



MICROSOFT ANNOUNCES DYNAMICS 365

ANALYST

Rebecca Wettemann

THE BOTTOM LINE

On July 6, Microsoft announced Dynamics 365, a new approach to business applications that brings together Dynamics CRM, AX, and Office 365 with a unified application platform and data model. Building on the capabilities of Power BI and PowerApps, this new approach further democratizes the development of business applications and gives Microsoft a powerful competitive weapon against standalone ERP and CRM players.

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THE ANNOUNCEMENT

On July 6, Microsoft announced Microsoft Dynamics 365 and Microsoft AppSource, a new approach to building function-specific business applications for users. Details of the announcement include:

- A unified application and data model running on Azure that brings together data and functionality from both customer relationship management (CRM) and enterprise resource planning (ERP) for individual function-focused applications such as finance, field, service, sales, operations, marketing, project service automation, and customer service. These apps are designed as micro business process services so they can be deployed incrementally.
- Natively embedded Power BI and Cortana Intelligence to simplify decision making and action with predictive insights, predictive coaching, and actionable next steps.

- Integration of Dynamics 365 and Office 365 to bring together application data and unstructured communication so users can complete business functions (such as quoting, for example), within Outlook.

Microsoft plans general availability for Dynamics 365 in the fall of 2016. Pricing will be announced at a later date; however, it is expected that role or even micro-role based pricing will enable users to license and deploy only the components they need. Dynamics 365 will be offered as a cloud solution, with Microsoft offering connectors for customers who may have already deployed an on-premise instance of AX or CRM.

WHY IT MATTERS

The race to democratize applications has accelerated in the past few quarters, with both Microsoft and its competitors delivering new capabilities to enable users to build applications with drag-and-drop simplicity (Nucleus Research *q106 – Microsoft PowerApps empowers business users*, June 2016). The traditional developer has not been forgotten either, with advances in declarative frameworks and reusable components (Nucleus Research *q117 – Salesforce delivers full spectrum of app building*, June 2016).

What is most compelling here is the deep integration of ERP, CRM, and desktop productivity capabilities that bring the possibility of eliminating the workarounds that often existing between applications based on specific business user needs. Although it's always been possible, for example, to integrate CRM and ERP, in many cases it's been kept siloed because it's not cost-effective to do so – or data model conflicts are challenging to address on an ongoing basis (in an increasingly real-time world, batch syncs and conflict resolution is too slow or onerous on the applications to be productive). Dynamics 365 lowers the cost of entry for creating micro apps designed to support business workers performing specific functions where critical data lies in more than one system.

Microsoft is also offering different classes of development tools for different types of developers: the drag-and-drop wizard-like building capabilities with Microsoft Flow for business users and analysts as well as support for developers that are comfortable with BizTalk and .NET.

This is a big step for Microsoft toward the Dark Cockpit tenets of enterprise software design Nucleus first outlined in 2013 (Nucleus Research *n167 – Enterprise software vendors must adopt the principles of Dark Cockpit*, November 2013). Bringing together only the ERP and CRM data that's relative to a worker's task at hand

(simplify), making the application drive the business process to completion (focus), and updating the related background application data automatically (automate) are the first three steps toward Dark Cockpit. Microsoft is in a unique position to accomplish the fourth and most challenging principle – coach – with embedded Power BI and Cortana.

APPSOURCE

The announcement of AppSource should not be overlooked. Microsoft has been slow to the partner ecosystem market compared to Salesforce's AppExchange. "Microapps" for cloud are an ideal candidate for such an exchange, and will give partners and developers more motivation and a ready market to monetize their applications.

CONCLUSION

This is a significant announcement for Microsoft, and one that shows just how far the company has evolved in thinking about its Dynamics business in context of the entire portfolio for Microsoft since Satya took the reins. CRM and ERP applications have traditionally been bought separately, or at least by different buyers, and with the exception of NetSuite and Acumatica (at the low end of the market), few other players offer a common platform and data model for CRM and ERP – and none bring in the Office productivity capabilities as Microsoft can.

Microsoft was early to the game with role-based views into ERP. This announcement also brings together the concepts of componentization and "microapps" with accessibility for the citizen developer. Although Salesforce may have been ahead in the spectrum of development tools with Lightning, Office 365 opens up a whole new opportunity for role-based line-of-business applications that drive, rather than just gathering data on, business processes.