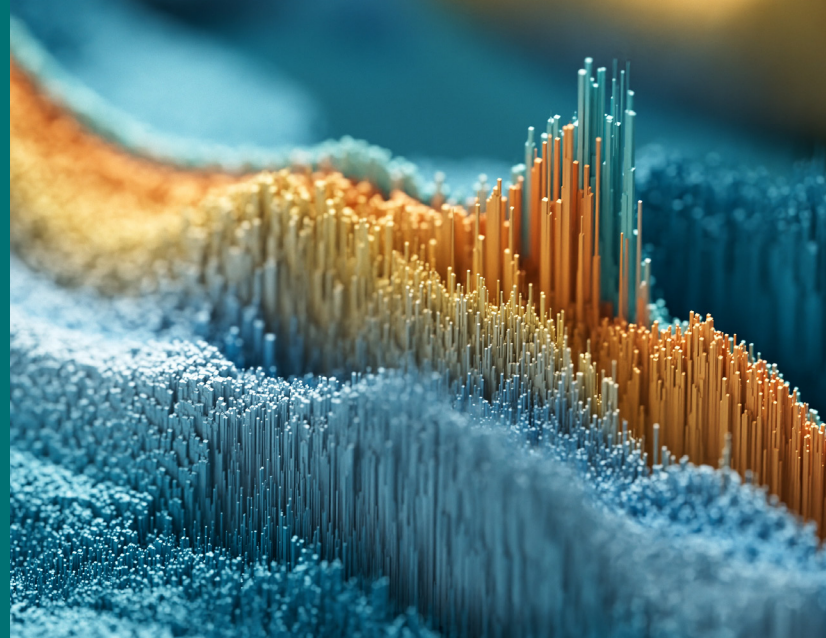


Point of view

Differentiate and disrupt

How continuous technology modernization fuels competitive advantage

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Big-bang implementations hinder digital agility

Cloud modernization is no longer optional for enterprises aiming to stay competitive; it is the fuel that propels growth and ensures survival, especially as enterprises move toward a hybrid cloud reality by right-aligning their IT workloads across private and public cloud environments. Since the big-bang approach has steered the enterprise transformation journey until now, almost two-thirds of organizations claim not to have achieved the desired value from cloud adoption.¹

“We failed in our first cloud initiative around early 2020 because we just wanted to move to the cloud without much thought about what it meant for the business. If we had had a better idea of likely challenges, possible budget leakages and compliance-related complexities in the beginning, **we would have started with defining value from cloud for our business and tracked progress made at each stage.** We were overwhelmed with unexpected costs and are planning to recalibrate our entire strategy now.”

– CIO, US-based global manufacturing company, 2023

Short on time

Big-bang implementations often fail to deliver expected value due to inflexibility and high risks. Continuous modernization, which allows for iterative updates, offers better efficiency, security and adaptability.

Organizations need to be wary of common pitfalls during continuous modernization, including lack of strategy, ineffective KPIs, technical debt, poor collaboration, resistance to change and skill shortages.









Successful continuous modernization requires a future-oriented strategy, readiness assessment, agile practices, regular governance, tech literacy and effective change management.

Generative AI (gen AI) enhances continuous modernization by optimizing operations, improving productivity and enhancing customer engagement.

Big bang transformation

VS

Continuous modernization

| | | |
|--|-------------------------|---|
| Often relies on a major update to existing technology stack; high risk of obsolescence  | Technology usage |  Continuous integration of new technologies, ensuring up-to-date and relevant systems |
| Slower to respond to market changes  | Market responsiveness |  Quickly adapts to market changes and customer demands |
| Longer time to realize value; benefits seen after full implementation  | Time to value |  Shorter time to value; benefits realized continuously |
| Limited innovation during large transformation phases  | Innovation |  Continuous innovation with ongoing modernization efforts |
| High upfront investment with long-term payback  | Investments and returns |  Smaller, ongoing investments with quicker returns |

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After almost 40% of organizations² have reached a state of high cloud maturity (with >50% workloads on cloud), they are realizing that the usual big-bang approach is unable to unlock differentiation. Enterprises want to leverage cloud for broader enterprise-level digital transformation efforts, i.e., “cloud for growth.”

Due to its restrictive nature, however, the big-bang approach struggles to adapt to evolving business needs and market conditions. The extensive planning and simultaneous execution required often result in significant risks, such as increased security vulnerabilities, budget overruns due to unforeseen complexities and delays in ROI realization.

Consequently, typical legacy IT challenges persist even after transformation, leaving firms straitjacketed by scalable yet outdated systems. The drawbacks of this approach are visible in the comments we hear from executive stakeholders of enterprises, such as :

- We are taking a considerable amount of time to launch products/services to the market efficiently.
- Our top line and bottom line have been stagnant even after cloud adoption.
- We need a cloud advisor who supports not only cloud migration but also business transformation in the longer term.

- Our current cloud model is not cost optimized and regulatory compliant.
- We need a solution to enhance our business with customer experience.
- Our business does not realize expected value from current cloud adoption in terms of innovation, optimization, governance, empowerment or reliability.
- We do not have an existing definition and roadmap around value for our organization.

Reaping the rewards with continuous technology modernization

In contrast, continuous technology modernization provides a more iterative approach, allowing organizations to adapt seamlessly alongside technological advancements and evolving market demands. Rather than a one-time overhaul, it involves constant integration and delivery for enterprises to adapt to the changes.

In a recent Everest Group study, nearly 45% of enterprises³ were in favor of an iterative implementation. They believe³ this method can unlock sustained market differentiation through continuous innovation in business, improved employee experience and ongoing customer base expansion.

Operational advantages

Digital agility

Organizations can quickly adapt to changing business needs and technological advancements. Gradual changes allow for streamlined resource utilization, new features, and improvements, keeping the system current and relevant.

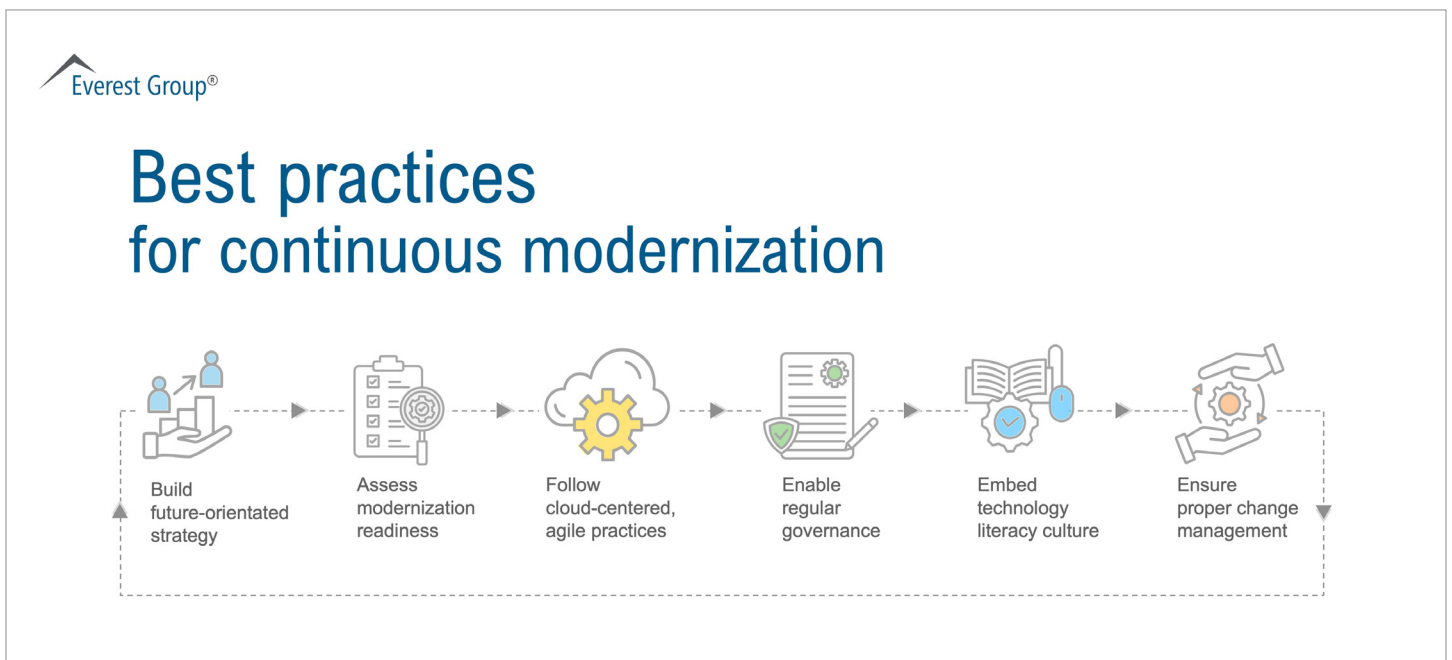
Reduced risk

Built-in cloud security features and incremental updates minimize the attack surface and ensure ongoing protection. This leads to a more stable and reliable system.

Increased productivity

Employees can easily adapt to new tools and processes, reducing the learning curve and resistance to change during transition.

For example, a U.S.-based healthcare organization's continuous cloud modernization approach enhances efficiency through application migration and agile practices, streamlining workflows and accelerating time to market. This approach optimizes scalability and reduces maintenance, while built-in cloud security ensures robust, up-to-date protection for data and applications.



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Business benefits

Cost efficiency

Organizations are able to better budget their spend with spread-out costs. The large up-front capital expenditures are avoided, leading to better ROI.

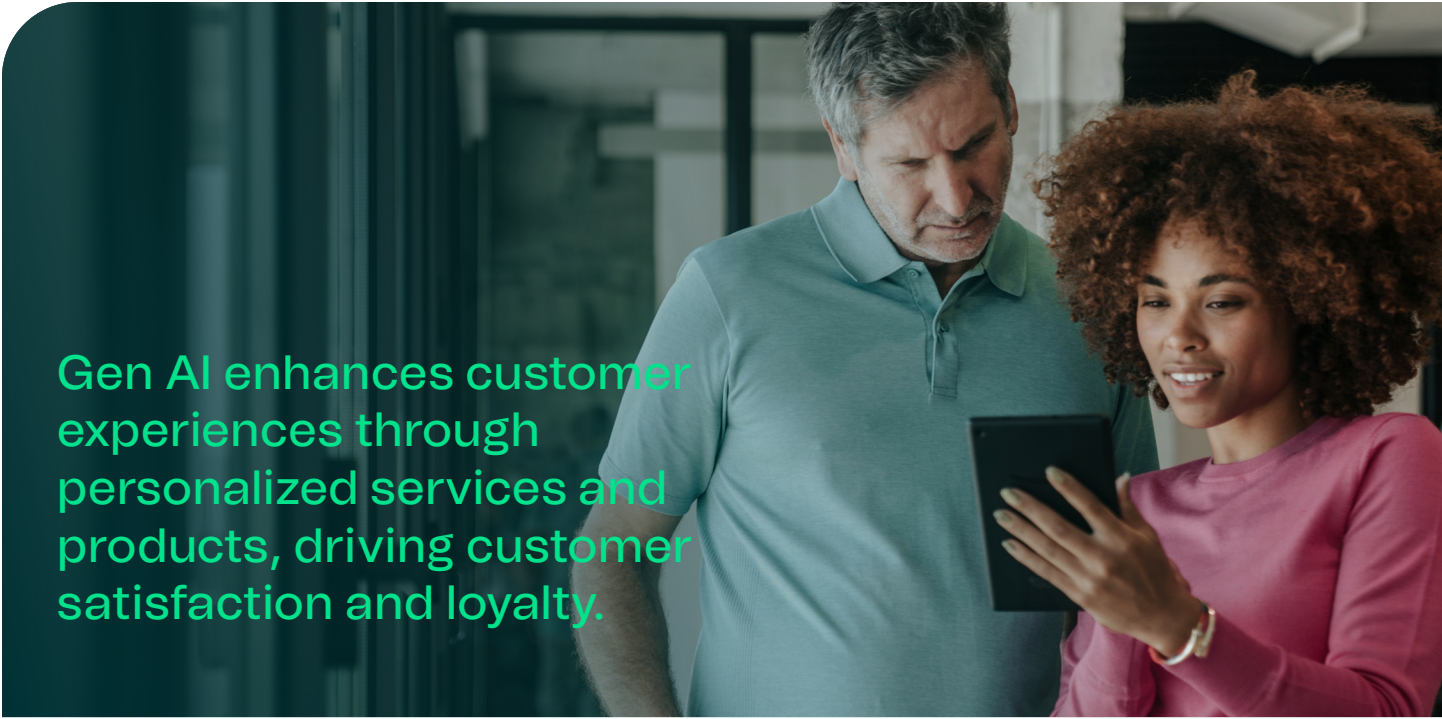
Faster time to market

Continuous delivery pipelines allow for quicker iteration and deployment of updates, accelerating time to market for new features. Agile and scalable systems allow enterprises to bring products to market faster, responding quickly to customer needs and market trends.

Improved customer experience

By consistently updating and enhancing systems, businesses can offer a seamless, reliable and modern customer experience.

For example, a European retailer started with servers and data centers. However, they pivoted to the cloud during continuous modernization engagement for superior customer experience. This shift was deemed essential to meeting their growth targets, fulfilling company aspirations and maintaining the flexibility to stay nimble.



Gen AI enhances customer experiences through personalized services and products, driving customer satisfaction and loyalty.

Gen AI – a powerful catalyst to continuous modernization

The surge in gen AI has positively impacted all aspects of the enterprise cloud journey, with usage across business use cases. Forward-thinking organizations are using gen AI during their cloud transformation journeys to optimize processes, automate tasks and provide advanced insights. As the technology matures, it will play a crucial role in continuous modernization. Gen AI can significantly uplift both operational and business benefits.

Technological uplift

AI-driven automation and predictive analytics streamline operations, reduce downtime and optimize resource utilization. Repetitive tasks like code review and unit testing are automated with gen AI, freeing up developers to focus on innovation and complex problem-solving. An [Everest Group Key Issues study](#)⁴ found that generative AI can improve employee productivity by ~25% and improve workflow by ~67%.

Business uplift

Gen AI enhances customer experiences through personalized services and products, driving customer satisfaction and loyalty. It can analyze patterns to provide contextual experiences for customers. Additionally, gen AI enables real-time interactions and responses, ensuring immediate customer support and engagement. Within the same Everest study, 27% of enterprise respondents said that they are implementing gen AI extensively across various products and platforms.

Overcoming continuous technology modernization pitfalls

Continuous technology modernization is not without its challenges. Before outlining the best practices, it is essential to recognize common pitfalls that enterprises need to avoid, including:

- Lack of strategy. A well-defined roadmap is essential to guide the modernization process, mitigate cost overruns and ensure alignment with business goals.
- Inability to set the correct KPIs. The inability to establish effective KPIs can hinder progress and direction in the continuous modernization journey.
- Technical debt. Prioritizing the reduction of technical debt before embarking on modernization efforts can create a smoother path forward.
- Limited collaboration. Fostering collaboration between business and IT teams is crucial for ensuring the modernization initiative delivers tangible business value.
- Lack of organizational change management. Organizational inertia can slow down or derail modernization efforts.
- Poor resource management. A shortage of skilled personnel and resources can impede progress.

Best practices for enhancing modernization outcomes

Successfully navigating the journey of continuous technology modernization requires a pointed strategy focused on people, processes and technology. Here are some best practices to consider:

Build future-orientated strategy

Effective modernization demands business awareness. Develop flexible strategies that anticipate and adapt to future challenges, changing market conditions and technological advancements. Foster a culture of innovation by encouraging experimentation and research.

Assess modernization readiness

A readiness assessment is essential to build a transformation roadmap. Optimize infrastructure by right-sizing, identifying and categorizing workloads into cloud-ready or not-cloud-ready and by validating target states.

Follow cloud-centered, agile practices

Establishing outcome measurement metrics, such as KPIs, is essential for efficient implementation. Employ iterative process adaptation during the modernization journey, while aligning with user needs through continuous feedback. Streamline integration and deployment through automation.

Enable regular governance

Establish a governance framework with defined roles and responsibilities. Implement tools for governance tracking and compliance monitoring. Adhere to regulatory and security requirements, incorporating best practices throughout the development life cycle.

Embed technology literacy culture

Conduct skills assessments to identify gaps and training needs. Develop personalized learning paths for employees to enhance their technology skills. Promote certifications, continuous professional development in relevant technologies and practices, and collaborative learning to foster innovation.

Ensure proper change management

Engage stakeholders regularly to align with goals and manage expectations. Include clear communication, fostering a culture of adaptability and maintaining ongoing feedback loops.

Conclusion

Continuous modernization is crucial for enterprises aiming to thrive in a rapidly evolving digital landscape. By adopting a comprehensive approach that leverages gen AI, enterprises can unlock significant operational and business benefits. Enterprises should engage the entire ecosystem, including cloud service providers, technology vendors, system integrators and strategy consultants to fully capitalize on continuous modernization. These ecosystem players will bring extensive experience to help organizations navigate the technology intricacies through industry best practices.

Footnotes

- ^{1,2} Everest Group survey of 194 CXOs from enterprises with over US\$1 billion in revenue (2023)
- ³ Everest Group provider services perception study (2024)
- ⁴ Everest Group IT Services CXO Insights: Key Issues for 2024



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