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MARCH 2025

TECH MODERNIZATION: TURNING CONSTRAINTS INTO VALUE CREATION OPPORTUNITIES

Digital & Technology Services

ALVAREZ & MARSAL

Major Drivers

Obsolescence & Cyber Risk	IT Complexity & Cost	Software Vendor Pressure	Data & AI Limitations
Obsolescence also increases costs and delays. Additionally, it poses cyber risks, hindering time to market.	Fragmented systems and accumulated technical debt increase maintenance costs, slow operations, and hinders time to market.	Deadlines for end-of-life software support (e.g., SAP ECC 2027-2030) forcing organizations to migrate core systems	Growing need to adopt true data-driven strategy to improve decision-making, efficiency and customer experience, while lowering risks

Optimize EBITDA

Accelerate value creation

Realize expected synergies

Leverage technology as an enabler for topline growth

Additional Tailwinds

- **Mandatory Digitization**
  Digital-first strategies to satisfy customers, stay competitive
- **Industry Trends Evolution**
  AI, automation, IoT, and cloud-based solutions reshaping business models
- **Mergers & Market Consolidation**
  Scalable, integrated solutions to support cross-border operations and M&A synergies
- **Customer-Centricity Needs** Enhanced omnichannel and service models require flexible ERP
- **Regulatory & Compliance Pressure**
  Stricter laws (GDPR, IFRS, SOX..) demand transparency, security, and audit-ready systems
- **Modern Tech Stack & Scalability**
  Microservices & API-First, Serverless computing, Cloud adoption, Infrastructure as Code for scalability; modular architecture for agility, resilience, and efficiency
- **Best-of-Breed Disruption**
  Niche SaaS solutions challenging traditional ERP dominance & speeding up time to market

Source: A&M Analysis

A MANDATORY SHIFT

How software vendors and market dynamics are forcing companies to modernize their IT landscape

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In this context, ERP projects frequently encounter failure due to misaligned decisions, excessive complexity and unrealistic expectations

Navigating ERP Implementation Challenges

Long Timelines
Projects stretch over years, causing delays and frustration

High Costs and Limited Benefits
Budgets spiral out of control due to unforeseen expenses for customization, training, and support

Organizational and Complexity Overload
Teams are overwhelmed, diverting focus from core business, while integrations and dependencies create bottlenecks and errors.

Lack of Engagement
Projects are viewed as technological rather than business-led, causing business fellows to rarely engage

Timing Challenges
Implementing GBS/SSC is difficult to time due to poor integration with IT transformation, leading to delays

Misaligned Reengineering
Process reengineering often lacks integration with tech modernization, resulting in inefficiencies

Key Reasons Leading to Implementation Failure

Inefficient Demand Management with Excessive Customizations and Misalignments
Heavily customized solutions, away from editor best practices, lead to cost slippage and delays.

Over-Democratized Decisions
Endless alignment across stakeholders slows progress and weakens outcomes.

Lack of CxO Focus and User Engagement
Without top-down steering and executive support, projects lack authority and strategic focus, hindered by poor meeting attendance and insufficient incentives.

Big Bang Go-Live
Aggressive roll-out approaches, not considering user change management and necessary training, lead to adoption issues and eventually rejection.

Deficient Methodology and Capabilities
Inexperienced project managers and unskilled project team members lead to heavy dependency on the system integrator.

Source: henricodolfing (Lidl), Zdnet (Gifi), Theloadstar (DHL), Medium (Revlon)

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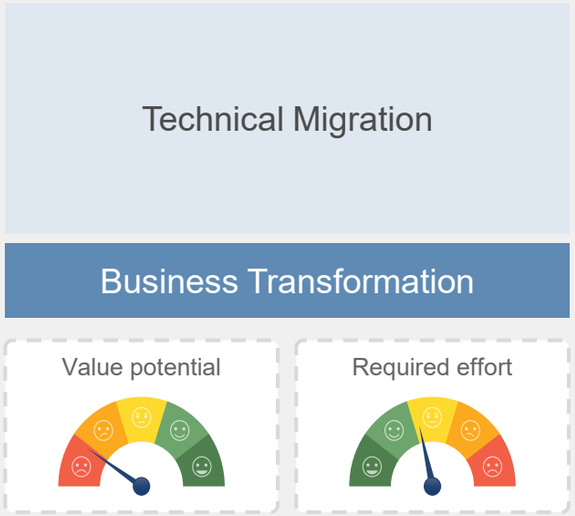
We recommend a balanced approach across two extreme archetypes

Real world transformations are typically based on a hybrid of the usual ‘brownfield’ and ‘greenfield’ approaches – known as ‘selective transformation’

Archetype 1

CIO-led Technical Migration ‘Brownfield’

Technically constrained ERP migration with minimal process and organization changes, limits project cost and business disruption but limits value creation potential

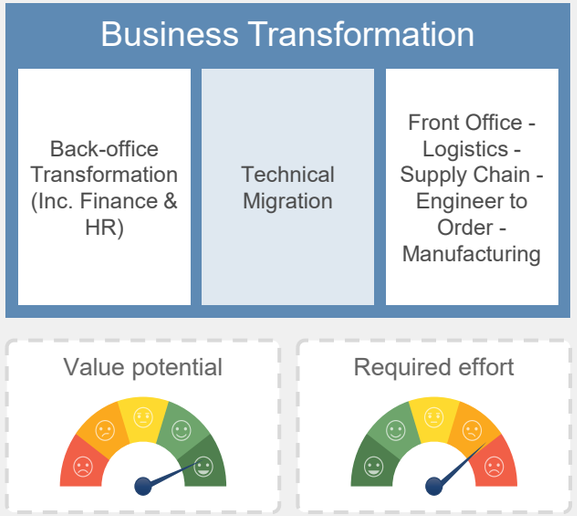


The successful CIO-led technical migrations are those that focus on highly technical migration aimed at minimizing risk, prioritizing system continuity and cost efficiency over maximizing business value

Archetype 2

CxO and Business-Led Technology Enabled Transformation ‘Greenfield’

Technical constraint transformed into tech-enabled operating model transformation fully aligned with business, adds complexity but maximises value creation



The successful business-led technology transformations are those that focus on creating business value, even if it means incrementally taking on more risks, adopting principles of simplification and modernization

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Our five key convictions for a successful Technology-enabled operating model transformation

Treat the program as a business transformation, not a technical constraint

A

Treat tech modernization as a comprehensive transformation, aligning strategy, structure, processes, talent, culture, and technology

Build a business case combining top-down strategic priorities and bottom-up process optimization to identify strategic goals, achieve operational efficiencies, and maximize the value of technology investments

Drive ERP implementation close to ERP standards by setting up a design authority from Day 1

B

Align processes with ERP best practices, limit enhancements to critical differentiators

Implement strong program controls through a centralized Design Authority, leveraging business cases to deliver impact-driven initiatives and enhanced operational performance

Adopt a balanced model combining agility and scalability

C

Adopt a balanced delivery model that combines the agility of co-located teams of developers and business for rapid iteration and collaboration with the scalability and cost-efficiency of offshore and onshore/nearshore capabilities

Delivery model & program roadmap

D

Quickly deliver an initial streamlined Core Model followed by structured, cadenced deployment waves, introducing advanced features (e.g., AI) incrementally for smooth adoption

Data, application and infrastructure landscape

E

Treat data as a strategic asset, embedding data-driven principles and strong governance from the start, supported by early investments in data decoupling, cleansing, and harmonization

Evolve the ERP into a hybrid model, integrating specialized satellites solutions (best-of-breed) to leverage innovation and drive competitive advantage

Build a future-ready architecture with managed services providers and hyperscalers, maximising scalability, reliability, and innovation. Carefully evaluate cost, balancing performance and long-term ROI

De-risk and Recover | A&M acts as an objective, independent value partner ensuring large-scale transformations deliver measurable business impact

What Activities Do We Deliver?

Secure Transformation

- **Independent,** client-side value-led advisor steering delivery parties
- **Executive-level decision framing,** driving focus on critical priorities
- **Capability-building & collaboration,** fostering best practices
- **Enterprise-wide engagement,** ensuring smooth transformation buy-in
- **Effective change management,** enabling seamless adoption and impact

Reduce Cost and Stick to Timeline

- Long term support to steer project **to deliver timeline and budget**
- Reduce elements of the program and challenge system integrator recommendations when appropriate

Realize Benefits

- **Prioritising highest-value initiatives,** ensuring iterative value capture
- **Solving for business impact,** not just technology - maximising ROI

Enforce Project Management Best Practices and Mitigate Risks

- **Transparency & reporting** on milestones, risks, and interdependencies
- **Agile decision-making,** escalating critical issues for resolution
- **Risk mitigation,** proactively addressing roadblocks and uncertainties

Deliver Quality

- **Vendor neutrality,** ensuring optimal integrator & software performance
- **Business requirements validation,** ensuring alignment with objectives
- **Vendor performance oversight,** challenging recommendations when needed

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