

Strengthening The Core: How Leading Companies Are Modernizing Enterprise Applications To Build A Competitive Advantage

Overview

Modern business requires modern applications — both front-end (i.e., customer-facing apps) and operational (i.e., core enterprise apps). Companies that are looking to better serve customers, sustain growth, and operate more effectively must take a closer look at their current applications to ensure they are modernized (i.e., flexible, easy-to-use, and foster usage of AI) to support key business objectives.

In August 2020, IBM commissioned Forrester to conduct research on this topic. We fielded a global survey of 273 director+ level decision-makers in IT and line-of-business (LOB) roles to uncover how companies are approaching core enterprise application modernization as part of their digital transformation efforts. This report highlights the key findings from that survey (see Appendix for more details on the survey audience).

Key Findings

No. 1: The impact of the global COVID-19 pandemic and the shifting economy has heightened the importance of having a modern operational core.

No. 2: Integrating enterprise applications with customer-facing apps is expected to improve customer retention and experience while increasing revenue growth.

No. 3: Leading companies have prioritized key strategic activities that provide a roadmap other companies can leverage to effectively modernize.

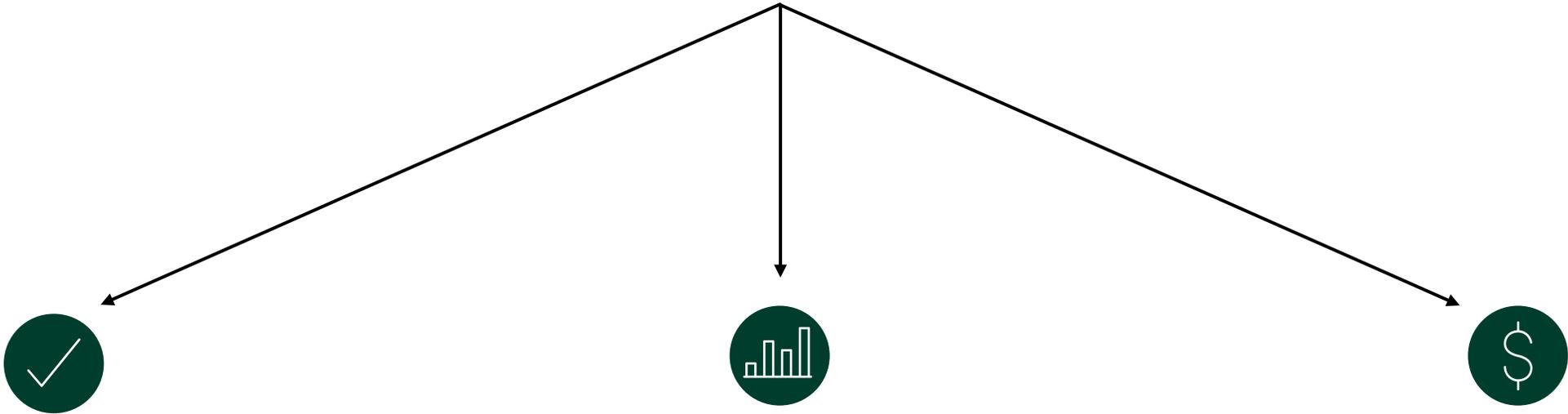
No. 4: Respondents from leading companies believe modernizing their enterprise applications has led to greater financial value and business adaptability, and that it's a contributing factor to their competitive advantage.

No. 5: Modernizing core systems, leveraging cloud, and utilizing partners helps alleviate some of the key technology challenges that businesses face.

Key Finding No. 1

The impact of the global COVID-19 pandemic and the shifting economy has heightened the importance of having a modern operational core.

76% of surveyed decision-makers say the importance of digital transformation has **increased** due to the pandemic.



73% say the importance of **improving core enterprise apps** has increased.

72% say the importance of **improving analytics and insights** has increased.

66% say the importance of **reducing costs** has increased.

On average, respondents rate their current level of core systems modernization as a 6 out of 10, with 10 being fully modernized.

Base: 273 global director+ level in IT or LOB with responsibility for core business applications at their organization

Source: A commissioned study conducted by Forrester Consulting on behalf of IBM, September 2020

Key Finding No. 2

Integrating enterprise applications with customer-facing apps is expected to improve customer retention and experience while increasing revenue growth.

Steps Companies Are Taking To Better Optimize The Integration Between Their Customer-Facing And Core Systems



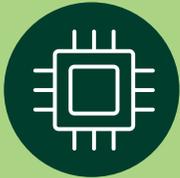
48%

of companies are putting greater emphasis on **enabling core functions** to support customer-facing processes.



47%

of companies are **consolidating processes and technologies**.



44%

of companies are putting greater strategic focus on **holistic digital transformation**.

Expected Benefits Of Having Modernized Customer-Facing Applications Paired With Modernized Core Applications

Increase customer retention

87%

Increase revenue growth

70%

Improve customer experience

67%

Increase business agility

54%

Key Finding No. 3

Leading companies have prioritized key strategic activities that provide a roadmap other companies can leverage to effectively modernize.

How would you describe your organization's level of core application modernization maturity?

Questions to consider

Laggards

- Limited integration between core applications and customer-facing systems
- Not currently focused on acquiring and updating technology needed to grow the business
- Unable to quickly respond to changes (limited agility)
- Does not have the proper technology to harness next-gen intelligence (including AI)

- Is there is a high degree of integration between core and customer-facing systems to enable an efficient workflow?
- Is my organization focused on acquiring and updating the technology needed to grow the business?
- Does my organization have an agile, flexible, and collaborative approach to technology?
- Do our technology solutions allow the company to be flexible and responsive to changing business and customer needs?

Leaders

- Core and customer-facing technology decision-makers work together
- Actively working to modernize core enterprise applications
- Ability to be flexible and responsive to changing business and customer needs
- On the right path to begin harnessing next-gen intelligence capabilities (including AI)

Leaders have a broader vision of what they want to accomplish with modernizing core systems.

STRATEGIC PRIORITIES

Want to infuse technologies like AI, blockchain, and machine learning (ML) into business processes

Migrating more applications to the cloud and keeping systems updated with the latest versions of the apps

Upgrading to the latest versions of applications

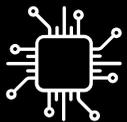
TACTICAL PRIORITIES

Focused on solving for system management issues like skills, bandwidth, and support

More focused on reducing costs

MATURITY

Laggards	Leaders
38%	63%
39%	63%
41%	60%
56%	37%
39%	30%



Paradoxically, if laggards had modern systems, they would likely eliminate the issues they are dealing with today and free up resources to work on strategic priorities.

Key Finding No. 4

Respondents from leading companies believe modernizing their enterprise applications has led to greater financial value and business adaptability, and that it's a contributing factor to their competitive advantage.

Leaders are seeing more positive results with modernization efforts compared to their laggard counterparts.

Benefits Experienced From Modernizing Core Enterprise Systems In The Past 5 Years

■ Beginner ■ Advanced



Our investment in modernization has made a valuable impact on our organization.



The modernization effort was necessary to gain or retain our competitive advantage.



We are able to adapt more quickly to changing market conditions as a result of our modernization.



Our organization is in a better financial position today because we chose to modernize core enterprise systems.

Key Finding No. 5

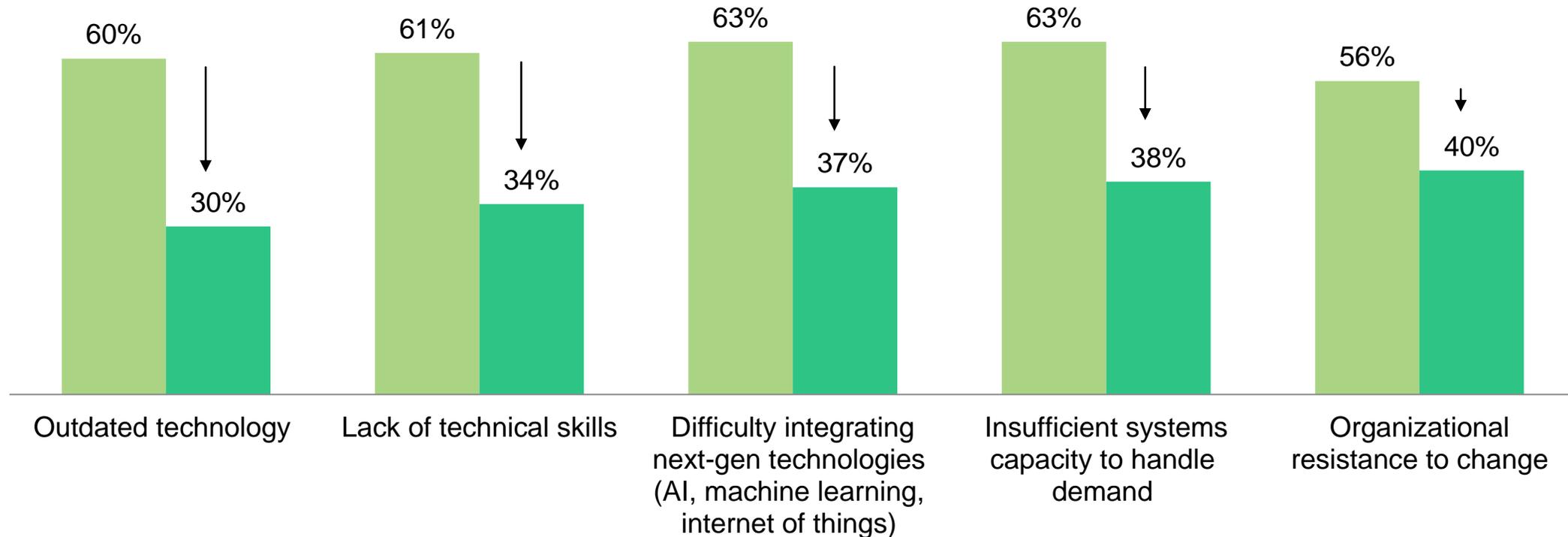
Modernizing core systems, leveraging cloud, and utilizing partners helps alleviate some of the key technology challenges that businesses face.

Leaders are significantly less challenged by many of the issues that laggards face.

MATURITY

■ Laggards ■ Leaders

(Percentage of respondents indicating a significant challenge)

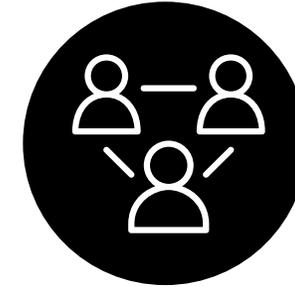


Leaders rely more on cloud and partners to support core enterprise systems.



LEADERS ARE MORE COMMONLY USING CLOUD

- 74% of leaders deploy at least half of core systems or more on the cloud, compared to 58% of laggards.
- This cloud approach offers increased system capacity, flexibility, security, and support.



LEADERS ARE MORE COMMONLY USING PARTNERS

- On average, 50% of leaders use partners to manage core systems, compared to 35% of laggards.
- The use of partners allows for greater access to needed expertise and skills that many companies don't have in-house. This expertise is especially valuable as companies adapt to using cloud.



Keep your business agility goal front and center. Major transformations involve lots of choices and trade-offs. Make business agility your guiding light when making decisions about technology, processes, governance, and budgeting. Prioritize cloud, which boosts agility.



Invest in modern integration to solve your data silo problems. Look to open standards and ecosystem-based models enabled by cloud to simplify and improve integration across enterprise and customer-facing systems.



Lean on partners that can bring innovation, insights, and expertise. Great partners speed time-to-value by bringing prebuilt solutions (e.g., software, integrations, data models, process models) and by driving new ideas and cultural change necessary for transformation.

Appendix: Survey respondent firmographics

Geography



NA = 38%

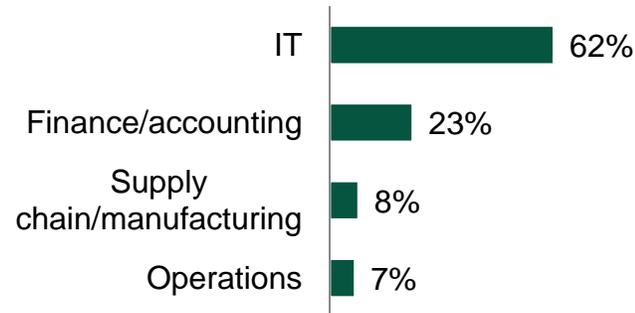


EMEA = 28%

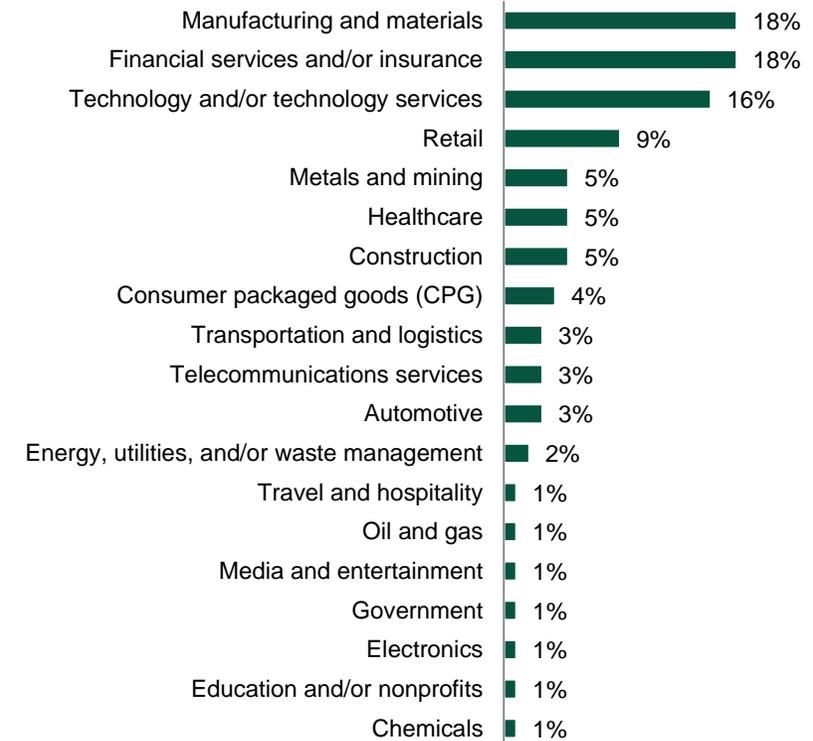


APAC = 32%

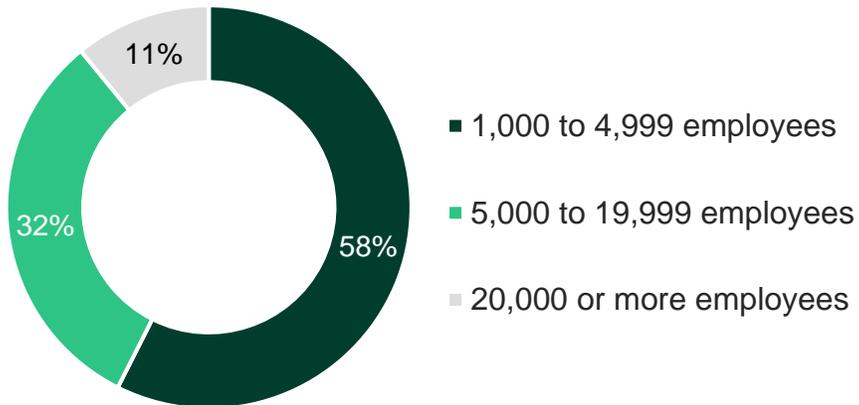
Position/Department



Industry



Company Size



Company revenue

