

Five Reasons Why Companies Move from JDEdwards to Microsoft Dynamics® AX

Production Solutions, May 2009

Introduction

A company's ERP system is the repository for and custodian of a mass of information that is critical to the effective and efficient operation of the business. ERP processing functions support all major activities from planning to order management, inventory and production or service scheduling and management, through fulfillment, billing and collection activities. Accounting and finance, executive information systems and regulatory compliance and reporting all rely on the integrity of the installed system.

When a company decides to look for a replacement system, it is not a trivial decision. Not only will there be up-front costs for acquiring and implementing the new system, there is also a significant risk and cost in maintaining the business through the transition and getting at least as complete and reliable results from the new system, to keep the business functioning smoothly.

To make this commitment and investment, the company has to have some really good reasons for making the change. In some cases, there may be significant limitations in the incumbent system that motivates the company to look for something better. In making their selection, they may tend to focus on systems that perform significantly better in the areas where the incumbent is deficient, which might include functionality or usability issues. They may also have reservations about the incumbent system developer's technology, product direction, support, or financial viability.

Microsoft commissioned Production Solutions to prepare this report outlining the reasons why some companies chose to remove their JDEdwards system and replace it with Microsoft Dynamics AX. Information for this report came from two sources: companies that migrated from JDEdwards¹ to Microsoft Dynamics AX, and Microsoft Dynamics business partners that have worked with companies moving from JDEdwards to Microsoft Dynamics AX. This report is focused on what these customers and partners cited as the reasons why they were dissatisfied with JDEdwards and the things that compelled them to choose Microsoft Dynamics AX.

¹ JDEdwards, the company, was acquired by PeopleSoft which was, in turn, acquired by Oracle in a hostile takeover. JDEdwards' two ERP systems – World and One World are currently sold and maintained by Oracle as JDEdwards World and JDEdwards Enterprise One. This paper addresses only these two Oracle products.

Reason 1 – Complexity and Maintainability

JDEdwards is a mature, stable, broad and deep set of applications that are as functionally rich and complete as just about anything else on the market. Companies from a wide variety of industries and situations can find just about all of the functionality they need somewhere in the JDE package. That is both a blessing and a curse. No single company can use even a majority of the functionality available, yet every company has to pay for the development (built into the initial cost) and the maintenance of the whole package (built into the annual maintenance cost). Additionally, that level of complexity makes modifications, troubleshooting, local support and maintenance demanding and can be very expensive.

There are two distinct versions of the JDE software, and there can be issues with both versions. The original JDEdwards World product has by far the larger installed base of users. This is an IBM iSeries (AS/400)-based product with extraordinary tailor ability. This means that each implementation can be quite different from every other implementation to the level of individual data field lengths, data validation (table-driven) and functionality (many specific actions and steps can be individually turned on or off or changed during system set-up). Although the end result is a nicely customized system for each user company, the code is very complex and support is problematic – largely because the system functions quite differently in each instance. All of that tailor ability means there is a lot of program code – millions of lines – to work through whenever a company needs to find a problem, make a modification, or tie into an outside program. And because the software code itself is so specific to this one product, the pool of knowledgeable programmers and software engineers is limited and shrinking. It is getting harder (and more expensive) to find experienced, qualified programmers and technicians to maintain the product.

The newer version, with a smaller installed base, is the “open” multi-platform version of the same software. It was called One World by JDE and is now JDEdwards Enterprise One in the Oracle catalogue. This, too, is a complex product with many tables and ‘switches’ for tailoring the product to each user company’s needs. It is also designed to be multi-platform, and that adds to the underlying complexity. Once again, there is a shrinking pool of experienced technical help for maintaining the product. As a less mature product, it is not as functionally rich as the original JDEdwards World. Because users can define the field length and characteristics of nearly every data field in the system, interfacing JDEdwards data to outside systems and then gathering the data into consolidated reporting and analysis applications is particularly difficult. This applies to both versions; World and Enterprise One.

Many companies have seen fit to modify the JDEdwards software to further tailor it to their specific needs. Modifications add to the maintenance burden because every mod must be re-applied (or at least re-verified) after each update to the software. Because of the cost and difficulty involved, many of these companies have not implemented vendor-provided updates and therefore live with an ‘old’ or ‘down-level’ version of the system. They may not apply corrections and fixes supplied by the developer. Because of this, they do not get the new

functionality and extensions that are often included in updates. If they are still paying for maintenance, they might not get all that they are paying for in maintenance.

Microsoft Dynamics AX offers a rich array of functionality to serve the needs of a wide variety of industries without the unnecessary complexity that supports functions that few companies need. Built using industry-standard tools and database, Microsoft Dynamics AX is easy to implement and maintain. Tailorability is provided through modern tools and architecture, not user-defined tables and software 'switches'. Microsoft Dynamics AX offers personalized, role-based screens, for example, that are not affected by product updates or program modifications, in most cases. The industry-standard Microsoft® SQL Server® database is accessible through SQL Server-compliant tools and utilities for integration and analytical purposes.



Reason 2 – Price / Cost-of-Ownership

The cost of maintaining a JDEdwards system is quite high. A former user described the annual maintenance fees as “monstrous”. In fact, some companies are paying more in annual maintenance fees than it cost them to license the software in the first place.

Life cycle costs include initial licensing, implementation, and on-going maintenance. Microsoft Dynamics AX is a better value proposition in all three areas:

- ❖ Initial cost may be lower. In some cases, the initial license cost of Microsoft Dynamics AX might be in the same ball-park as only a year or two of annual maintenance cost for the JDEdwards system it replaces. Although Microsoft Dynamics AX is available for the Oracle database, if the company is not locked in to the Oracle database system to support other applications, switching to Microsoft® SQL Server® can provide significant savings in both initial cost and ongoing support.
- ❖ Implementation maybe quicker and less expensive. Because of its complexity, a JDEdwards implementation can be a long, difficult process. A typical JDEdwards implementer will spend at least 2 and 3 times the cost of the software, or more, for services and consulting support during the process. Microsoft Dynamics AX can be implemented much more easily and most likely considerably less in cost.

- ❖ Annual maintenance cost maybe lower. Annual maintenance is typically based on a percentage of the current 'list' cost of the software. Since the software cost is less to begin with, the cost of maintenance is also lower and will remain lower. In addition, maintenance costs for JDEdwards are increasing at an accelerated rate due to the complexity of the software, lack of use of today's programming productivity tools, diminishing user base to share the costs, and the shrinking pool of capable technologists available to maintain the products. As Oracle's costs go up, they may have to pass these costs on to the customers in higher annual maintenance fees.

There is also a cost advantage in worker productivity. Because Microsoft Dynamics AX uses ubiquitous Microsoft technology and tools, it is easier to build and maintain tight interoperability with other applications within the company and with trading partners through Microsoft® SharePoint®, Microsoft® Exchange, and Microsoft® BizTalk®.

Reason 3 – Productivity

Applications designed to work like Excel and Outlook may be more easily interfaced to these productivity tools and that's certainly the case with Microsoft Dynamics AX. With the vast array of open database tools from Microsoft and a host of other sources, Microsoft Dynamics AX data can be readily queried, mined, extracted and interfaced with analytical applications, trading partner systems, third-party applications, and productivity tools.

The Microsoft Dynamics AX user interface is role-based, meaning each user has a home screen that is tailored to provide easy access to the activities and functions that they use every day. In a traditional user interface such as the one found in JDEdwards World, the screens are generic – all users start at the same screen and use only a fraction of the options and choices that are presented. Role-based screens are far more efficient for the user, easier to learn and use, and typically result in greater adoption of system functionality for more benefit to the company. This claim is validated by the fact that the newer JDEdwards One World system is equipped with an 'open' user interface that allows customization to the individual user or group. Unlike the tables and switches that tailor the JDEdwards software, the Microsoft Dynamics AX system uses modern programming tools and methods to provide tailor able graphic screens that are unaffected by most updates and modifications.

"The out-of-the-box Role Centers in Microsoft Dynamics AX 2009 add value from day one for all employees in our organization. Our users see enormous value with the visuals, the ability to easily design Cues, and the year-to-year comparison."

– John Elmer, Rodgers and Hammerstein

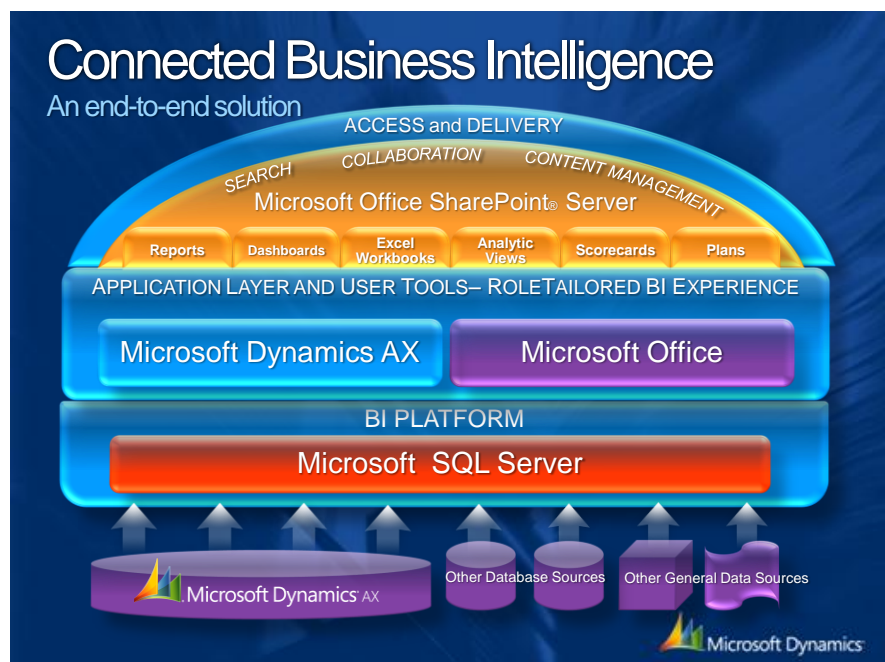


The Accounts Payable Coordinator Role Center: including current activity status, schedule, KPI data, and alerts.

Reason 4 – Technology

Oracle has great technology: what many consider the world’s leading database system, and an expanding array of tools and utilities to leverage both their database and their applications. But, generally speaking, Oracle technology is proprietary. While the database is standards-compliant (follows Microsoft SQL rules) the business applications will only run on an Oracle database, for example, and all of the tools and utilities are only for use with Oracle.

Dynamics is built on Microsoft's infrastructure, which is the most used among midmarket companies. Microsoft Dynamics works like and with familiar Microsoft software, automating



and streamlining financial, customer relationship and supply chain processes in a way that helps you drive business success, communication, and collaboration.

Reason 5 – Loss of Confidence

Given the history of the JDEdwards products, Oracle's own history, and looking at Oracle's entire application product set, JDEdwards users may have concerns about the long-term future of World and One World. Although all of Oracle's applications are the result of acquisitions, the JDEdwards products were brought in quite late in the process after Oracle had already committed to an architecture, programming language and tools, and direction for their mainline ERP software suite, Oracle E-Business Suite. Both of the JDEdwards products are quite different from this Oracle path.

Many companies were quite upset when Oracle announced the hostile takeover bid for JDEdwards and have not been comfortable with Oracle's stewardship of the JDEdwards legacy since that time. JDEdwards (the company) was very customer-oriented, provided excellent services, and made the maintenance and upgrade of the two products its primary concern. Oracle is, above all else, the dominant independent database system vendor and now is entering the hardware arena with its recent acquisition of Sun. Its attention and priorities will always, at the very least, be split with database, a far larger revenue source, always a higher priority over applications. While the same concerns might be leveled at Microsoft, the company has demonstrated its ability and its willingness to invest in markets that it considers important and business applications are clearly a priority to Microsoft. A recent AMR Research report² confirms Microsoft's commitment to the ERP system space: "ERP (is) a crucial component to Microsoft Business Solutions' People Ready positioning, also presents revenue opportunities for other Microsoft businesses."

Oracle has been quite open about their future plans for a "fusion" product that will bring these diverse product sets together at some point in the future. There is no doubt that the new product will not look like, work like, or resemble JDEdwards internally (architecture, structure, programming language, even functionality).

Therefore, it is clear that JDEdwards users are facing a conversion to a new ERP system at some point in the future. The users we talked to expressed a strong desire to choose their next ERP system themselves, and not let Oracle make the choice for them. They also want to be in control of the timing – and make the change when they are ready to make the change, not when Oracle tells them they must. To be fair, Oracle has published a 'lifetime support policy' with product update releases and 'extended support' that goes past 2013 (Enterprise One) and 2014 (World). Nevertheless, the visible end of product updates leaves existing customers

² Awakening a Sleeping Giant: Inside Microsoft Business Solutions' ERP Strategy, AMR Research August 2008

somewhat uneasy, and the cost of support is undoubtedly going to get much higher between now and that end date.

JDEdwards users can go through the migration process to Microsoft Dynamics AX on their own schedule, when it suits them best. The costs associated with the licensing and implementation will likely be considerably less than they would for conversion to another Oracle product, and they would know that they would not be facing another forced conversion in the foreseeable future. As the Microsoft Dynamics AX product continues to grow and take advantage of new technologies and advances in management theory and tools, the open, standards-compliant Microsoft technology will make that growth and expansion simpler, easier and less costly.

Summary

Both JDEdwards World and JDEdwards Enterprise One are functionally rich and very capable ERP systems for mid-sized and larger companies. Most of the user companies installed their systems when JDEdwards was an independent company. The acquisition of JDEdwards by PeopleSoft was viewed with interest but not alarm, but many were less than pleased when PeopleSoft, including the JDEdwards product lines, was acquired by Oracle.

Faced with rising support costs and the eventual discontinuation of product updates, these user companies are beginning to consider their options and map out a future strategy. Should they follow the path that Oracle has formulated for them? Or is there another path that offers benefits over the Oracle path?

Every company will make its own decisions based on its needs, budget, and perception of each software product that they consider. Hopefully, this view into what other JDEdwards users have found on migration to Microsoft Dynamics AX will be helpful to those companies striving to define the next step in their ERP journey.

END NOTES

- 1. Disclosures** – This report was prepared at the request of Microsoft Corporation, and the author was compensated for this effort. Therefore please be duly advised that the author was not independent in the preparation of this document.
- 2. Disclaimers** – This paper is presented as the author's opinion, and not as fact. While it is believed to be accurate, the products discussed in this report are complex systems containing thousands of features, the presence or absence of which can be open to subjective interpretation. The author concedes that there may be features and functionality that were overlooked or not fully considered in this report. We strongly recommend that you confirm any and all data contained herein with another source before relying on it.
- 3. About the Author** – Dave Turbide, CFPIM, CMfgE, CIRM . is an independent consultant and freelance writer based in New Hampshire. He has 30 years of experience helping companies select, implement and gain benefits from ERP and related technologies. Author of 6 books, hundreds of magazine articles, numerous white papers and case studies, Dave is certified by APICS at the fellow level in production and inventory management, Certified in Integrated Resource Management (APICS), and is a certified Manufacturing Engineer (Society of Manufacturing Engineers).