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Global Business Consulting

Technology-modernisation projects must define and deliver tangible value to justify investment

Over the past five years, enterprise spending priorities have shifted significantly. Budgetary pressures, inflation, higher interest rates and the overall global economic climate have compelled businesses to emphasise maximising value and minimising financial risk across all operations. This has had a profound impact on technology projects.

It's not enough to pursue technology modernisation based on the allure of new features and functionality. If decision-makers fail to see clear, measurable value from investment in these new capabilities, they will select other, better-performing investment opportunities to deliver value for customers, clients and shareholders. This makes it incumbent on technology-modernisation leaders to not only present a compelling business case for a project but also execute it with precision and continuing focus on its core objectives.

A sea change: Establishing the value of technology modernisation

Just a few years ago, the concept of technology modernisation was considered strategic and essential for ensuring that a business could grow and reap the benefits that came from mastering an evolving and expanding digital world. However, new financial realities set in, and businesses began to see that modernisation projects were frequently going over budget and failing to garner the returns that justified the time, effort and expenses that went into such complex IT projects.

These realisations signalled a sea change in how business leaders approach costly IT projects. Despite the promises offered by the latest and greatest technologies, leaders no longer throw caution to the wind. C-suite decision-makers now focus more on practical and risk-averse approaches that can deliver measurable ROI quickly. In other words, technology modernisation, digital transformation and strategic IT projects must now compete with other business initiatives. The proponents of technology-modernisation initiatives need to now state clearly the value of any such project, while also establishing the metrics that demonstrate ROI.

Where technology modernisation must drive value

With ROI taking the lead when it comes to go-forward decisions on technology projects, proponents must look at technology modernisation through a different lens. To obtain buy-in on such projects and to secure the necessary funding in an environment of shrinking budgets, it is critical to define the drivers behind a complex IT project that also can deliver ROI.

There are four primary value drivers in technology-modernisation initiatives. If the project does not have a business case to accomplish one or more of the following goals, it is unlikely to get the green light to move forward. These objectives, which are interrelated, include the following:

- **Lowering costs:** Upgrading technology solutions that can improve the bottom line is a top priority today. Technology leaders must establish that a modernisation project can lower both capital expenditures (CapEx) and operational expenditures (OpEx), as well as lower costs for customers and/or improve customer experience. An example is replacing a customer-engagement system with new technology that significantly reduces new customer-acquisition costs while also improving customer engagement, demonstrating measurable value and ROI. What's more, modernizing technology can lead to increased efficiency and productivity by automating repetitive tasks and streamlining processes. This reduces the need for manual intervention, which can reduce labour costs and minimize errors. As an example, by leveraging cloud-based solutions, companies can achieve scalability and flexibility, allowing them to adjust resources based on demand and avoid overprovisioning, which further reduces costs.

  Industry research by our firm supports the critical nature of technology modernisation. In our latest Top Risks Survey, "Existing operations and legacy IT infrastructure unable to meet performance expectations as well as 'born digital' competitors" is ranked among the top 10 risk issues for board members and C-suite executives worldwide, with 50% of these leaders ranking this as a significant risk issue for their organisations.

- **Gaining more flexibility to negotiate better deals with vendors:** Many organisations are locked into a single technology vendor or host and have limited ability to negotiate or shop around for better deals. This is especially true for legacy systems that require custom setups and are hosted on specific systems. Part of a technology-modernisation process involves assessing existing systems and agreements, then transforming those systems into the cloud or other alternative solutions. By eliminating vendor lock-in, businesses can negotiate for the best deals that offer the most value. For example, when organisations move to cloud-based solutions, they gain the ability to scale resources up or down based on demand, which can lead to more efficient use of resources and reduced costs. Additionally, cloud service providers often offer competitive pricing and flexible contract terms, allowing businesses to take advantage of the best deals available to meet their specific requirements. This flexibility can result in lower operational costs and improved financial performance.

- **Overcoming the inability to build new functionality into current applications:** Legacy systems are often associated with technical debt, where systems and applications, along with the related infrastructure, are difficult to maintain and support, hampering productivity and consuming a significant percentage of IT budgets. Overcoming technical debt involves numerous strategies that leverage technology-modernisation techniques. For example, refactoring software and transforming applications using agile techniques can reduce technical debt, making it more cost-effective to add new features. Additionally, modernizing technology can improve ROI by elevating system performance and reliability. Upgrading to modern infrastructure can reduce downtime and maintenance costs, allowing IT teams to focus on innovation rather than troubleshooting. Furthermore, modern systems often come with built-in scalability and flexibility, enabling organisations to adapt quickly to changing business needs and market conditions. This adaptability can lead to increased revenue-growth opportunities and a stronger competitive edge. Addressing the rising costs and burden associated with technical debt usually proves to be a wise investment that can offer a measurable return.

  > Technical debt continues to be a drain on IT budgets and is hampering ROI. Our latest global survey of technology leaders revealed that "technical debt consumes nearly one-third of technology budgets and more than one-fifth of technology professionals' time." And "70% of CIOs, CTOs and other technology leaders view technical debt as a major drag on their organization's ability to innovate."

- **Meeting regulatory-compliance requirements:** Investing in a technology-modernisation programme can be a strategic move for organisations with legislative-compliance programmes. Regulatory compliance, particularly for organisations in highly regulated industries such as financial services and healthcare, requires robust and up-to-date systems to manage data securely and efficiently. Legacy systems often struggle to meet these stringent requirements, leading to potential legal and financial risks. By modernizing technology, organisations can ensure that their systems are equipped with the latest security features and compliance tools, reducing the risk of non-compliance and associated penalties. The ROI from a technology-modernisation programme in the context of regulatory compliance can be significant. By reducing the risk of non-compliance, organisations can avoid costly fines and legal actions. Moreover, modern systems can improve operational efficiency in compliance processes, leading to cost savings in the long run. For example, automated compliance processes can reduce the time and effort required for audits and reporting. Furthermore, enhanced security and data-management capabilities can protect the organization's reputation, fostering trust with customers and stakeholders.

With these drivers in mind, it is critical that the technology-modernisation journey incorporates a well-thought-out and consistent approach to avoid complications and potential pitfalls. In other words, it's crucial to chart a precise course to avoid any unintended consequences.

The risks of not modernizing

As noted, it's vital to define and communicate a clear business proposition and expected ROI the organization will achieve through a proposed technology-modernisation project. As part of this, a key consideration must be the cost of failing to modernize. Business leaders must be aware of the potential risks associated with not embarking on a technology-modernisation journey.

- **Inability to deliver on business objectives:** Without having modernisation at the forefront, organisations may struggle to meet their strategic goals, leading to stagnation and missed opportunities.
- **Increased operational costs and process inefficiency:** Legacy systems and outdated processes can result in higher operational costs and inefficiencies, hindering overall productivity.
- **Loss of revenue and shareholder value:** Failure to modernize can lead to decreased revenue streams and diminished shareholder confidence, impacting the financial health of the organization.
- **Poor customer experience:** Outdated technology can result in subpar customer interactions, leading to dissatisfaction and potential loss of clientele.
- **Loss of competitive advantage and market share:** In a rapidly evolving market, organisations that do not modernize risk falling behind competitors that leverage advanced technologies to achieve a competitive edge.
- **Inability to retain and attract top talent:** A growing number of professionals seek innovative and dynamic work environments. Organisations that fail to modernize may struggle to attract and retain skilled talent.

Recognizing these risks serves as a catalyst for action, prompting organisations to embrace technology modernisation. There is no boilerplate for this journey, which should be tailored to what makes sense to execute on the strategy and should incorporate flexibility and agility when delivering on the needs of the business.

Charting the best course to success — key components and principles

Once the value is defined and the business case is approved, navigating the technology-modernisation journey requires a meticulously charted course that encompasses due diligence, discovery and the establishment of waypoints. These waypoints facilitate repeatable journeys and continuous improvement, balancing acceleration with agility to create a solid foundation.

The technology-modernisation process often involves adopting a Standardisedapproach that addresses specific organizational needs while remaining flexible enough to integrate various

ideologies and solutions. Following are the most common components of a Standardisedtechnology-modernisation approach:

- **Upgrading to new versions or features of existing software:** This step involves enhancing current software systems by implementing the latest versions or adding new features. This ensures that the software remains up-to-date with the latest technological advancements and security protocols, thereby improving performance and functionality.
- **Building new applications from scratch:** Sometimes, the best approach is to develop new applications tailored to specific business requirements. This allows for the creation of custom solutions that can address unique challenges and leverage the latest technologies, such as microservices architecture, Containerisation and serverless computing.
- **Acquiring new software and migrating data and processes:** This component involves purchasing new software solutions that better meet the organization's needs and migrating existing data and processes to these new platforms. This can help in reducing technical debt, improving efficiency and ensuring better integration with modern technologies.
- **Acquiring another company with a modernized application stack:** In some cases, acquiring a company that already has a modernized application stack can be the best strategic move. This allows the organization to integrate advanced technologies and practices quickly.

From the outset, it is vital to establish architectural principles that enable business agility and continuous modernisation. Here are some key considerations for defining these principles:

- **Simplified and decoupled architecture:** Ensure that the architecture is streamlined and modular to facilitate easier updates and integration.
- **Support for modular and agile deployment:** Build an architecture that supports flexible and rapid deployment of new features and updates.
- **Incorporation of real-time and event-driven processes:** Integrate real-time data processing and event-driven architectures to enhance responsiveness and decision-making.
- **Scalability and security:** Design the architecture to be scalable and secure, capable of handling growth and protecting sensitive data.
- **Establishing a single source of truth:** Create a unified data repository to ensure consistency and accuracy across the organization.
- **Customer experience-driven environment:** Focus on delivering an exceptional customer experience through user-centric design and seamless interactions.
- **Addressing compliance needs:** Incorporate compliance requirements into the system architecture to ensure adherence to industry regulations and standards. Ensure that audit and compliance considerations are built into the technology-modernisation initiative from the outset.

Call to action

Executing on technology-modernisation initiatives can be a complex process, especially for those responsible for managing their organization's ever-evolving technology landscape. It is crucial to ensure that the technology-modernisation journey articulates and delivers clear, maximum value. Therefore, technology leaders must assess where the greatest needs lie and identify areas with the highest potential for ROI.

Finding targets for modernisation requires business and technology leaders to take stock of the current technologies in place, assess how these technologies support various lines of business and determine where modernisation makes the most sense. It is crucial to ensure that the right projects are selected within a value-creation framework, fostering internal competition among candidate projects to encourage creativity and out-of-the-box thinking on framing how and why projects should be undertaken. Additionally, building internal coalitions is essential to ensure broad support and input on how the modernisation journey is undertaken.

Organisations should not overlook the opportunities offered by their existing infrastructure and cloud services. By leveraging technologies already in place, businesses can reduce their risk levels and expedite their technology-modernisation journey.

It is also important to embrace the concept of continuous modernisation, which should be addressed from an architectural standpoint, to ensure that systems can meet changing needs without having to rip and replace critical components. What's more, a continuous-modernisation ideology offers strategic benefits, where business objectives can be met quickly, supporting the organization's efforts to achieve competitive advantage.

While some may assume that technology modernisation requires a novel approach or even starting from scratch, businesses tend to have access to internal experience and institutionalized knowledge as well as external resources that help further accelerate a technology-modernisation plan. Leveraging available expertise will save time and eliminate the need to reinvent the wheel to achieve meaningful progress.

Those internal and external resources can prove to be especially important when it comes to embracing a tailored approach for modernisation. In larger organisations, the possibility exists that some departments or business units may have already started the process to adopt new technologies, which may be applicable to other modernisation efforts.

In closing

Without question, technology modernisation is a challenge. The organization must define the overall objectives clearly, specify opportunities for improvement, identify the right technologies and line up the necessary resources to undertake the project. Most importantly, the project must have a clear business case with demonstrated value and ROI that will be delivered. Undertaking such a technology-modernisation journey is not easy, but it clearly comes with significant rewards. And as we have noted, there are critical risks in failing to modernize that organisations today cannot ignore.

How Protiviti can help

Every business is becoming a technology business. And whether you are looking to automate, modernize or embark on an end-to-end transformation journey, our Technology Consulting solution can help. Our services range from strategy, design and development to implementation, risk management and managed services.

Protiviti can assist with technology-modernisation projects by doing the following:

- **Offering industry-specific expertise:** Focusing on industry-specific modernisation journeys, especially in areas like SAP, ServiceNow, Salesforce, Adobe and Microsoft, to provide tailored solutions.
- **Risk-adjusted approach:** Integrating audit and risk compliance perspectives to ensure that modernisation efforts do not create new problems, particularly in regulated industries.
- **Practical mindset:** Maintaining a focus on value delivery and achieving the goals set out by the technology-modernisation project, ensuring that investments deliver returns without entering an unending cycle of investment.

These approaches highlight Protiviti's commitment to delivering practical, industry-aligned and risk-conscious technology-modernisation services.

Our professionals become your trusted advisers, providing insight and strategic vision through innovative actions. Innovation is embedded in everything we do. Our professionals can tailor a solution that meets your specific technology-modernisation needs. From the C-suite to the newest consultant, our professionals are trained to deliver unique solutions that solve today's business problems. Our experts leverage agile processes and are certified in the latest technologies and platforms, keeping you at the forefront of technology transformation.