

MARKET NOTE

Innovation Catalyst: PwC EMEA Focuses on Human-Centered, Tech-Powered App Modernization

John O'Brien

EXECUTIVE SNAPSHOT

FIGURE 1

Executive Snapshot: Vendor Innovation Catalyst – PwC EMEA Focuses on Human-Centered, Tech Powered App Modernization

This IDC Market Note provides a deep dive into two application modernization customers of PwC EMEA following the company's EMEA Analyst Day on May 18, 2023. During the event, the Big Four consultancy discussed its innovation strategy and demand for its IT and business consultancy services, which it sees as "unprecedented" today, driven mainly by clients' need to accelerate change. From an application modernization perspective, the event had some real highlights, notably customer discussions with a major European energy distribution company and a global B2B communications company, which underlined two approaches to modernization: SAP S/4HANA migration and cloud-native innovation.

Key Takeaways

- PwC is conducting significant application modernization programs either as a standalone service or as part of a larger set of business transformation change programs for its EMEA customers.
- Opportunities exist for service providers to help customers more in the areas of integration and orchestration as well as cloud cost optimization through services such as FinOps.
- In IDC's view, PwC differentiates through a combination of close customer C-level relationships, high levels of change and support, and a strong commitment to delivering successful customer outcomes.
- Services providers that can demonstrate deep understanding of the business, functional domain, and technical challenges that come with app modernization will be in a strong position to capitalize on the market's evolution, where mission critical apps are increasingly being put up for modernization.

Source: IDC, 2023

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On May 18, 2023, PwC held its EMEA Analyst Day, at which the Big Four consultancy discussed its innovation strategy and demand for its IT and business consultancy services, which it sees as "unprecedented" today, driven predominantly by clients' need to accelerate change. PwC is investing \$3 billion in upskilling its own people in next-gen technologies, as well as a new \$1 billion investment in generative AI.

From an application modernization perspective, the event had some real highlights, notably customer discussions with a major energy distribution company and a satellite communications company. Both customers are discussed in this document due to their differing approaches to modernization of the app landscape – the former focused on a large-scale SAP S/4HANA migration while the latter focused on cloud-native innovation-led app modernization.

IDC'S POINT OF VIEW

Large Energy Distribution Company Modernizes on SAP S/4HANA

During PwC's EMEA Analyst Day, we heard from the CFO and transformation program director of an energy distribution company, who talked about the company's ambition to transition to clean affordable renewable energy solutions and reach net zero by 2050. This program was a major SAP S/4HANA migration involving employees worldwide, making it one of the largest in Europe. The other major driver was the divestiture of a significant part of the business, hence structural change was a trigger for the investment. The company's finance systems were held back massively by an ageing legacy system, where the original system designers were no longer with the firm. Over this time, it had been "customized to death," resulting in significant amounts of manual work, which restricted the company from doing long-term planning. Part of the problem was the need to supply much data to the regulator, but most of it was being done manually, so the solution needed to automate this task as much as possible.

The program was widely seen as very successful internally, eventually providing an accurate single view of truth for customers and simpler, more automated controls to support its objectives for net zero. The company had concerns that there would be many challenges based on previous ERP modernization projects the CFO had been involved in over the years. This concern was compounded since COVID-19 hit mid-way through the implementation. However, PwC provided additional support, pivoted teams virtually, and provided virtual accounts payable administrative services when needed. The customer raised some key learnings from the whole process that helped overcome the potential roadblocks:

- **Business-led change.** The company's focus was on driving this as a business-led, rather than IT-led, change program, and the sponsor was the global CFO.
- **Agile, multidisciplinary teams.** PwC and the customer teamed up in multidisciplinary roles, including 150 from PwC, and 100 from the client and other subcontractor partners, all working together as one team. Delivery skills were embedded throughout functional areas including HR and finance, where there were 50 apps to connect to SAP.
- **Unified governance and leadership.** Even though the teams were multidisciplinary teams, leadership was from both sides to support this over four years. This was important for continuity, because stakeholders change over time. It was also crucial in being able to brief new people and upskill.
- **Minimum viable products (MVPs).** Staged releases enabled by MVPs smoothed the process. Applications were released in two separate stages after building MVPs, which sped up the rollout. The first stage was achieved for the new division in nine months, and the second, more complex release came two years later in July 2021, embedding digital solutions and change management.

- **Upskilling.** Data and upskilling is your critical path to success on ERP modernization programs. The consensus view is that you need to have the very best people available from across the business to work on cleaning up the data, because there's never enough of these data experts. Related to this is the need to upskill earlier in the process to create more capability within business services.

Cloud-First Modernization of the Business Delivery Platform for a Global B2B Comms Provider

The second customer PwC featured during its EMEA Analyst Day was a global communications company. The client's COO talked about the drivers for change being increasing competition across satellite, web, and mobile, as well as the need for the business to operate increasingly globally and move more quickly.

The company has had bad experiences working with outsourced partners to build systems on top of its existing technologies, where the skills would reside with the partner rather than itself. This approach ended up resulting in new products running on older technologies and the creation of "the next generation of legacy," which was far from ideal. To truly transform, the company required a fundamental rethink of how it could build and own an enterprise-grade platform to support its future product development.

The company chose PwC for its partnership approach, its ability to help with the selection of technologies, and support in getting board-level buy-in by creating a proof of concept (POC) that the executives could see in action. The solution, called the Global Xpress (GX) platform, replaced a sprawl of 20 legacy systems and 37 billing systems. It includes a new customer experience portal, a B2B electronic trading API gateway, a Salesforce-based customer management platform, a product catalogue and configuration capability, an order management platform, systems for activating new services, and a unified identity management solution. More importantly, all components run on the same set of DevOps processes and tools, which leverage the AWS platform and end-to-end IT analytics capabilities from Google. Components work together using APIs for integration and OpenShift and Apigee for orchestration.

The client cited key learnings and best practices that were followed to achieve a successful outcome:

- **Staged delivery was critical.** The company needed a partner that would put skin in the game. This meant being prepared to attach PwC's fees to delivery against specified project milestones. This was very different from the approach it previously used with outsourced partners, which were paid regardless of whether the solutions worked or not.
- **Help the client get buy-in from the top.** The company also needed help convincing the board, and this meant working to create a solution with buy-in all around. Its end customers were engaged in the solution design, alongside 20 show-and-tell sessions to enable stakeholders to understand issues. PwC and the client then worked together to build a complete prototype and used it for a first live order.
- **Create a modular build to de-risk outcomes.** The client also wanted retake control over the product as a product-led company. So it was critical that its teams were taught and upskilled; PwC could eventually hand over the platform to the client and leave it in a more mature state with the capability now available internally. As a result, it can now make changes itself rather than rely on an outsourced partner that may not have the required skills.
- **Put in place a FinOps practice at the start.** Cloud-first and cloud native was always the route for modernization as the company did not see any point in building something on the old way of doing things. However, with that came a "bill shock" when people turned up cloud usage, so now the team optimizes usage at the end of month to run the billing cycle. If FinOps had been implemented first, then that issue might have been avoided.

LEARN MORE

- *European Application Modernization 2.0 – Cloud View* (IDC #EUR250530323, April 2023)
- *European Application Modernization: Era 2.0 – The Enterprise View* (IDC #EUR147159821, March 2023)
- *AWS-Atos Partnership Prefigures the Route to the Future for Infrastructure Outsourcing Providers* (IDC #EUR149973322, January 2023)
- *PwC EMEA Analyst Day 2021: What the New Equation Strategy Means for Organizations Moving to Hybrid Business Models* (IDC #EUR148588521, December 2021)

Synopsis

This IDC Market Note provides a deep dive into two application modernization customers of PwC EMEA following the company's EMEA Analyst Day in May 2023.

"PwC is conducting significant application modernization programs for its EMEA customers, either as a standalone service, or as part of a larger set of business transformation change programs. It is clear from customers that opportunities exist for service providers to help them more in the areas of integration and orchestration of applications and technologies, as well as cloud cost optimization through services such as FinOps," said John O'Brien, research director, European Application Modernization Strategies.

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IDC U.K.

IDC UK
5th Floor, Ealing Cross,
85 Uxbridge Road
London
W5 5TH, United Kingdom
44.208.987.7100
Twitter: @IDC
blogs.idc.com
www.idc.com

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