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Microsoft Dynamics 365 ERP Increases Profitability And Productivity For Manufacturers

Microsoft commissioned Forrester Consulting to interview five IT leaders at four organizations and survey another 320 professionals with experience using Dynamics 365 ERP and conduct a Total Economic Impact™ (TEI) study to better understand the benefits, costs, and risks associated with Microsoft Dynamics 365 ERP.[1] This abstract highlights the use and value of Microsoft Dynamics 365 ERP in the manufacturing sector.

The spotlight features the following manufacturing interviewees and survey respondents:

- The vice president of IT and IT director of a manufacturing/construction company.
- 12.2% of 320 survey respondents.

Study participants in the manufacturing sector told Forrester that their companies face increasing pressure to streamline operations, enhance efficiency, and reduce costs while maintaining product quality and meeting evolving market demands. Managing global supply chains, optimizing production schedules in real time, and making data-driven decisions are critical for staying competitive. Organizations aim to achieve a high degree of operational agility and scalability to adapt quickly to new market trends and customer demands, all while optimizing resources and reducing waste.

Return on investment (ROI)
106%

Net present value (NPV)
$8.09M

Dynamics 365 ERP provides a cloud-based solution to these challenges. By unifying disparate systems and data silos into a single, cohesive platform, Dynamics 365 ERP enhances visibility across the entire supply chain — from raw

material procurement to final product delivery. The system empowers manufacturers to optimize production planning, streamline inventory management, and implement efficient quality control measures. Additionally, the advanced analytics and AI capabilities of Dynamics 365 ERP enable predictive maintenance and demand forecasting, further enhancing operational efficiency and reducing downtime. Through its scalable architecture, Dynamics 365 ERP not only addresses current challenges but also strategically positions manufacturers for future growth and innovation.

INVESTMENT DRIVERS FOR MANUFACTURING COMPANIES

Survey respondents identified the primary drivers for adopting Dynamics 365 ERP in manufacturing as the need to drive cost optimization and efficiency improvements, meet customer demands effectively and sustainably, and improve financial processes and profitability. Additionally, they emphasized the importance of becoming more aware of risks and enhancing predictive decision-making capabilities, as well as gaining more visibility across supply chain functions. Other significant challenges included:

- **Security vulnerabilities.** The interviewees noted that maintaining up-to-date security measures is critical in manufacturing due to the sensitive nature of production data and intellectual property. Legacy systems often lacked the robust security features necessary to protect against modern cyberthreats. Interviewees noted that Dynamics 365 ERP offered built-in security measures, including advanced threat detection and regular updates, which mitigated risks and protected valuable data.

  The vice president of IT in manufacturing/construction explained: “In today’s world, the other significant thought is, ‘Where are any of these assets regarding cybersecurity risks?’ … Being on old software at any level in the stack is a greater cybersecurity risk because we can’t just get good virus protection, patch maintenance, and those sorts of things for old operating systems.”

- **Software incompatibility during mergers and acquisitions.** The interviewees reported that as a result of organizational changes, their companies often inherited various software systems that were outdated or incompatible. This fragmentation led to inefficiencies and increased maintenance costs.

  The vice president of IT noted that software used by acquired companies often fell out of support. They explained: “The IT solution comes to us with an application that’s no longer supported by the vendor or the manufacturer. The author of the application may be residing on a database that’s also out of support and may also be residing on an operating system that’s out of support.”

  The vice president of IT said: “There’s at least 11 or 13 different ERP systems still running that give us a unique point of view of coming from a variety of different systems over time because we just bought many companies who had a variety of different systems.”

Read the full study

KEY RESULTS FOR MANUFACTURERS

The results of the investment for the interviewees’ organizations include:

Increased profitability. Study participants highlighted the solution’s ability to streamline their organizations’ supply chain operations, providing real-time visibility into inventory levels, order status, and supplier performance. Improvements were also reported in accounts receivable, collections, inventory turnover, order accuracy, on-time delivery, and accounts payable management, which collectively impacted bottom-line results. Before the implementation of Dynamics 365 ERP, disparate systems led to inefficiencies and data silos, which were effectively eliminated by the solution.

Interviewed users were particularly impressed with the advanced analytics capabilities of Dynamics 365 ERP. They noted the system's ability to provide predictive insights into operational efficiencies, market trends, and customer preferences was a game changer. The interviewees' organizations could make informed decisions faster, leading to optimized operations and enhanced customer satisfaction. Demand forecasting features allowed companies to accurately predict customer demand, reducing overproduction and minimizing waste.

The IT director in manufacturing/construction said, "[Dynamics 365] gives you an ability to better track your costs and understand which products and products lines are more profitable."

> "[With Dynamics 365], we will have a variety of benefits, including staying safe, strategic benefits around access to data, and having [all divisions and affiliates] on the same system [that] everybody else is used to and [can] speak to. There are all kinds of people benefits, safety benefits, cybersecurity benefits, [and] strategic benefits around data and data analysis that, in total, [made] us feel there is enough or more benefit there to make it worth the price."
>
> VICE PRESIDENT OF IT, MANUFACTURING/CONSTRUCTION

Enhanced flexibility and resiliency. The flexibility to customize and scale the solution according to business needs was a critical factor in adopting the solution and the realization of benefits for the interviewees and survey respondents. Respondents appreciated that Dynamics 365 ERP could be tailored to their organizations' specific industry requirements, allowing for the addition of modules or functionalities as the businesses grew. This adaptability ensured that their companies could evolve their ERP system in tandem with their expansion without the need for a complete overhaul or migration to a different platform.

The vice president of IT at a manufacturing/construction organization said: "If we had any disruptions in the supply chain … we are already structured enough and prepared enough to have the data and answer those questions quicker than our competitors. We can steer ourselves to resolve things, have supply chain resiliency, and execute changes more quickly than our competitors."

Increased profitability by Year 3

0.75%

Increased productivity with time and labor savings. Study participants said using Dynamics 365 saved the time and effort of personnel in finance, accounting, supply chain, logistics, and other areas through unified data access, streamlined processes, and ease of use. They explained that automating routine tasks improved accuracy of analytics and reporting by reducing manual data entry and errors. They also noted Dynamics 365 reduced efforts around cross-departmental workflows, inventory management, compliance management, closing cycles, and audit processes.

The vice president of IT said: "Microsoft … [has] vetted very valuable functionality. … When the data displays in a grid fashion, you'll see an Office icon light up that will say Excel is an option. You just click on it, and then you can export that data into Excel, edit it there, and then Excel updates the production ERP database."

TOTAL ECONOMIC IMPACT ANALYSIS

For more information, read the full study: "The Total Economic ImpactTM Of Microsoft Dynamics 365 ERP," a commissioned study conducted by Forrester Consulting on behalf of Microsoft, April 2024.

STUDY FINDINGS

While the value story above is based on an interviewee at a healthcare and life sciences company, Forrester interviewed five total representatives at four organizations with experience using the Dynamics 365 ERP and combined the results into a three-year financial analysis for a composite organization. Risk-adjusted present value (PV) quantified benefits for the composite organization include:

- Increased profitability from real-time visibility and enhanced decision-making.
- Increased productivity from unified data access, streamlined processes, automated workflows, and other gained efficiencies.
- Reduced infrastructure and IT operations spend from cloud migration.
- Cost savings from organizational simplification.

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Net present value
$8.09M

Appendix A: Endnotes

[1] 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.

DISCLOSURES

The reader should be aware of the following:

The study is commissioned by Microsoft and delivered by Forrester Consulting. It is not meant to be 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 report to determine the appropriateness of an investment in Microsoft Dynamics 365 ERP.

Microsoft reviewed and provided feedback to Forrester. 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.

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

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