

The Next Big ERP Innovator: Microsoft



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I have **complained** and **ranted** and **railed** about the lack of **ERP** innovation coming from the Big Two enterprise software players—SAP and Oracle—as well as other traditional on-premise business software vendors. While **billions of dollars have flooded** into these companies' coffers, how much innovation—real, ground-breaking types of stuff—have we seen from the incumbent megavendors and their **overpriced lines of applications**?

Not much.

I have also noted with recurring frequency that, besides legitimate threats from **SaaS** and **open-source ERP** competitors, SAP and Oracle will have to start taking Microsoft's **Dynamics product line** much more seriously. Last fall, for instance, I interviewed Microsoft's Chris Caren about its Dynamics strategy and **how it was going to topple Oracle and SAP**.

At that time, Warren Wilson, a research director at Ovum, noted that despite still being considered a "newcomer," Microsoft was "committing more and more resources to its Dynamics solutions, and its ability to integrate Dynamics with its ubiquitous Windows applications—especially Office—makes Microsoft a threat that neither SAP nor Oracle can afford to take lightly."

Now Microsoft has found another analyst "believer" in Albert Pang, IDC's director of enterprise applications research. In a **recent report on Microsoft's Convergence conference (subscription required)**, Pang writes that Microsoft revealed many new products, including several still in prototype stage, that will be instrumental in restoring growth to the enterprise applications market. Pang gushed even more:

"It was hard not to marvel at the vision outlined by Microsoft executives, who were showing off next-generation touch-screen computing technologies at the main event and how average users ranging from order clerks to warehouse workers would be able to use the so-called Microsoft Surface device to access reams of inventory data by simply manipulating images on a screen, for example to rearrange popular inventory to areas within reach to improve the pick-and-pack process."

Pang was equally impressed with the brand-new Dynamics AX 2009 for manufacturing that included some breakthrough modules. He was also encouraged by the new products' ability to allow Microsoft's resellers to compete with the "high end" offerings of other vendors while ensuring ever-important affordability.

SAP could make a legitimate gripe that its latest Business Suite 7 launch (see **my "coverage"** of the announcement) is innovative, but its timing and pricing and onerous requirements dull any shine. As **Forrester Research analysts note in a recent overview**, "Most SAP customers will remain focused on maintaining and upgrading the core ERP solution, leaving the broader SAP Business Suite 7 offering to consider another day."

In addition, more nimble business software competitors such as Salesforce.com and its on-demand **CRM** applications are **striking forward-thinking partnerships with Google, Facebook and Twitter** that don't cost users millions or take 18 months to implement.

To Pang, in the **ERP space** and in this tight economic climate, affordability of applications is a glaring difference between Microsoft and its **fat-cat competition, SAP and Oracle**.

"At a time when other technology vendors are struggling to stay afloat, Microsoft is raising the bar," Pang writes. "With a more functionally rich product line that is scalable enough to handle the increased workload of a good-size company, Microsoft Dynamics is setting its sights higher."

However, not everything is perfect with Dynamics. Pang notes that Microsoft's ERP strategy has not been "flawless," and the "path to sustainable growth and profitability for Dynamics and its resellers is still a work in progress." One potential (and quite large) stumbling block is the nature of Microsoft itself: a mammoth corporation with wide-ranging business interests that can sometimes impede each other's progress and ability to capture a new market (for instance, the on-demand versus on-premise conflict right now).

Regardless, Pang says he's bullish on Microsoft's chances to out-innovate the two elephants in the ERP room. (As he points out, it doesn't hurt that Microsoft has a \$9 billion R&D budget for 2009.)

"Despite the economic downturn," Pang writes, "Microsoft has reaffirmed its **long-term value** as the source of technology innovation that its enterprise applications customers can depend on for years to come."