

“Our company’s biggest benefit on Dynamics 365 Finance is elimination of a lot of the manual entry our staff needed to do across the board.”

CIO, retailer/wholesaler

- The director of finance operations in consulting said that due to a complicated collection of several finance ERP tools and processes, their organization’s month-end close could take upwards of 20 days and require some key staffers to work several additional hours per day. Standardizing on Dynamics 365 Finance allowed the organization to cut this down to an average of six days while improving the experience of their finance staff. The interviewee summarized: “Migrating to Dynamics 365 has allowed us to reevaluate our processes and streamline them significantly. We consistently get our work done quicker [and] requiring less manpower internally to do many of the same month-end tasks.”

“Our staff is focusing the important stuff now rather than the ‘monkey work’ that they were in the past. When you look at how the business is growing, our headcount would have grown a lot more than it has [without Dynamics 365 Finance].”

Finance lead, retail

Modeling and assumptions. For the composite organization and financial model, Forrester makes the following assumptions:

- 120 finance and accounting personnel (growing 5% annually) are the primary beneficiaries of the Dynamics 365 Finance migration.
- 80% of these finance and accounting staff members are involved in month-end close processes, requiring an average of one working

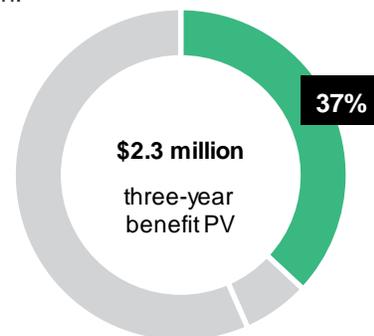
week (40 hours) per month during the course of the years (480 hours per year). This is a conservative assumption based on the interviews.

- The duration of the close process is reduced by 55% resulting from several automated and streamlined tasks possible from the Dynamics 365 migration.
- Finance and accounting FTEs save an additional 10% productivity over the course of the year resulting from time savings resulting from real-time visibility.
- The average hourly rate for a finance or accounting FTE is \$44.
- The composite sees a 50% productivity recapture rate as it cannot be assumed that all reclaimed time is repurposed into value-added work.

Risks. This benefit will vary among organizations based on:

- The baseline functionality of the organization’s legacy on-premises ERP solution(s) as it relates to potential process and capabilities improvements on Dynamics 365 finance.
- The skill and capacity of the organization’s finance and accounting personnel.
- The organization’s growth trajectory as it relates to finance and accounting personnel requirements.

Results. To account for these risks, Forrester adjusted this benefit downward by 10%, yielding a three-year, risk-adjusted total PV (discounted at 10%) of \$2.3 million.



| Finance Personnel Productivity Improvements | | | | | |
|---|---|----------------|--|-------------|-------------|
| Ref. | Metric | Source | Year 1 | Year 2 | Year 3 |
| A1 | Total finance personnel growing 5% per year (across all functions) | Composite | 120 | 126 | 132 |
| A2 | Average hourly rate (rounded) | TEI Standard | \$44 | \$44 | \$44 |
| A3 | Accounting and finance FTEs working on close process (rounded to nearest FTE) | A1*80% | 96 | 101 | 106 |
| A4 | Hours per FTE on close process (annually) | Assumption | 480 | 480 | 480 |
| A5 | Total close process reduction | Interviews | 55% | 55% | 55% |
| A6 | Productivity recapture | Assumption | 50% | 50% | 50% |
| A7 | Productivity improvement close process | A2*A3*A4*A5*A6 | \$557,568 | \$586,608 | \$615,648 |
| A8 | Remaining annual finance and account FTE hours | 2,080-A4 | 1,600 | 1,600 | 1,600 |
| A9 | General finance productivity improvements through real-time visibility | Interviews | 10% | 10% | 10% |
| A10 | General finance staff productivity improvements | A1*A2*A8*A9 | \$422,400 | \$443,520 | \$464,640 |
| At | Finance personnel productivity improvements | A6+A9 | \$979,968 | \$1,030,128 | \$1,080,288 |
| | Risk adjustment | ↓10% | | | |
| Atr | Finance personnel productivity improvements (risk-adjusted) | | \$881,971 | \$927,115 | \$972,259 |
| Three-year total: \$2,781,346 | | | Three-year present value: \$2,298,476 | | |

IT STAFF PRODUCTIVITY IMPROVEMENTS

Evidence and data. Each of the interviewees' organizations migrated to Dynamics 365 Finance hosted in the cloud from an on-premises collection of finance ERP tools that, in most cases, predated the interviewee by more than 10 years. Beyond the cost of the physical infrastructure refreshes and maintenance (see Benefit C), these legacy on-premises deployments required IT administrator hours to manage these infrastructure-related tasks, while developer staff was required to build and maintain customized functionality for the business. Interviewees said that over time, expertise related to both solution maintenance and customizations had left their respective organizations, making further customization an uphill battle as the organizations

grew. Standardizing on Dynamics 365 Finance allowed the organizations to save IT administrator and developer staff hours by providing an easier-to-maintain solution that provides more functionality with fewer customizations to develop and support.

- The CIO from the retailer/wholesaler noted to Forrester that across their organization's legacy ERP tools, 10 IT resources were required to maintain functionality, customizations, and integrations. Standardization on Dynamics 365 Finance gave the organization all the previously custom functionality out of the box, allowing the organization to maintain a low-customization finance ERP that requires significantly fewer IT resources to maintain. The interviewee concluded that all of the aforementioned IT staff

members were able to be repurposed in the IT organization, avoiding additional hires amid growth (and an IPO).

- The director of finance operations in consulting said the level of customization reached in their organization’s finance ERP solution — and the lack of remaining expertise to maintain and expand it — put the company in a spot where it could no longer grow and support the business on this system. Despite the need to align nearly 20 legal entities on Dynamics 365 Finance, this organization was able to keep functionality close to out of the box, requiring fewer than 25 very minor customizations despite this complicated organizational structure and deployment.

Modeling and assumptions. For the composite organization and financial model, Forrester makes the following assumptions:

- Four IT resources across the organization reclaim 50% of their working hours previously purposed to maintaining and customizing the legacy solutions.

- The average annual salary of IT personnel is \$120,000.
- The composite sees a 75% productivity recapture rate, as it cannot be assumed that all reclaimed time is repurposed into value-added work. Note: Forrester used a higher productivity capture for this benefit than for Benefit A since interviewees said IT resources could be redistributed to other areas of the IT organization altogether.

Risks. This benefit will vary among organizations based on:

- The complexity and customizations on the organization’s legacy finance ERP solution(s) as it relates to IT resource requirements.
- The skill and capacity of the organization’s IT personnel.

Results. To account for these risks, Forrester adjusted this benefit downward by 10%, yielding a three-year, risk-adjusted total PV of \$402,900.

| IT Staff Productivity Improvements | | | | | |
|---|--|--------------|--|-----------|-----------|
| Ref. | Metric | Source | Year 1 | Year 2 | Year 3 |
| B1 | Required IT administrator and developer staff | Composite | 4 | 4 | 4 |
| B2 | Average productivity improvement per FTE with Dynamics 365 Finance | Interviews | 50% | 50% | 50% |
| B3 | Average annual salary | TEI Standard | \$120,000 | \$120,000 | \$120,000 |
| B4 | Productivity recapture | Assumption | 75% | 75% | 75% |
| Bt | IT staff productivity improvements | B1*B2*B3*B4 | \$180,000 | \$180,000 | \$180,000 |
| | Risk adjustment | ↓10% | | | |
| Btr | IT staff productivity improvements (risk-adjusted) | | \$162,000 | \$162,000 | \$162,000 |
| Three-year total: \$486,000 | | | Three-year present value: \$402,870 | | |

AVOIDED LEGACY COSTS

Evidence and data. Before migrating to Dynamics 365 Finance, the interviewees’ companies faced pain points inherent to heavily customized, organically grown, on-premises ERP deployments. Interviewees said that after migrating to Dynamics 365 Finance, their organizations saw several sources of cost savings, specifically:

- **Savings on infrastructure expenditure (to manage growth), refreshes, and routine maintenance.**
- **Savings on redundant solutions or functionality across different regions or lines of business.** The director of finance operations in consulting said their organization was able to decommission an external timesheet solution, which saved more than \$100,000 annually.
- **Savings on excessive external professional services fees to fill the gaps in functionality or account for personnel shortages.** One interviewee noted that beyond finance personnel productivity, Dynamics 365 Finance helped their organization reduce its annual spending on external auditing services.
- **Savings related to scaling.** In order to scale with demand, interviewees noted the tendency to overprovision and overspend on infrastructure. Dynamics 365 in the cloud allows for real-time scaling with the demands of the business. This may prove advantageous for organizations looking to optimize costs while maintaining the ability to pivot and capitalize on changing market conditions or disruption.

Modeling and assumptions. For the composite organization and financial model, Forrester makes the following assumptions:

- The composite deploys \$7.5 million in infrastructure expenditure supporting the organization’s finance ERP solutions.

- Infrastructure is refreshed on a five-year cycle, or 20% per year (including routine maintenance, overprovisioning, and decommissioning nonredundant solutions).
- 240 hours of external audit personnel hours are avoided per year at \$300 per hour, totaling \$72,000 annually.

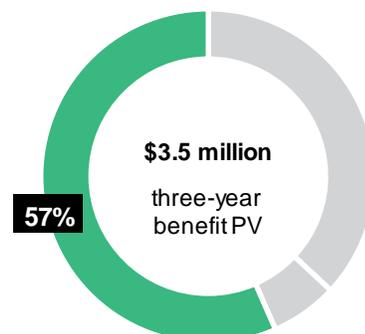
“On Dynamics 365, we’re now on a more out-of-the-box finance solution that really positions the finance team for a better future.”

CIO, retailer/wholesaler

Risks. This benefit will vary among organizations based on:

- The complexity of the organization’s legacy finance ERP solution(s) as it relates to annual IT expenditure.
- The number of external professional services hours avoidable once the organization migrates to Dynamics 365 finance.

Results. To account for these risks, Forrester adjusted this benefit downward by 10%, yielding a three-year, risk-adjusted total PV of \$3.5 million.



| Avoided Legacy Costs | | | | | |
|--------------------------------------|--|--------------|--|--------------------|--------------------|
| Ref. | Metric | Source | Year 1 | Year 2 | Year 3 |
| C1 | Total on-premises infrastructure spend | Composite | \$7,500,000 | \$7,500,000 | \$7,500,000 |
| C2 | Infrastructure refreshed per year | Composite | 20% | 20% | 20% |
| C3 | Avoided annual infrastructure refreshes | C1*C2 | \$1,500,000 | \$1,500,000 | \$1,500,000 |
| C4 | Avoided external audit spend | Interviews | \$72,000 | \$72,000 | \$72,000 |
| Ct | Avoided legacy costs | C3+C4 | \$1,572,000 | \$1,572,000 | \$1,572,000 |
| | Risk adjustment | ↓10% | | | |
| Ctr | Avoided legacy costs (risk-adjusted) | | \$1,414,800 | \$1,414,800 | \$1,414,800 |
| Three-year total: \$4,244,400 | | | Three-year present value: \$3,518,398 | | |

UNQUANTIFIED BENEFITS

Additional benefits that customers experienced but were not able to quantify include:

- **Visibility and real-time data, which improve business agility and decision-making.** The interviewees told Forrester that Dynamics 365 Finance allows their organizations to enhance their business decision-making with accurate, real-time data rather than the stagnant and often inaccurate data that had become the norm, and that this helps maximize revenues. The CIO from the retailer/wholesaler described having better insights into their organization’s sales channels on Dynamics 365 Finance, providing a better ability to forecast and plan around top accounts. The finance lead from the retailer noted that Dynamics 365-supplied real-time financial information equips their organization’s business decision-makers with the flexibility to make decisions at the speed of the business. In both cases, the interviewees cited Dynamics 365 Finance-enabled decisions as a contributing factor to their organization’s steady revenue growth. Furthermore, the modularity of the Dynamics platform and Microsoft cloud

applications may provide organizations the ability to rapidly pivot and scale to support new business models.

- **Improved system availability.** Interviewees said Dynamics 365 in the cloud is inherently more resilient than the organizations’ previous on-premises finance ERP tools, decreasing the likelihood of an outage or disruption to finance or accounting processes. Several interviewees noted that their organization’s Dynamics 365 Finance implementation never experienced major unplanned downtime events, solidifying their confidence in the platform moving forward.
- **Improved regulatory compliance.** Several interviewees specified benefit around simplified and improved regulatory compliance processes, saving both personal hours (see Benefit A) and external costs (see Benefit C). Beyond the benefits quantified for this report, interviewees noted that Dynamics 365 made a significant impact in this area while expanding across different regions and amid shifting regulatory requirements. The finance lead in retail said their organization went public in 2021 and noted that this would have been extremely difficult without

simplified regulatory compliance processes on Dynamics 365 Finance.

- **Quality-of-life improvements for finance personnel.** By standardizing on features, functionality, and processes with Dynamics 365 Finance, finance personnel at the interviewees' organizations saved time through the elimination of tedious, repetitive work. Several interviewees described long days of more than 10 hours for finance staff that became the exception rather than the norm. The interviewee from the consulting organization told Forrester that the benefits here may go beyond productivity alone. They said: "Our staff isn't working 100 hours a week anymore, which is helpful from a turnover, training, and employee-retention perspective." Amid the "Great Resignation," the interviewee noted that attrition among finance staff was flat,

- **The iterative value of real-time decision-making.** Decision-makers at each of the interviewees' organizations now work with real-time data rather than static data for their key financial decision-making. Over time, this may continue to lead to better decisions, which results in improved business performance and agility in the future.
- **Integration with additional Microsoft solutions.** Several interviewees spoke to valuable integrations across the Microsoft Cloud that their organizations have already taken advantage of. Over time, their organizations stand to gain future benefit through integrations with other Microsoft solutions, especially via expansion to additional modules on the Dynamics 365 platform, which also may allow them to avoid implementation work that has already been completed.

“The reason we can grow at the rate we are is because we have all this information from Dynamics for decision-making. Our [executives] have been able to make really good strategic decisions.”

Finance lead, retail

unlike that in the rest of the organization.

FLEXIBILITY

The value of flexibility is unique to each customer. There are multiple scenarios in which a customer might implement Dynamics 365 Finance and later realize additional uses and business opportunities, including:

“Interaction with other Microsoft solutions and just being on a Microsoft platform is a big differentiator. We don't run the risk of outgrowing our ERP, even in the face of acquisitions and divestitures. Dynamics 365 is a standard platform that allows us to interact with other companies with relative ease.”

Director of finance operations, consulting

Flexibility would also be quantified when evaluated as part of a specific project (described in more detail in [Appendix A](#)).

Analysis Of Costs

■ Quantified cost data as applied to the composite

| Total Costs | | | | | | | |
|-------------|---|-------------|-----------|-----------|-----------|-------------|---------------|
| Ref. | Cost | Initial | Year 1 | Year 2 | Year 3 | Total | Present Value |
| Dtr | Dynamics 365 subscription fees | \$0 | \$285,120 | \$299,376 | \$313,632 | \$898,128 | \$742,255 |
| Etr | Initial partner implementation and support fees | \$660,000 | \$165,000 | \$82,500 | \$0 | \$907,500 | \$878,182 |
| Ftr | Internal implementation and ongoing management effort | \$528,000 | \$264,000 | \$264,000 | \$264,000 | \$1,320,000 | \$1,184,529 |
| | Total costs (risk-adjusted) | \$1,188,000 | \$714,120 | \$645,876 | \$577,632 | \$3,125,628 | \$2,804,966 |

DYNAMICS 365 SUBSCRIPTION FEES

Organizations pay Microsoft a subscription fee for their usage of Dynamics 365 Finance. Companies pay the subscription fees on a per-month, per-user basis. Pricing for the composite organization is based on the Dynamics 365 Finance list price.

Modeling and assumptions. For the composite organization and financial model, Forrester makes the following assumptions:

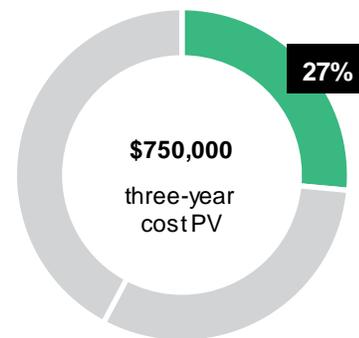
- The composite has 120 Dynamics 365 Finance users in Year 1, and this grows 5% annually.
- The list price for Dynamics 365 Finance is \$180 per user per month.
- Pricing may vary. Contact Microsoft for additional details.

Risks. This cost will vary among organizations based on:

- The number of Dynamics 365 Finance users in the organization.
- The complexity of the use case, which can impact the types of add-ons and level of support.

Results. To account for these variances, Forrester adjusted this cost upward by 10%, yielding a three-

year, risk-adjusted total PV (discounted at 10%) of \$750,000.



| Dynamics 365 Subscription Fees | | | | | | |
|------------------------------------|--|-----------------|--|-----------|-----------|-----------|
| Ref. | Metric | Source | Initial | Year 1 | Year 2 | Year 3 |
| D1 | Dynamics 365 Finance users | A1 | | 120 | 126 | 132 |
| D2 | Dynamics 365 monthly cost per user | Microsoft | | \$180 | \$180 | \$180 |
| Dt | Dynamics 365 subscription fees | D1*D2*12 months | \$0 | \$259,200 | \$272,160 | \$285,120 |
| | Risk adjustment | ↑10% | | | | |
| Dtr | Dynamics 365 subscription fees (risk-adjusted) | | \$0 | \$285,120 | \$299,376 | \$313,632 |
| Three-year total: \$898,128 | | | Three-year present value: \$742,255 | | | |

INITIAL PARTNER IMPLEMENTATION AND SUPPORT FEES

Evidence and data. Several interviewees said their organizations worked with a Microsoft partner to plan, implement, and support their Dynamics 365 Finance deployment.

- The director of finance operations in consulting said that given the complexity involved in migrating their organization’s nearly 20 legal entities to Dynamics 365 Finance, it worked with a Microsoft partner for just over a year to plan and implement Dynamics 365.
- The technical lead in financial technology said their organization deployed Dynamics 365 in only a couple of weeks with the support of a partner. The interviewee said: “[Implementing Dynamics 365 is] easy. It only was a matter of few weeks to have Dynamics 365 available. To start up the ERP itself, it’s only a matter of less than a day to spin it up in the cloud. We spent most of our time defining our requirements and users, but that was a matter of a few weeks. [It was] very simple [and] very easy.”
- The retailer/wholesaler interviewee told Forrester that moving off their organization’s heavily customized finance ERP system finally allowed it

to leverage Microsoft’s partner network for ongoing support, shifting some of the support burden from its IT staff.

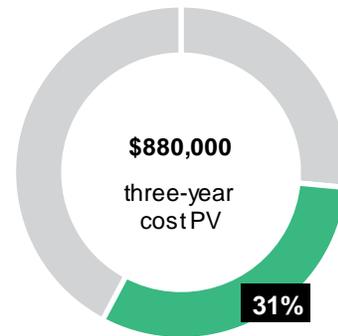
Modeling and assumptions. For the composite organization and financial model, Forrester makes the following assumptions:

- The composite pays an initial implementation fee of \$600,000 to its Microsoft partner to implement Dynamics 365 over six months. This fee includes initial planning activities as well as initial implementation.
- In Years 1 and 2, the composite organization pays \$150,000 and \$75,000 for ongoing support, respectively.

Risks. This cost will vary among organizations based on:

- The scope and complexity of the organization’s Dynamics 365 implementation as it affects initial and ongoing partner support requirements.
- The specific Microsoft partner selected for implementation and support.
- The skill and capacity of the organization’s IT staff as it relates to the working relationship with the selected partner.

Results. To account for these variances, Forrester adjusted this cost upward by 10%, yielding a three-year, risk-adjusted total PV of \$880,000.



Initial Partner Implementation And Support Fees

| Ref. | Metric | Source | Initial | Year 1 | Year 2 | Year 3 |
|------------------------------------|---|------------|--|-----------|----------|--------|
| E1 | Initial partner implementation and support fees | Interviews | \$600,000 | \$150,000 | \$75,000 | |
| Et | Initial partner implementation and support fees | E1 | \$600,000 | \$150,000 | \$75,000 | \$0 |
| | Risk adjustment | ↑10% | | | | |
| Etr | Initial partner implementation and support fees (risk-adjusted) | | \$660,000 | \$165,000 | \$82,500 | \$0 |
| Three-year total: \$907,500 | | | Three-year present value: \$878,182 | | | |

INTERNAL IMPLEMENTATION AND ONGOING MANAGEMENT EFFORT

The interviewees’ companies designated IT and business personnel to support the Dynamics 365 Finance deployment on an initial (implementation) and ongoing basis. The number of personnel required ranged among the companies based on the complexity of the deployment and level of Microsoft partner support. Among the organizations, personnel supporting the implementation and ongoing management ranged from five to more than 20.

Modeling and assumptions. For the composite organization and financial model, Forrester makes the following assumptions:

- The composite uses eight FTEs during a six-month implementation period.
- The composite uses the ongoing support of four IT resources dedicating 50% of their working hours to supporting Dynamics 365.

Risks. This cost will vary among organizations based on:

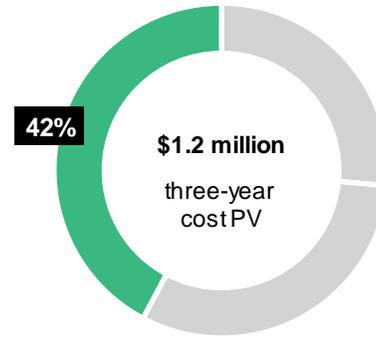
- The scope and complexity of the organization’s Dynamics 365 deployment as it relates to implementation and support internal personnel requirements.
- The skill and capacity of the organization’s supporting personnel.

Average planning and implementation period

Six months

A green rectangular box containing the text 'Average planning and implementation period' and 'Six months' in large, bold font. To the right of the text is a black and white icon of a calendar.

Results. To account for these variances, Forrester adjusted this cost upward by 10%, yielding a three-year, risk-adjusted total PV of \$1.2 million.



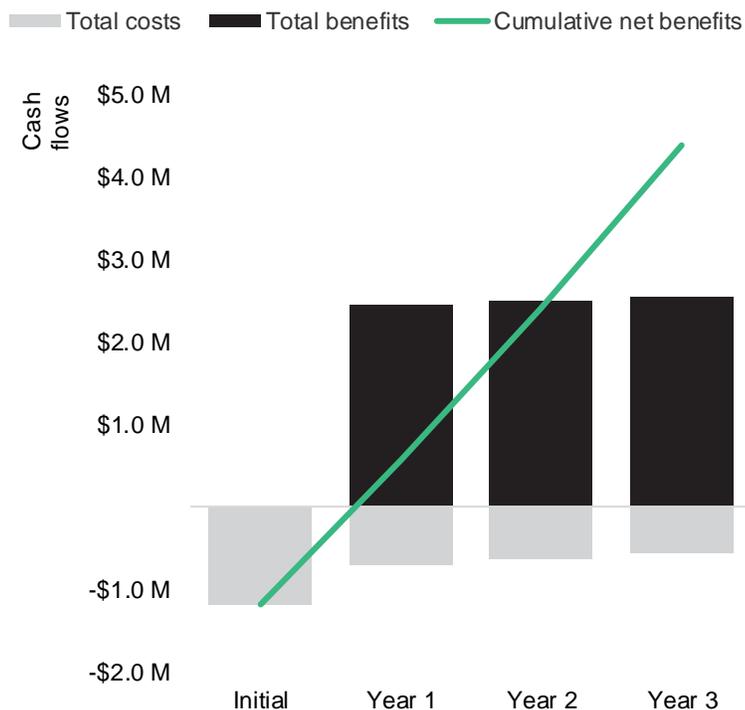
Internal Implementation And Ongoing Management Effort

| Ref. | Metric | Source | Initial | Year 1 | Year 2 | Year 3 |
|--------------------------------------|---|------------------|--|-----------|-----------|-----------|
| F1 | Initial implementation internal FTE effort (6 months) | Interviews | 8 | | | |
| F2 | Average annual salary | TEI Standard | \$120,000 | \$120,000 | \$120,000 | \$120,000 |
| F3 | Initial implementation internal personnel cost over six months | $F1 * F2 * 50\%$ | \$480,000 | | | |
| F4 | Ongoing Dynamics 365 Finance management FTE effort | Interviews | | 4 | 4 | 4 |
| F5 | Ongoing Dynamics 365 Finance management FTE time on task | Assumption | | 50% | 50% | 50% |
| F6 | Ongoing Dynamics 365 Finance personnel cost | $F2 * F4 * F5$ | | \$240,000 | \$240,000 | \$240,000 |
| Ft | Internal implementation and ongoing management effort | $F3 + F6$ | \$480,000 | \$240,000 | \$240,000 | \$240,000 |
| | Risk adjustment | ↑10% | | | | |
| Ftr | Internal implementation and ongoing management effort (risk-adjusted) | | \$528,000 | \$264,000 | \$264,000 | \$264,000 |
| Three-year total: \$1,320,000 | | | Three-year present value: \$1,184,529 | | | |

Financial Summary

CONSOLIDATED THREE-YEAR RISK-ADJUSTED METRICS

Cash Flow Chart (Risk-Adjusted)



The financial results calculated in the Benefits and Costs sections can be used to determine the ROI, NPV, and payback period for the composite organization's investment. Forrester assumes a yearly discount rate of 10% for this analysis.

These risk-adjusted ROI, NPV, and payback period values are determined by applying risk-adjustment factors to the unadjusted results in each Benefit and Cost section.

Cash Flow Analysis (Risk-Adjusted Estimates)

| | Initial | Year 1 | Year 2 | Year 3 | Total | Present Value |
|----------------|---------------|-------------|-------------|-------------|---------------|---------------|
| Total costs | (\$1,188,000) | (\$714,120) | (\$645,876) | (\$577,632) | (\$3,125,628) | (\$2,804,966) |
| Total benefits | \$0 | \$2,458,771 | \$2,503,915 | \$2,549,059 | \$7,511,746 | \$6,219,744 |
| Net benefits | (\$1,188,000) | \$1,744,651 | \$1,858,039 | \$1,971,427 | \$4,386,118 | \$3,414,778 |
| ROI | | | | | | 122% |
| Payback | | | | | | 9.0 months |

Appendix A: Total Economic Impact

Total Economic Impact is a methodology developed by Forrester Research that enhances a company's technology decision-making processes and assists vendors in communicating the value proposition of their products and services to clients. The TEI methodology helps companies demonstrate, justify, and realize the tangible value of IT initiatives to both senior management and other key business stakeholders.

TOTAL ECONOMIC IMPACT APPROACH

Benefits represent the value delivered to the business by the product. The TEI methodology places equal weight on the measure of benefits and the measure of costs, allowing for a full examination of the effect of the technology on the entire organization.

Costs consider all expenses necessary to deliver the proposed value, or benefits, of the product. The cost category within TEI captures incremental costs over the existing environment for ongoing costs associated with the solution.

Flexibility represents the strategic value that can be obtained for some future additional investment building on top of the initial investment already made. Having the ability to capture that benefit has a PV that can be estimated.

Risks measure the uncertainty of benefit and cost estimates given: 1) the likelihood that estimates will meet original projections and 2) the likelihood that estimates will be tracked over time. TEI risk factors are based on "triangular distribution."

The initial investment column contains costs incurred at "time 0" or at the beginning of Year 1 that are not discounted. All other cash flows are discounted using the discount rate at the end of the year. PV calculations are calculated for each total cost and benefit estimate. NPV calculations in the summary tables are the sum of the initial investment and the discounted cash flows in each year. Sums and present value calculations of the Total Benefits, Total Costs, and Cash Flow tables may not exactly add up, as some rounding may occur.



PRESENT VALUE (PV)

The present or current value of (discounted) cost and benefit estimates given at an interest rate (the discount rate). The PV of costs and benefits feed into the total NPV of cash flows.



NET PRESENT VALUE (NPV)

The present or current value of (discounted) future net cash flows given an interest rate (the discount rate). A positive project NPV normally indicates that the investment should be made unless other projects have higher NPVs.



RETURN ON INVESTMENT (ROI)

A project's expected return in percentage terms. ROI is calculated by dividing net benefits (benefits less costs) by costs.



DISCOUNT RATE

The interest rate used in cash flow analysis to take into account the time value of money. Organizations typically use discount rates between 8% and 16%.



PAYBACK PERIOD

The breakeven point for an investment. This is the point in time at which net benefits (benefits minus costs) equal initial investment or cost.

Appendix B: Endnotes

¹ Source: “Look Beyond ERP: Introducing The DOP,” Forrester Research, Inc., October 8, 2019.

² Ibid.

³ Total Economic Impact is a methodology developed by Forrester Research that enhances a company’s technology decision-making processes and assists vendors in communicating the value proposition of their products and services to clients. The TEI methodology helps companies demonstrate, justify, and realize the tangible value of IT initiatives to both senior management and other key business stakeholders.

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