TRENDS REPORT

Buyer's Guide: Application Modernization And Multicloud Managed Services, 2025

Make The Right Application Modernization And Multicloud Managed Services Investments

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Summary

In "The Forrester Wave™: Application Modernization And Multicloud Managed Services, Q1 2025," we researched, analyzed, and scored application modernization and multicloud managed services (AMMMS) providers, presenting a clear set of global leaders. However, technology leaders must consider additional factors when making a final purchasing decision; for example, you are unlikely to find an ideal AMMMS supplier that fully meets all of your requirements. Moreover, a few different types of suppliers bring varying value propositions to the task of application modernization and multicloud managed services. This report discusses the factors to consider when selecting an AMMMS supplier.

App Modernization And Multicloud Managed Services Are Evolving In 2025

Application modernization and multicloud managed services are still on most enterprises' agenda. Companies struggling to hire and retain internal staff turn to service providers to help with modernization and multicloud managed services, enabling them to move more rapidly to the cloud and overcome short-term skill shortages. In Forrester's Business And Technology Services Survey, 2024, 66% of services decision-makers whose organization had paid for third-party professional services in the past year said that they expected their organization to spend more on application migration and modernization services in the next 12 months. However, this view was expressed prior to the new year, which has already witnessed substantial change.

While most attention has focused on the looming impact of generative AI (genAI) on coding, the technology will affect all stages of the application modernization lifecycle (see Figure 1). Suppliers may disagree about principal industry trends and primary challenges, but virtually all agree that agentic AI, genAI, and AI generally will be the primary disruptor in the AMMMS landscape — although so far there is a paucity of case studies that reveal its impact. While many suppliers like Accenture and Cognizant have announced ambitious plans for genAI and agentic AI, successful case histories are only now emerging. We see six significant trends in the market:

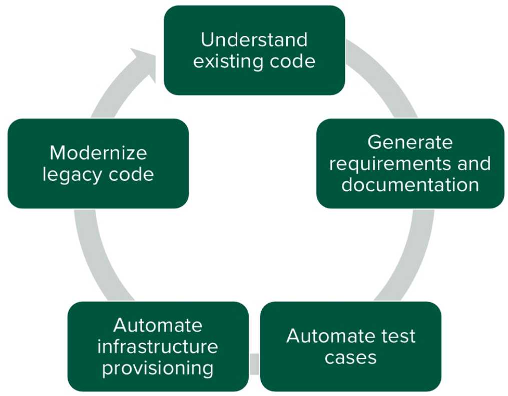
- **Economic uncertainty is increasing pressure on modernization suppliers.** Discretionary budgets are under pressure, and suppliers fear it will spread to modernization services. Justifying the effort and cost of modernization is a challenge in the best of times, and this challenge just got harder in the wake of intensified economic uncertainty. Faced with this, enterprises will likely focus on immediate solutions to immediate problems. This will challenge suppliers to produce cost-neutral modernization scenarios and to employ AI to increase their own internal productivity.
- **Today's enterprise buyers opt for end-to-end responsibility.** Most buyers either prefer to do the "run" themselves or use a single provider across the modernization life cycle. The role of cloud-specialist managed service provider (MSP) suppliers has faded at the enterprise customer level, except in multicloud scenarios. The combination of cross-functional product-oriented delivery and supplier consolidation pressures is contributing to this trend. However, some customers believe that this cedes too much control to a single provider or enables them to suboptimize on the "build" side by allowing them to fix their mistakes

during the "run" phase.

- **Suppliers shift focus of IP investments to AI.** Service providers have embraced accelerators to deliver modernization services across domains, including productivity enhancers, quality enhancers, and vertical-industry-specific solutions. During 2024, suppliers extended new investments to AI and genAI. Accenture developed AI Navigator for Enterprise, a genAI-based tool intended to help enterprise customers define business cases; Capgemini developed GenRevive, a translation and generation tool to assist in mainframe migration and modernization. As late as last fall, genAI investments dominated, but since then, agentic AI has caught on rapidly. At the very least, suppliers should have the financial wherewithal to fund advances in technologies like genAI and agentic AI.
- **The combination of AI plus no-code/low-code is poised for disruption.** Interest in no code/low-code platforms has been percolating on the margins of modernization services for several years now, but with the arrival of genAI, the combination unlocks the power of no-code/low-code to present a viable alternative to coding-intensive modernization. As such, in some cases it may tilt the balance from high-effort and cost-intensive modernization to rewriting from scratch.
- **Enterprises embrace teaming models, platform-based delivery, and GCCs to modernize.** Customers are finding that pod-based models offer an attractive alternative to conventional time-and-materials billing by allowing the customer to care less about time tracking and other elements of resource management. Highly automated approaches built on platforms are supplanting the highly manual "factory" models, a trend likely to accelerate with AI's growing impact. An industrywide trend focusing on building global capability centers (GCCs) is finding expression in application modernization and is encouraging some enterprises to embrace build-operate-transfer models to pursue modernization in a dedicated context.
- **Cloud-to-cloud migration is the new face of "lift-and-shift."** Although the industry has long since moved beyond simple lift-and-shift as an endpoint for the enterprise cloud journey, a new flavor of lift-and-shift has emerged, that being a wholesale shift from one hyperscaler to another. The difference is that enterprise agreements with hyperscalers are expiring, and customers are considering new agreements with alternative hyperscalers and going for the best deal available.

Figure 1

The Five Stages Of The Application Modernization Lifecycle



Seven Meaningful Issues To Consider When Evaluating AMMMS Providers

Most service providers usually receive customer praise for their ability to deliver high-quality resources in a relatively timely fashion. Nevertheless, the distinct qualities of leading providers separate them from each other and affect their ability to succeed in certain circumstances. When evaluating potential suppliers, AMMMS customers should consider the following:

- **Degree of strategic and advisory services.** Different suppliers bring different degrees of strategic capability and vertical industry expertise to AMMMS engagements, which can benefit customers aligned to the supplier's niche. Strategy and advisory services help customers achieve transformation, a goal many of modernization efforts, but technical execution capability is still significant. Vertical capability is particularly attractive to some customers. "The fact that they came in with a lot of industry experience was particularly useful," said one customer reference. "We did not have to bring them up to speed in our ways of doing business." However, not all suppliers excel in strategy and advisory services; if this is a priority, consider Big Four tax/audit firms like Deloitte and EY and companies like Accenture. If it is primarily technical acumen you seek, consider companies like EPAM and Virtusa.

- **Company size and scale.** RFPs often rank vendors on their company scale of personnel, certifications, and similar metrics, but this can be a double-edged sword. While a large size is conducive to stability and scale, smaller customers can feel insignificant to a larger firm, and larger firms have noted contract inflexibility, high prices, variable competency across capabilities, and difficulty navigating across internal touchpoints. Many customers believe that midsize companies offer greater flexibility and attention without having to spend a fortune. If you're looking for bigger firms, try Accenture, IBM, or Tata Consultancy Services (TCS); for midsize, try EPAM, LTIMindtree, Mphasis, or Virtusa. For smaller still, try Exadel, Globant, or Slalom.
- **Pricing competitiveness, transparency, and flexibility.** Business justification for modernization remains a significant challenge, which contributes to price sensitivity on the part of buyers. Customers often select a provider for undifferentiated commodity work that can deliver top-quality results for a low cost. High-cost players may not be superior for commodity tasks, failing to justify their higher prices. But transparency and flexibility are also important. When choosing higher-value, higher-cost suppliers, however, tech leaders often need to justify the decision to stakeholders. "They are generally quite a bit more expensive in terms of their rates," observed one client reference about its incumbent supplier. "They can be a little inflexible in that realm. It puts us in a tough weird spot. We like what they are doing, but there is some concern about why we are using them." If low cost is a priority, consider leaning on offshore suppliers such as TCS, Tech Mahindra, or Wipro.
- **Value of IP investments.** Even as the focus shifts to genAI, the idea that service players seek to deliver differentiating value through IP is nothing new. But there is a disconnect in the perception of value. "There is a lot of fluff in these accelerators," said one customer of its supplier's overall modernization framework. "There is value in it, but what they are doing is just trying to rebrand the same thing over and over again. I wish they would focus more on innovation in toolsets than polishing the tools in order to sell it this way or that way." Client references provided an average score of 3.6 out of 5.0 in agreeing or disagreeing with the statement "The service provider's IP adds value," indicating that some suppliers are missing the mark. One client found, for example, that its vendor's touted FinOps tool was only a series of Power BI dashboards under the covers. "I would rather have prescriptive solutions than a big bag of monolithic marketing slideware," said the customer.
- **Consistently clear communications.** Clients also have mixed views about their supplier's ability to communicate openly and clearly. To some extent, this reflects

the question of opinionated versus passive behavior. Clients say that the willingness of service companies to challenge them is highly valued in modernization engagements; they want a provider that will push back if they're headed down the wrong path. This represents a shift in the role of the supplier from order-taker to partner. Trust established through a longstanding relationship can facilitate this openness, but lengthy incumbency can also blunt the edge of proactive behavior. "We would like them to be more open in terms of communications about challenges," said one client reference, expressing a common preference. "Not only [acknowledging] the issue but proposing a solution. Being proactive around issues and coming to us with options, as opposed to just tackling the issue."

- **Ability to work with advanced technologies and modern teaming models.** Suppliers vary significantly in their propensity for new development but generally offer help to clients seeking to modernize their internal processes and practices. Overall, customers like the technical ability of resources, automation focus, cloud knowledge, and DevOps mindset, but they feel they must sometimes compel their suppliers to innovate. "With changes in technology, [our supplier] is not catching up as fast as we would like," said one client reference. "The speed to bring the value to us could be improved." Most suppliers are adapting to using pods as a means of delivering modernization services but still vary in their depth of capability. Customers like pod-based models because of their flexibility, while suppliers like them for resource optimization. But a more fundamental reason lies in the inability to fully predict the path of modernization.
- **Having both modernization (build) and multicloud managed services (run) capabilities.** Consolidation pressures have favored larger service companies, which typically possess a broad range of build and run capabilities. However, a viable role in modernization remains for build-oriented firms that lack significant run capabilities, in terms of both application management and cloud managed services. While the classic "cloud MSP" operations requirements have become old hat, a significant role is emerging for suppliers capable of managing complexities across multiple cloud environments in multiple-supplier scenarios.

How To Optimize AMMMS Supplier Selection

Building an ideal set of participating suppliers can be a challenge. Many companies are seeking to consolidate their supplier set, but they're unlikely to get everything they need from a single provider. Follow your peers with these best practices:

- **Recognize that the winds of change are blowing.** The year 2025 has already brought significant change with the emergence of agentic AI and economic uncertainty. These will combine to accelerate structural change in the market for application modernization and multicloud managed services. Already supplies have witnessed a slackening of demand, and a conceptual shift favoring automated redevelopment at the expense of modernization would have significant implications for service providers' fortunes.
- **Know your players but be open to new logos.** Many large enterprise technology leaders have vast experience with systems integrators from their current and past jobs and are familiar with the major providers and their tendencies. Be open to unknown or emerging providers; you can't know in advance what partnerships might lead to innovation. Watch out for "relationship fatigue," where once-challenging partners become complacent. And be ready to deal with regional or behavioral inconsistencies in your supplier resulting from acquisitions. For example, one reference noticed that personnel from an acquired entity in Eastern Europe were better at cloud-native development than the firm's resources in India, but these resources were available only in limited quantity and in a few locations.
- **Figure out your run strategy in advance.** Most large global systems integrators have significant run capability but do not excel on the build side. Conversely, providers may lack operational competencies. When choosing a provider, it's easy to focus on the modernization competency without thinking ahead to the supplier's run capabilities. The right supplier will build knowledge about your apps and environment during the modernization process that will help optimize the run strategy. Consider your run requirements early in your AMMMS strategy so you don't fall into a capability gap later on. Fortunately, most of the well-known development firms and consulting firms are incorporating run capabilities in response to client demand.
- **Focus on self-funding models to help sell the endeavor.** Justifying the expense of modernization remains a big challenge for many enterprises. Moreover, in many enterprises, procurement still plays a leading role in supplier selection and governance. A focus on self-funding models enabled by initial wins can help justify enlisting premium suppliers in critical areas where you won't want to use just any supplier. By focusing on immediate savings through elimination of costly legacy infrastructure or software licenses, suppliers can help you fund the larger modernization opportunity.

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