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Buying Is Not Transforming: Chief Financial Officer's Framework for Governing Vendor-Replacement Capital Expenditure in Enterprise Information Technology

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Abstract - There's a constant and often overlooked source of waste in enterprise technology budgets replacing perfectly good platforms with newer versions that may not be necessary for business. What could be called **vendor-change addiction** is explored in this article, where new information technology leaders are quick to announce platform changes as a sign of change, but the business processes don't. The analysis is based on documented market disruptions such as Broadcom's acquisition of VMware and the Cohesity/Veritas data protection business, and empirical data from main Consulting Group, on the failure rates of enterprise resource planning (ERP) initiatives. Twelve illustrative scenarios are provided that span the areas of backup, networking, service management, enterprise resource planning, cloud, virtualization, storage, firewalls, endpoint security, security information and event management, customer relationship management and analytics. It measures hidden layers of costs that are seldom included in purchase proposals, includes three worked financial comparisons and a chief financial officer approval checklist. The main idea is clearly stated. If you have a new product, it's a cost. Meeting the met business requirement is a plus. Only the second is allowed by the first.

Keywords: IT governance, Vendor change, Digital transformation, CFO IT strategy, Tech spending, Vendor lock-in, IT ROI, Enterprise IT.

1. INTRODUCTION AND OBJECTIVES

In all kinds of businesses, small or big, there is a silent leak in the financial system in the form of information technology budget. A new technology manager comes along, takes a look at the situation and in a few months puts forward what is called a transformation. The typical proposal is a replacement of a working back-up platform, a change of network vendors, a change of enterprise resource planning (ERP) suites or moving workloads from one hyperscale cloud to another. The presentation is slick, the slides speak in trendy jargon and the threats of losing out to competitors are dire. The signature is by the chief financial officer. Capital flows out. 18 months to 3 years later, the business is more or less the same, except that it is worse, the technical team is tired, there is shelfware, and no one wants to talk about the migration debt.

This study is designed for chief financial officers, finance directors, audit committees, business owners and governance leaders who authorize or have responsibility for large technology investments. It aims to shift the perspective on the evaluation of such proposals. The study has the following five objectives:

The first goal is to create, based on documented market evidence, the fact that vendor replacement is an operational activity, and not in itself a transformation. The second is to document the consistent behavioral and procurement process whereby unnecessary replacements are given approval. The third is to show, via the 12 realistic scenarios, how the pattern plays out in various technology categories and where the money goes. The fourth is to put into numbers the types of cost that are seldom mentioned in the original purchase

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offer. The fifth is to provide a practical governance process, an approval checklist and a list of red flags that a finance function can use prior to capital being committed.

The study is deliberately wide to cover the various categories of technology, as the pattern does not apply to any one market segment. The same is true for backup, networking, service management, enterprise resource planning and cloud infrastructure, except for the monetary size. Throughout, the names of the vendors are used to refer to real products, and are used descriptively to signify typical market categories. The organizations, circumstances, staffing and financial data are illustrative only. They are not vendor quotes, case studies or comments about any particular company or individual.

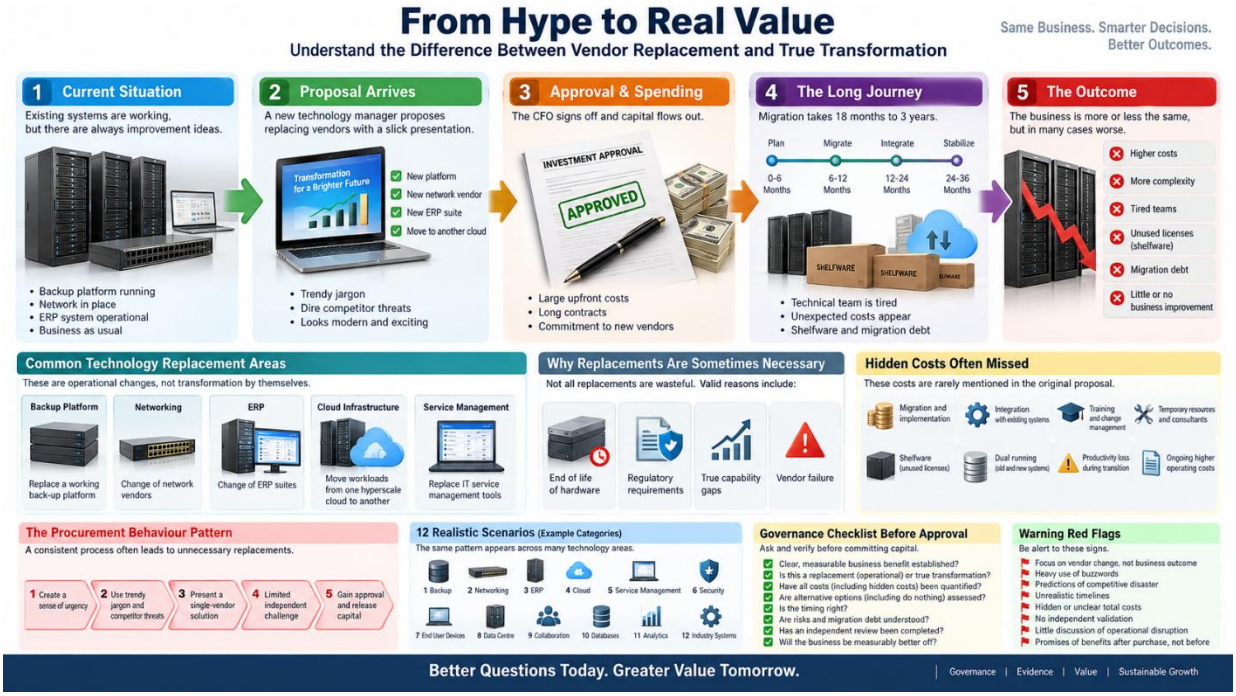


Fig -1: From Hype to Real Value

It's not that technology replacement is necessarily wasteful. However, many replacements are required due to the end of life of the hardware, regulatory requirements, true capability gaps, or vendor failure. The message is less broad and more down-to-earth. The business benefit has to be established prior to purchase, not claimed after.

2. CURRENT TRENDS IN ENTERPRISE TECHNOLOGY SPENDING

The subject is particularly relevant in the light of a number of current market forces. The technology investment of enterprises is still on the rise, and the market is ripe for big deals. Gartner's Market Share Enterprise Resource Planning, Worldwide, 2024, reveals that the worldwide enterprise useful resource planning software market expanded 11.3 percent in 2024, to be valued at 66 billion United States dollars, as a result of cloud, generative AI and agentic AI options. The market, defined as the total for all human capital management and finance applications by Apps Run The World, totaled 132.2 billion United States dollars in 2024. With a different scope, Fortune Business Insights estimated the market at 92.6 billion United States dollars in 2025 and it is forecast to reach 281.58 billion United States dollars by 2034.

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When it's a growth of this magnitude, it invites aggressive vendor behavior. Sales organizations are encouraged to get to know new technology leaders as soon as possible, as the technology leaders are more likely to approve platform changes during their first 18 months. There is a strong correlation between industry analyst briefings, executive events and vendor-funded assessments and leadership changes.

The second trend is that the existing vendor landscape is consolidating through acquisition and this is putting customers into forced decision cycles. The Broadcom VMware deal, which closed on 22 November 2023, is the most recent and high-profile acquisition. Within a month of the deal closing, Broadcom announced the end of perpetual licenses and instead switched to subscription based billing, and a massive restructuring of the VMware portfolio, according to CIO Dive. Forrester Principal Analyst Naveen Chhabra estimated that about 80 percent of organizations are running VMware infrastructure products and Gartner described the impact of the disruption as a once in a decade event for enterprise infrastructure budgets. Typical price hikes were two to 12 times previous prices, depending on the type of products used, Scott Bickley of Info-Tech Research Group said. Gartner said that enterprise inquisitions into VMware options surged by 275 percent year-over-year in the first six months of 2024.

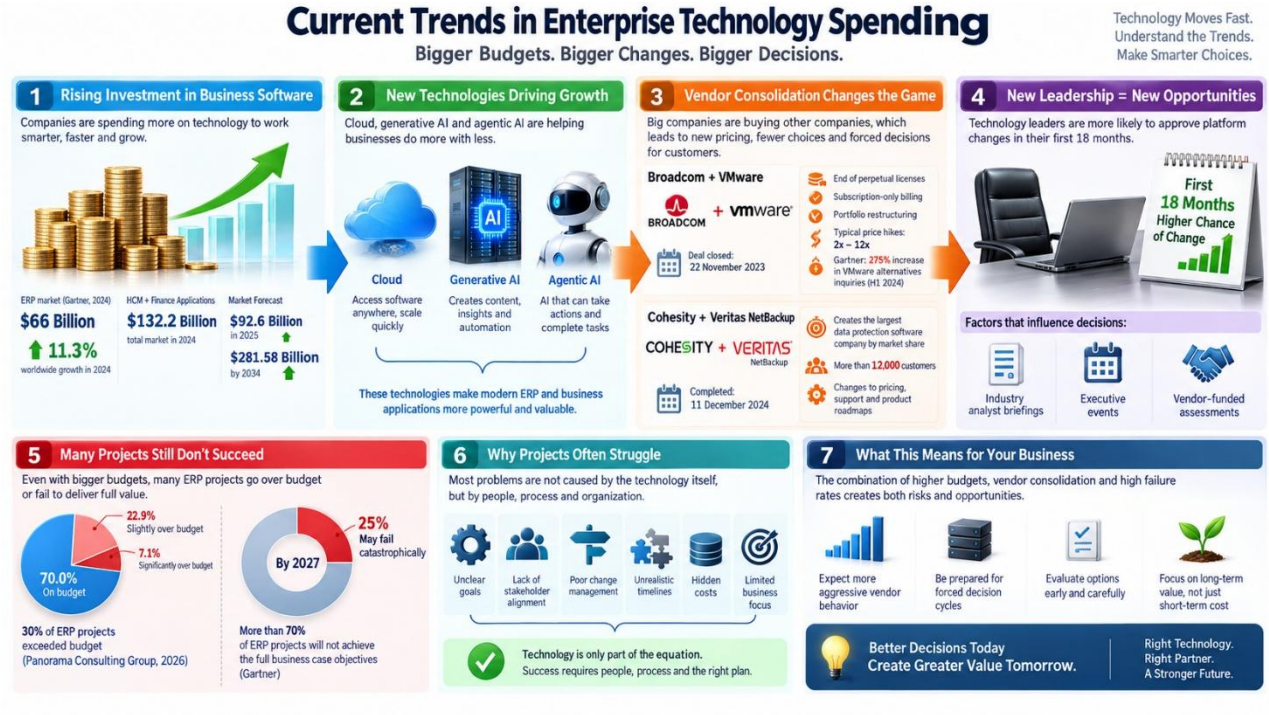


Fig -2: Current Trends in Enterprise Technology Spending

The same situation occurred with the data protection market. On 11 December 2024, Cohesity announced the completion of the acquisition of the Veritas NetBackup business, creating the largest data protection software company by market share, according to Blocks and Files, with more than 12,000 customers. It's not just about changing logos in such consolidations. They adjust pricing, support, product roadmaps and the strategic math that customers have to do for each of the subsequent renewals.

The third trend is that projects that fail or are not successful can be measured. According to Panorama Consulting Group's 2026 Enterprise Resource Planning Report, 30 percent of ERP projects exceeded budget, with 22.9 percent of them being slightly over budget and 7.1 percent being significantly over budget. By

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2027, more than 70 percent of enterprise resource planning (ERP) projects recently completed will not achieve their full business case objectives, with up to 25 percent failing catastrophically, Gartner has predicted. According to the same reference base, almost 70% of the ERP transformation programs don't achieve the full potential of their investment, and most of the times the reason is related to organizational issues, not technology. The combination of increasing budgets and consolidation driven decisions and continually high failure rates provides fertile ground for the pattern this article discusses.

3. HISTORICAL CONTEXT HOW THE PATTERN DEVELOPED

This behavior is not new, but rather its size has grown. In the mainframe world, replacement cycles were long, procurement was centralized, and vendors' selection was in decades. The client-server era reduced cycles and increased vendors, but the platforms standards limited the frequency of wholesale change. This was a change of the economics because of the broad adoption of software as a service and subscription licensing. The justification for replacement became easier, as what used to be a capital expenditure became an operating expenditure, and it became less impactful line by line.



Fig -3: How Enterprise Technology Spending Evolved

At the same time the trajectory for senior technology leaders changed. The number of CIOs and infrastructure directors dropped by 10. Visible platform projects were a kind of professional currency, since they could be summarized on a resume, and were easy for recruiters, who were often not technologists, to read. A manager who kept a stable, high performing environment led to less visible evidence of impact, even though a manager would be able to execute a migration, but that migration would not have measurable improvement in business outcome.

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Analyst firms, that were mainly used by buyers, built stronger commercial relations with vendors. Magic Quadrant and Wave reports turned into marketing tools, as well as research products. Vendor funded assessments proliferated. Sometimes, sales coached references were inserted in peer review websites. The information asymmetry between buyer and seller increased, rather than decreased, as it would seem that there was plenty of information.

The end product is the landscape in which today's CFOs make technology decisions. There is a lot of complex technology behind it. Often the person being evaluated is the internal advocate. Often the vendor evidence is sponsored by the vendor. Has a high failure rate. In this environment, the finance function is not able to give the decision making to the technical sponsor. Governance needs to be done at the level of the business case.

4. THE CORE PROBLEM CONFUSING ACQUISITION WITH TRANSFORMATION

The fundamental issue is one of category error. When it's really procurement, it's considered as transformation if the vendor changes. Data Protection is a case in point. The category is in the mature stage. The platforms from Veritas, Rubrik, Veeam, Commvault, Dell, Hewlett Packard Enterprise, and International Business Machines are all credible with baseline capabilities that are similar. Appropriate discipline is to compare specific product configurations to documented business requirements. But a vendor change does not mean improvement and competing platforms can't be assumed to be interchangeable without analysis. That's not to say that vendor identity doesn't change, as the Cohesity/Veritas NetBackup business deal demonstrates.

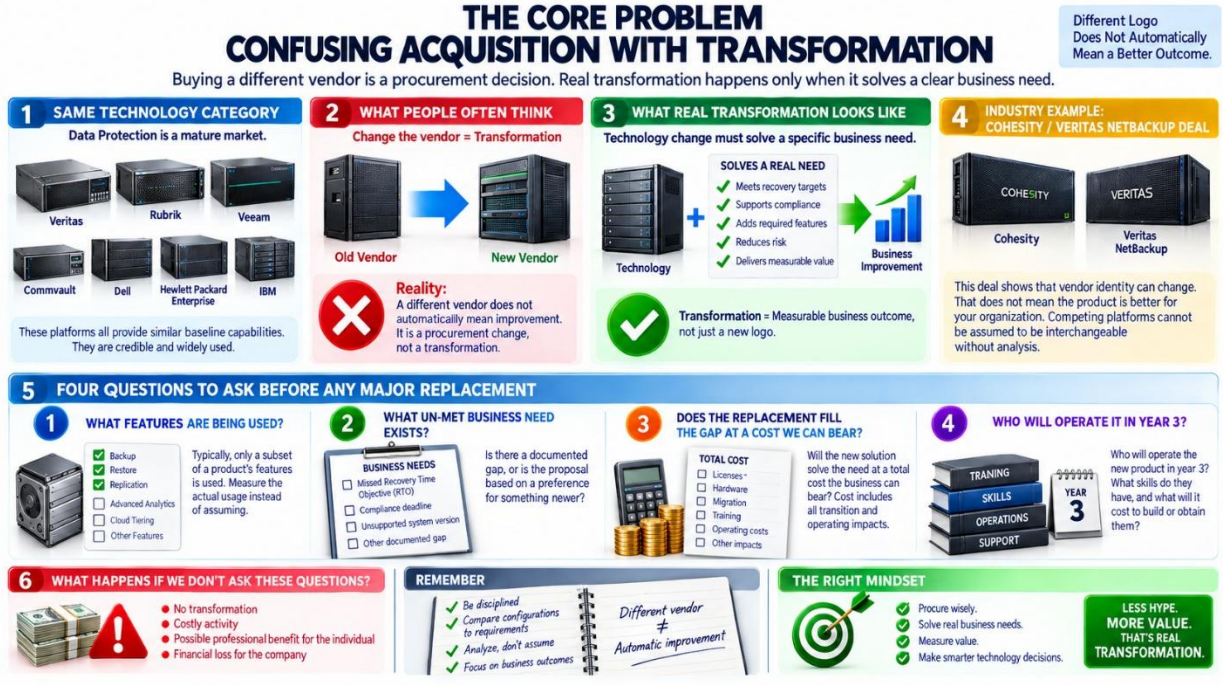


Fig -4: The Core Problem Confusing Acquisition with Transformation

There are four questions that must be asked prior to any major replacement proposal and often they are not asked. The first question is related to the utilization of features. What are the current platform's

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capabilities that are being used. Typically, only a subset of any feature set of a mature product is used by an organization. The specific proportion will need to be measured and not assumed. The second question relates to the un-met business need. Does there exist a documented gap e.g., missed recovery time objective, compliance date, one or both unsupported system version or is the suggestion based on a preference for something newer. The third question is whether or not the replacement fills that gap at a cost that the business case can bear, where cost is interpreted to encompass any and all transition and operating impacts. The last question is about continued operation. Who will be operating the new product in year 3, what skills do they have and what will it cost. Without these questions, what is left is no transformation. Costly activity is not a good one. **There may be a professional benefit to the individual sponsoring the activity**. **The company suffers the financial loss**.

5. THE PATTERN CHIEF FINANCIAL OFFICERS SHOULD RECOGNIZE

There is a regular sequence in the pattern. Understanding that it is the initial line of defense in finances.



Fig -5: The Pattern Chief Financial Officers Should Recognize

New Tech Manager comes on board. It takes many months to understand a large enterprise, its revenue drivers, process dependence, regulatory requirements, informal rules of operation and so on. But the new manager is on the clock to make an impact soon. Then the process of the vendor cycle starts. Sales teams find the new leader, brief the executives, send analyst quadrant positioning documents, invite to conferences and provide free assessments. A vendor funded assessment is a commercially motivated assessment and its results should be independently verified prior to considering it as an indicator of a problem.

A proposal for a transformation is presented below. The current platform is referred to as **legacy.** The new platform is said to be modern, cloud-based and or AI-powered. The proposal is usually based on the list of

features and not business results. Important, however, no gap analysis is created. No one records what features the business actually employs, what are the requirements that are not being met, or the cost of just optimizing the incumbent platform. The implicit comparison is NOT between the new product and the optimized version of the existing product but between the new product and the existing product as deployed.

Chief financial officer approves with little or no substantive objections. Technology is seen as a niche area and finance defers to technical judgement, hence the budget passes. This is the time when the monetary damage is approved. Then there are hidden costs that follow in turn. Migration services, rebuilding integration, parallel running, training, new certifications, external consultants and overlapping licenses during the transition period come after. All of these items are new from the original proposal.

The manager then goes to move on. The manager's professional profile shows successful transition to new platform within 18-36 months. The visible deployment can be a benefit to the manager's career, even if the business benefit is not proven. The company pays for it, runs the risk of it and has a platform which nobody in the organization masters. This cannot always be the product of bad faith. It can be a true, unreflected positivity, a pushy vendor or calculated career. Finance is the only thing that matters, and the motivation doesn't matter. The problem is there is no business case documented, whatever the reason.

6. TWELVE SCENARIOS WHERE CAPITAL ACTUALLY LEAKS

The following scenarios are examples only and are based on a notional mid to large size organisation (2,000 to 10,000 employees). All have a similar format. The figures are indicative and not a quotation from the vendor.

6.1 Backup Platform Replacement

A manufacturer has a mature backup platform, spanning two data centers, for 9 years. Nightly backups complete. Quarterly recovery tests are successful. Restore Time Goal for Critical Systems is achieved. There is no finding for the audit. A new infrastructure manager, who has been in office for four months, is suggesting replacing the infrastructure with a different one, at a license and subscription fee of 1.8 million United States dollars for three years. No one inquiries about what features are being used, what recovery requirement is not being met, or what cost of optimization of the existing environment would be. In addition to the cost of the migration, there are additional costs associated with migration services at 350,000 USD, retraining the backup team at 120,000 USD, overlapping licensing during migration at 400,000 USD and rebuilding runbooks and disaster recovery scripts using external contractors at 200,000 USD. The illustrative total is nearly $2.9 million, while the business problem was never documented. After 9 years of experience, knowledge and skills of the team are thrown away when it is most needed in a crisis.

6.2 Network Infrastructure Replacement

A regional enterprise has an existing network from a known vendor that is fully depreciated and has an in-house certified staff. A new technology director wants to refresh all computers to use another vendor, based on the hardware list price. This comparison does not account for retraining and certification, rebuilding monitoring and management tools, configuring and migrating, or the risk associated with a wholesale cutover. A $2.5 million dollar hardware refresh comes with a transition cost of nearly $1.1 million, which erodes the majority of the **saving** and adds a year of increased network risk. Only a portion of end-of-life segments on the incumbent platform would have been refreshed and it would have been cheaper overall.

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6.3 Information Technology Service Management Replacement

There is a group of 4,000 employees that use a service management tool, has high adoption and is costing 120,000 United States dollars a year. A new operations manager introduces a platform for enterprise service management at a cost of USD 2.4 million for three years including implementation. No one asks what workflows are not working, or if the organization is ready to take advantage of the capabilities of the proposed platform based on the maturity of the workflows. Implementation partner fees are as high as 600,000 U.S. dollars, and the annual subscription is from 120,000 to nearly 700,000 U.S. dollars. Three years later, the organization is still running the same incident, problem, and change modules, and has increased the annual cost by almost 600%.

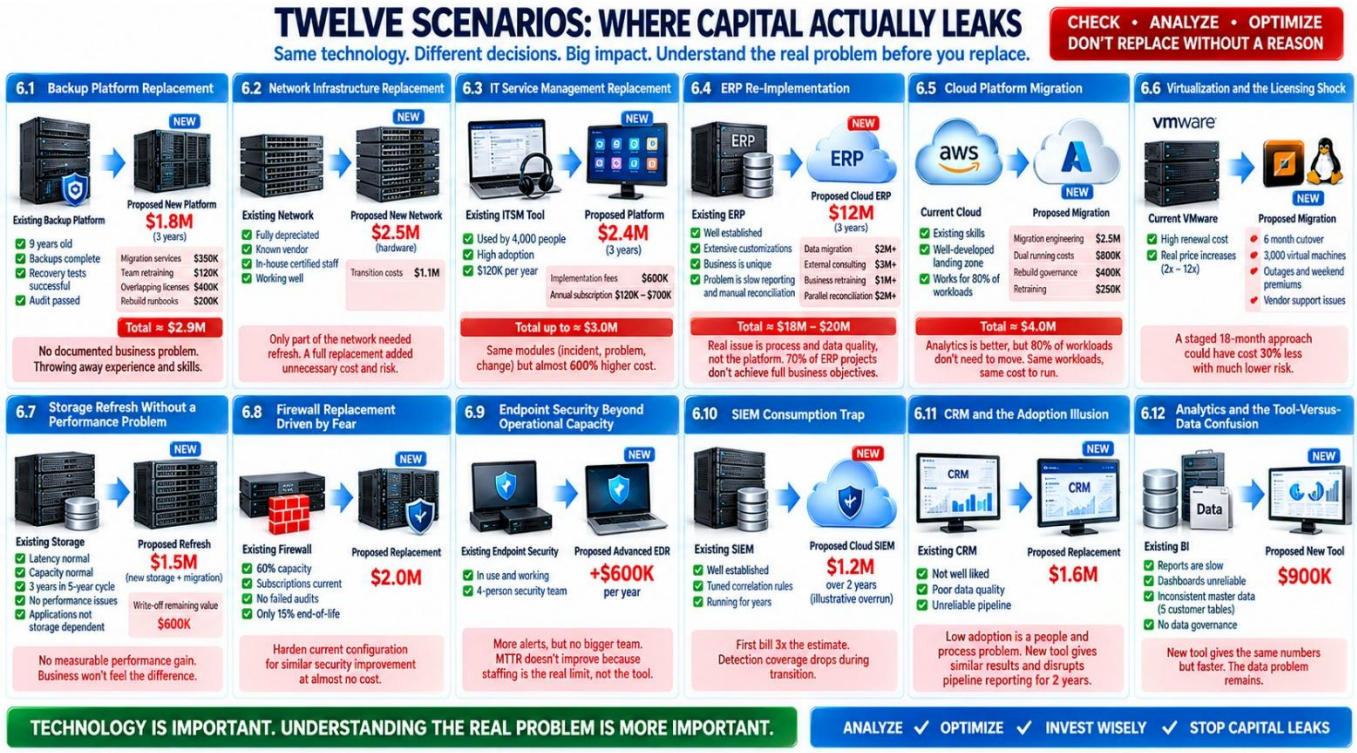


Fig -6: Twelve Scenarios Where Capital Actually Leaks

6.4 Enterprise Resource Planning Re-Implementation

They are a diversified group that has a well-established ERP system with extensive customizations. Slow reporting and manual reconciliation is a concern for the business. A new chief information officer (CIO) suggests moving to a different vendor's cloud suite, at a cost of 12 million United States dollars (USD) over three years. An examination of the complaints reveals it is not a platform problem but process and data problems. There's a decade of customizations in place because the business is truly unique in how it's run, as opposed to the typical software model. Panorama Consulting Group's 2026 Enterprise Resource Planning Report indicates that 30 percent of these projects exceeded budget and 47 percent of them exceeded budget in the previous sample of enterprise heavy projects. By 2027, over 70 percent of new enterprise resource planning (ERP) projects will not achieve the full business case objectives, Gartner has forecast. The illustrative total is in the range of 18 to 20 million United States dollars, data migration, parallel book reconciliation, external consulting and business retraining all migrate to the new platform without being

touched, and the original reporting problem that was caused by master data quality is also carried over to the new platform.

6.5 Cloud Platform Migration

An enterprise is running workloads on a known hyperscale cloud, has existing skills and expertise on the cloud and has a well-developed landing zone. One cloud architect, who had previously been certified on a different cloud platform, suggests moving to the other cloud platform because he or she offers a better analytics capability. No workload level analysis is done. It is true that there is an analytics advantage, but 80 percent of the estate is comprised of workloads where the integration, identity, licensing and skills are all in favor of the incumbent. The costs of migration engineering are 2.5 million United States dollars, the duplication of running costs during transition are 800,000 United States dollars, the rebuilding of governance tooling are 400,000 United States dollars and retraining are 250,000 United States dollars. In this case, the net impact is about 4 million United States dollars spent to operate the same workloads on about the same cost to run.

6.6 Virtualization and the Licensing Shock

After Broadcom acquired VMware, the price of many enterprises' licenses skyrocketed. CIO Dive reported that CIOs reported renewal growth in some cases as high as 10 million U.S. dollars to 1 million U.S. dollars, and in some cases, as high as 40,000 U.S. dollars to 400,000 U.S. dollars, with Info-Tech Research reporting typical growth of two times to 12 times their previous levels. In this case, the company has a high renewal cost, and proposes to migrate to an alternative hypervisor by the end of six months. The problem is real, but analysis is still missing. The choices are negotiated renewal, partial migration of appropriate workloads, or full migration. A hurried 6-month cutover of a 3,000 virtual machine estate results in outages, weekend cutover premiums and application vendor support arguments. The staged eighteen-month approach would have had a cost of around 30 per cent less and a significantly reduced risk.

6.7 Storage Refresh Without a Performance Problem

A company's storage array has a latency and capacity that are well within normal limits and is 3 years in a 5-year cycle. Storage refresh is recommended to a new vendor as the current one is termed old. The applications are not storage dependent. Storage latency has never been a problem when it comes to workloads. The proposal would lead to an additional 1.5 million United States dollars of capital expenditure, data migration services and risk, and a potential write off of about 600,000 United States dollars in remaining carrying value, for performance improvement that can't be felt by the business.

6.8 Firewall Replacement Driven by Fear

An enterprise has a 60% capacity firewall estate, current firewall subscriptions and no failed firewall audit findings. Complete replacement to another vendor, based on vendor security assessment which identifies end-of-life models. In fact, only 15% of the devices are actually end of life. The traditional all or nothing sale is to replace 100 percent of the estate to cover 15 percent. The current configuration can be hardened to get most of the touted security improvement with almost no cost. The replacement will spend 2 million United States dollars that the organization wouldn't otherwise have to spend, and will add the migration risk of moving complex rule bases between vendors, which can cause the very outages or security holes the organization was trying to prevent.

6.9 Endpoint Security Beyond Operational Capacity

A traditional endpoint protection product is in use and has a four-person security operations team. A high quality endpoint detection and response platform is recommended, due to its detection ability. The product

is indeed more capable, but the organization lacks a team to work the product. Advanced Detection provides alerts which need to be triaged by skilled personnel. Either teams are understaffed and they get overwhelmed with alerts or they set the tool down to where it's just as if it were the prior product. The quality of basic operating maturity is paid for by the organization at premium prices. The reward of $600,000 per year over a mid-tier option yields no discernible gain in MTTR, as the MTTR was always limited by staffing, not the tool or tools.

6.10 Security Information and Event Management Consumption Trap

A security team is running a well-established security information and event management system that has been running for years and has a well-established set of tuned correlation rules. This is a proposal to move to a consumption pricing cloud alternative, with the idea of eliminating infrastructure management. There is no actual logging of the log volumes to model. There is a generous provision of log sources. First full-year bill comes in three times the estimate. The years of detection tuning the team has are not directly transferable to the team. There is regression on detection coverage in the first year as rules are rebuilt. The illustrative overrun over a two-year period is 1.2 million United States dollars with a measurable security gap during the transition.

6.11 Customer Relationship Management and the Adoption Illusion

A sales organization has a CRM system that is not well-liked or utilized consistently by the sales team. Poor data quality, and unreliable pipeline reporting. The proposed replacement cost with a competing platform is $1.6 million. The issue isn't the platform, though. It's poor sales processes, lack of management oversight, no data stewardship and lack of training. When organizations get rid of a customer relationship management platform due to low adoption rates, they often find that the new platform experiences similar adoption rates, as incentives for the salespeople remain the same. The transition also wreaks havoc on pipeline reporting for two years, creating an “invisible” cost to sales forecast accuracy and not on any technology budget line.

6.12 Analytics and the Tool-Versus-Data Confusion

Business Intelligence dashboards are not reliable and reports are slow to generate in a company. The analytics tool gets a bum rap. It is recommended to replace at $900,000 of the United States dollars. The real problem is up stream. Master data is inconsistent, there are 5 versions of the customer table and there is no data governance program. The replacement gives the same numbers as the original, but with a higher speed. The 900,000 USD has been spent, 200 report developers have been retrained, all the dashboards have been rebuilt and the data problem remains.

7. THE HIDDEN COST ICEBERG

In each of the above cases, the proposal only displays the portion of the cost structure that is visible. The rest is paid for by the finance function. Only licenses, subscriptions and hardware are the categories that consistently show up in original proposals. These categories rarely show up on the list, but almost always do materialise and include migration services, implementation services, training and certification of the team, lost productive capacity during the migration period, rebuilding integration, downtime and operational risk, and the operating costs of the new platform in following years.

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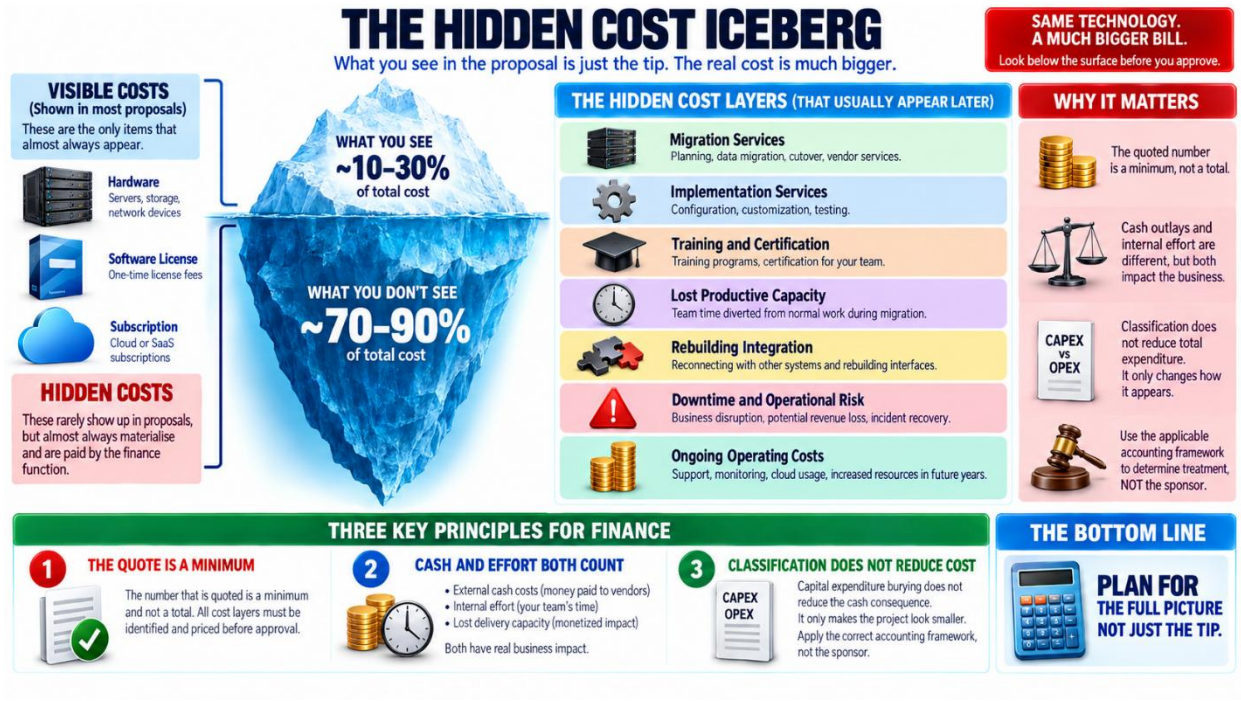


Fig -7: The Hidden Cost Iceberg

These cost layers should be treated in the finance function in line with three principles. The first rule is that the number that is quoted is a minimum and not a total. All layers above the floor need to be written priced prior to being approved. The second principle is, cash outlays and internal effort are not the same and both have impacts on the business. The proposal should clearly identify the costs as either external cash costs or internal effort or lost delivery capacity monetized. The third principle is that there is no reduction in expenditure due to classification. Capital expenditure burying does not affect the cash consequence, but will make the project look smaller. The applicable accounting framework should be applied to determine the appropriate accounting treatment, NOT the sponsor.

8. WORKED FINANCIAL EXAMPLES

The examples below show three worked examples of shifting the finance dialogue from product price to total cost over 3 years, including people. The figures are intended to be illustrative. Each table is a comparison of the changes in the costs, ordinary operating costs which are present in both options are not included unless they change. Cash outlay and monetized internal effort are distinguished at each table.

8.1 Backup Platform Replacement

The current state includes three-person backup staff with a total salary of about 300,000 USD per year, nine years of experience with the incumbent platform and 400,000 USD per year in current licensing and support. The cost of transition capacity loss is calculated as 300,000 USD x 40% utilization x 0.5 year = 60,000 USD. The runbook rebuild is considered a purchased deliverable, which is estimated to take 2 contractors x 4 months x 25,000 United States dollars (USD) per contractor-month, or 200,000 USD.

Table -1: Backup Platform Replacement

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Cost Element	Retain and Optimize	Replace with New Platform
Licensing or subscription over three years	1,200,000	1,800,000
Upgrade or optimization services	250,000	0
Migration services	0	350,000
Parallel-run dual licensing, twelve months	0	400,000
Team training and certification	30,000	120,000
Lost team capacity, six months at 40 percent	0	60,000
Runbook and disaster recovery script rebuild	0	200,000
Three-year total	**1,480,000**	**2,930,000**

The difference modeled is around 1.45 million United States dollars with the business requirement not documented. The team's crisis experience with the existing platform is discounted after 9 years. The initial **big restore** under the new platform will be carried out by individuals who are doing the restore for the first time.

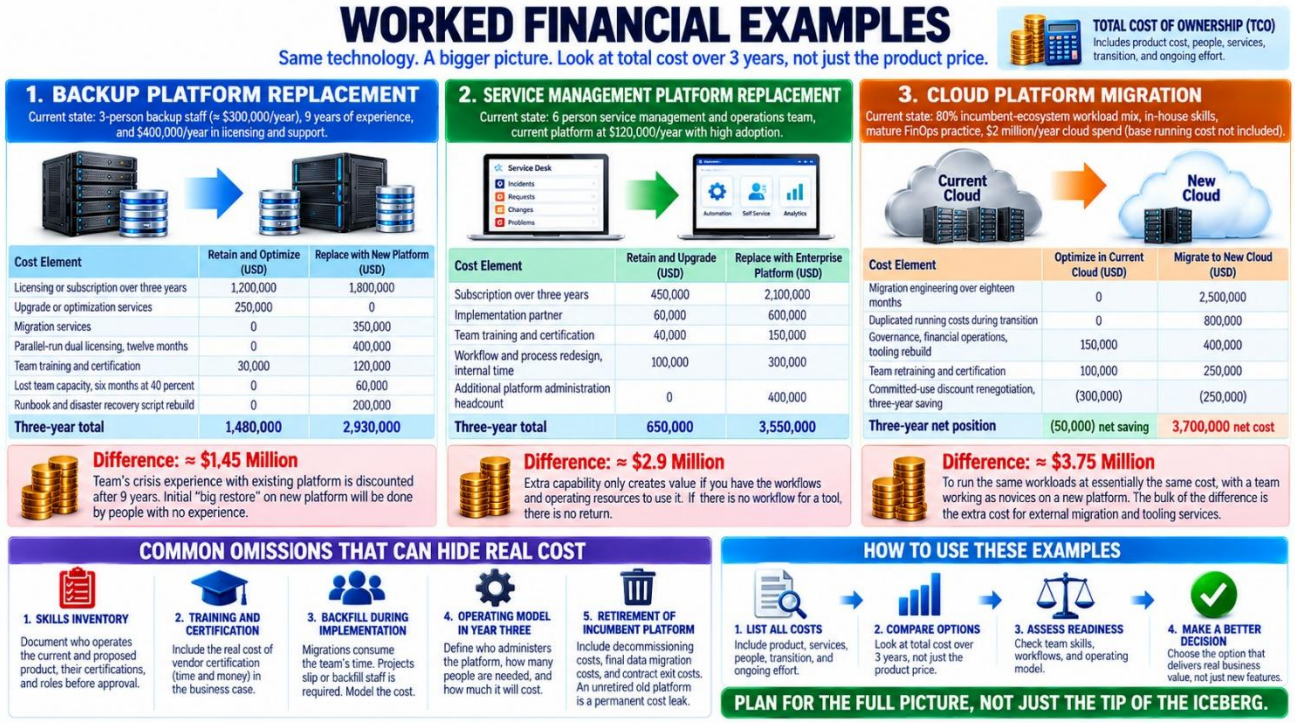


Fig -8: Worked Financial Examples

8.2 Service Management Platform Replacement

Current state 6 person service management and operations team and current platform at 120k USD/year with high adoption. Over 2 years, the total number of additional platform headcount is two FTE, which is costed at 100,000 USD FTE per year fully loaded, or 400,000 USD total.

Table -2: Service Management Platform Replacement

Cost Element	Retain and Upgrade	Replace with Enterprise Platform
Subscription over three years	450,000	2,100,000
Implementation partner	60,000	600,000
Team training and certification	40,000	150,000
Workflow and process redesign, internal time	100,000	300,000
Additional platform administration headcount	0	400,000
Three-year total	**650,000**	**3,550,000**

The difference modeled is about $2.9 million (United States dollars). Any more capability generates value only if the necessary workflows and operating resources justifies the expense. If the organization does not have a workflow for a tool, then it provides no return.

8.3 Cloud Platform Migration

The current state includes an 80 percent incumbent-ecosystem workload mix, in-house skills on the incumbent platform, a mature financial operations practice and $2 million per year of cloud spend in the United States. The base running cost is not included in the comparison since it is common to both options. Migration engineering is considered as external services. Tooling rebuilding is considered to be a combination of external services and internal effort. The majority of retraining is regarded as cash.

Table -3: Cloud Platform Migration

Cost Element	Optimize in Current Cloud	Migrate to New Cloud
Migration engineering over eighteen months	0	2,500,000
Duplicated running costs during transition	0	800,000
Governance, financial operations, tooling rebuild	150,000	400,000
Team retraining and certification	100,000	250,000
Committed-use discount renegotiation, three-year saving	-300,000	-250,000
Three-year net position	**(50,000) net saving**	**3,700,000 net cost**

The difference modeled is $3.75M to run the same workloads at essentially the same cost, and with a team working as novices on a new platform. The bulk of this difference is the extra cost of outlay for external migration and tooling services.

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8.4 Resource Planning Observations

In each of the three, there are certain omissions that are consistent. One thing that is missing is a skills inventory. The proposal should include, prior to approval, documentation of the team members that operate the current product, their certifications, and which team members will operate the proposed product. The second missing is budgeting for training and certification. Vendor certification is a way to track cost real money and real time and these should be included in the business case. The third one is the lack of backfill during implementation. The team's regular work is eaten up by migrations. Projects slip or backfill staff is required. In any case, it is a real expense and needs to be modeled. The fourth omission is the operating model that continues to be in operation. Often, no answers are given to the question of who administers the platform in year three, how many and how much it costs. The fifth one is the retirement of the incumbent platform. In the plan should be included the decommissioning costs, final data migration costs, and contract exit costs. A permanent operating leak is an unretired old platform.

9. CHALLENGES IN ENFORCING DISCIPLINE

There are a number of structural problems in enforcement of discipline. The first difficulty is that of information asymmetry. The finance function rarely has technical expertise of its own to counter a well-prepared internal proposal, especially if the proposal is backed up with analyst reports and vendor case studies. The second problem is that of incentives. The person who suggests the change is likely to gain from the action they suggest, whether or not it works. The third challenge is that of time horizon mismatch. Costs materialize quickly. If there are benefits, they are felt over years, and often the sponsor is long gone by that time, and the business case is obscure.



Fig -9: Challenges In Enforcing Discipline

The fourth is the behavior of the vendors. Veeam's Rick Vanover pointed out in CIO Dive's exploration of the VMware disruption that software vendors are increasingly creating licensing and bundling models that force customers to choose a set of products that may or may not be what customers want. In the same analysis, Rimini Street's Eric Helmer said that the subscription pivot was a way to squeeze more money out of software customers already had. Even well-disciplined organizations find themselves in a situation where they are forced to make decisions in an involuntary cycle, and pressure to act due to discount expiration and sales timing can make it easy to do so.

The 5th challenge is organizational politics. When there are significant price changes and licensing changes, it is communicated throughout the executive team. Chief financial officers may be subjected to pressure from chief executive officers, chief operating officers, and business unit leaders that have developed opinions based on insufficient information. According to Scott Bickley of CIO Dive, in such cases, the CIO must be the voice of reason and endure the criticism in the short term for the long-term benefits. The same goes for CFOs, who need to demand analysis even if there's an urgent need to operate.

The 6th challenge is visibility of costs within large organizations. The most frequent reasons for budget overrun were unexpected additional technology (54.9 percent), scope expansion (51.0 percent), technical issues (43.1 percent), organizational issues (39.2 percent), and underestimated staffing (35.3 percent), according to Consulting Group's 2026 Enterprise Resource Planning Report. The five causes have the same root cause. Original business case was not detailed enough. The finance function should therefore demand detail, rather than summary.

10. SOLUTIONS A CHIEF FINANCIAL OFFICER APPROVAL CHECKLIST

The preceding analysis is put into a practical governance instrument in the form of the following checklist. The finance function should insist on written answers to each of the following items before approving a major technology replacement. A missing critical business justification or missing operating resource plan is in itself a good enough reason to defer approval. Partially answered items do not make up for either of the gaps.

The first one is the business problem. What is the business need today based on audit results, failed recovery tests, identified performance gaps, or end-of-support dates. The second one is the usage of features. Which of the existing product's features does the organization use and which of the proposed product's features correspond to a stated need. Optimize versus replace comparison is the third one. How much does it cost to repair the problem on the existing platform. The price of this alternative must be determined. The most telling sign of trouble in enterprise technology procurement is its lack. The fourth one is the total life cycle cost. All licenses, migration, parallel running, integration, training, certifications, backfill, downtime risk, retirement of incumbent platform and continued operating cost of proposed platform should be modeled for 3-5 years.

The 5th one is the people plan. Who will be running the product in year three, what training either or both hiring is needed and what is the cost. The 6th item is measurable outcomes. What will be different in terms of numbers the organization will measure, for example, recovery time, cost per ticket, cost per workload or mean time to respond. The 7th item is the name of the business owner. Who (who outside of the technology function) will be the owner of the benefit and who will report on the benefit realization at 12 months after the implementation. The transition plan exit strategy is item number 8. What is the plan for rollback if migration fails and what is the cost to get out of the vendor that is proposed to be used later. The 9th item

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is illustrated as business understanding. In business terms not product terms, can the proposer describe the business process, revenue stream or compliance need that is impacted. No matter how senior the person proposing it, a proposal that doesn't identify the business process that is impacted is not ready for approval. The 10th one is conflict-of-interest hygiene. Are vendor funded assessments independently verified. Is there a full vendor engagement history that has been reviewed by procurement, **including gifts**, **events and travel**.



Fig -10: Solutions A Chief Financial Officer Approval Checklist

10.1. When Replacement Is the Right Decision

Not all the time that a working platform is being proposed for replacement is it a wasteful expenditure. There are indeed some conditions that warrant replacement and the finance function should be as aware of these as it is of warning signs of unexamined procurement.

One of the conditions is that the vendor has reached end-of-support (EOS) or end-of-life (EOL). Continued operation when a platform is no longer being supported with security patches, regulatory certifications or technical support, creates a compounding risk. The second is a documented capability gap which cannot be closed by optimization. Defensible reasons for replacement include if recovery time goals continue to be missed despite tuning, if a compliance mandate calls for capabilities that the version in place can't provide, or if there is measured capacity exhaustion.

The third one is the disruption of the market which is not intentional. There were valid reasons for some customers to consider other options, especially when renewal expenses increased by up to 2x, 6x, and even 12x the previous costs, as a result of the Broadcom acquisition of VMware. If this is the case, then not taking action means incurring a cost. The fourth is when there is strategic realignment after a merger, acquisition or divestiture, and platform consolidation provides a measurable efficiency.

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The fifth is a quantifiable total cost advantage that is confirmed by an independent analysis and that remains after modelling the transition costs and operating consequences.

In all of these instances, the governance discipline in this article is still applicable. There needs to be a comparison of optimize versus replace, a total lifecycle cost modelling, human and training considerations need to be priced and a business owner needs to be named. The difference is the analysis is in favour of replacement and not against. Governance does not exist to stop things changing. It's to make sure that there is a rationale for change before an investment is made.

11. RED FLAGS THAT PREDICT WASTEFUL SPENDING

There are some key indicators that a technology replacement project is likely to be a capital consuming project that will not provide benefit to the business. The first red flag is a proposed project that is based on a comparison of features, and which does not have a cost baseline for the current state. The second is the use of terms like transformation, modernization, cloud-native or artificial-intelligence enabled, and then no quantified results. The third is that there is no or at least no significant mention of the optimize the current platform option. The fourth is the use of a vendor generated free assessment as the chief piece of evidence of a problem. The fifth is a proposal which does not specify the business process it is enhancing or comes without any proof that business analysis has taken place.

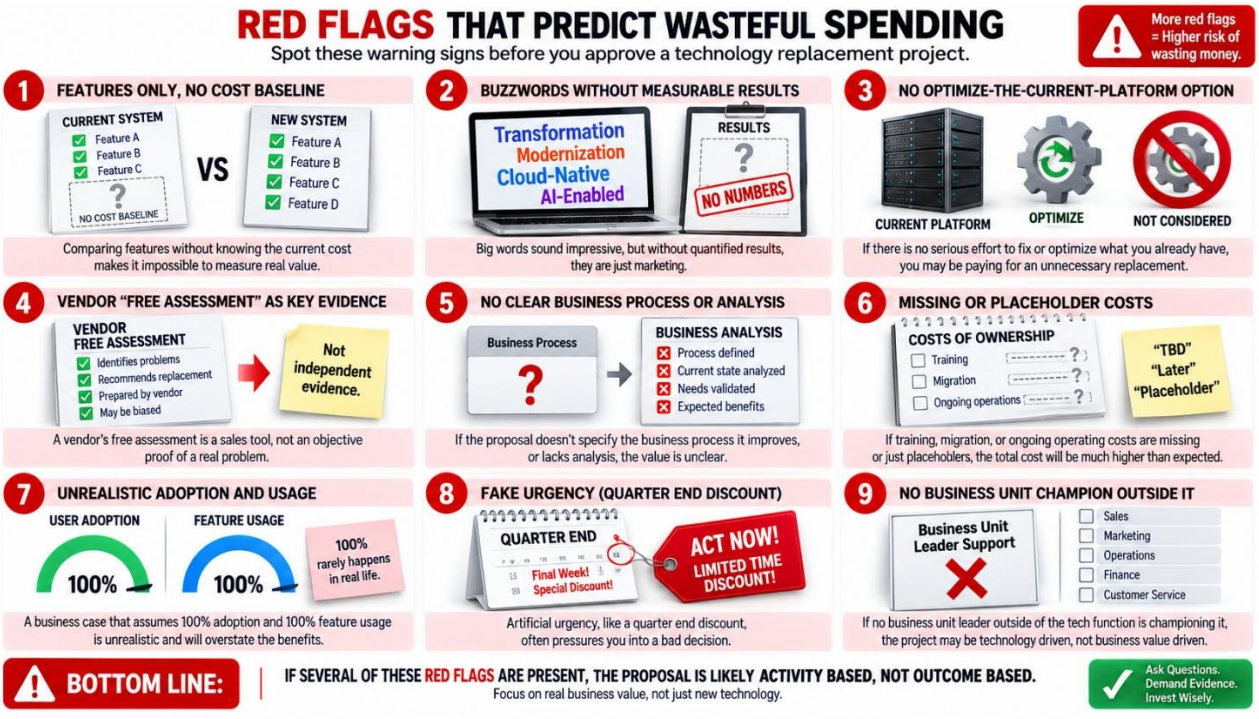


Fig -11: Red Flags That Predict Wasteful Spending

The sixth warning sign is the lack of or **placeholder** training, migration and ongoing operating costs. The seventh is a business case, with 100% adoption and 100% feature usage which are both empirically unrealistic. The 8th is a made up urgency, usually in the form of a quarter end discount. The ninth being

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that there is no business unit leader outside of the tech function who is championing it. If several of these indicators are present then it is almost certain that the proposal is activity based, and not outcome based.

12. FUTURE PROSPECTS

There are a number of developments that will impact the way this problem evolves. One of the developments is the growing use of consumption based and AI-based pricing models. Gartner predicts that by 2027, artificial-intelligence powered cloud ERP will account for 62 percent of ERP spending in the enterprise, compared to just 14 percent in 2024. Consumption-based pricing is a way to move financial risk from the vendor to the customer, and it's not easy for even the most disciplined organizations to predict. The finance function will have to have a better modelling capacity on transaction volume, data volume and token consumption as the difference between the quotation and the bill is increasing.

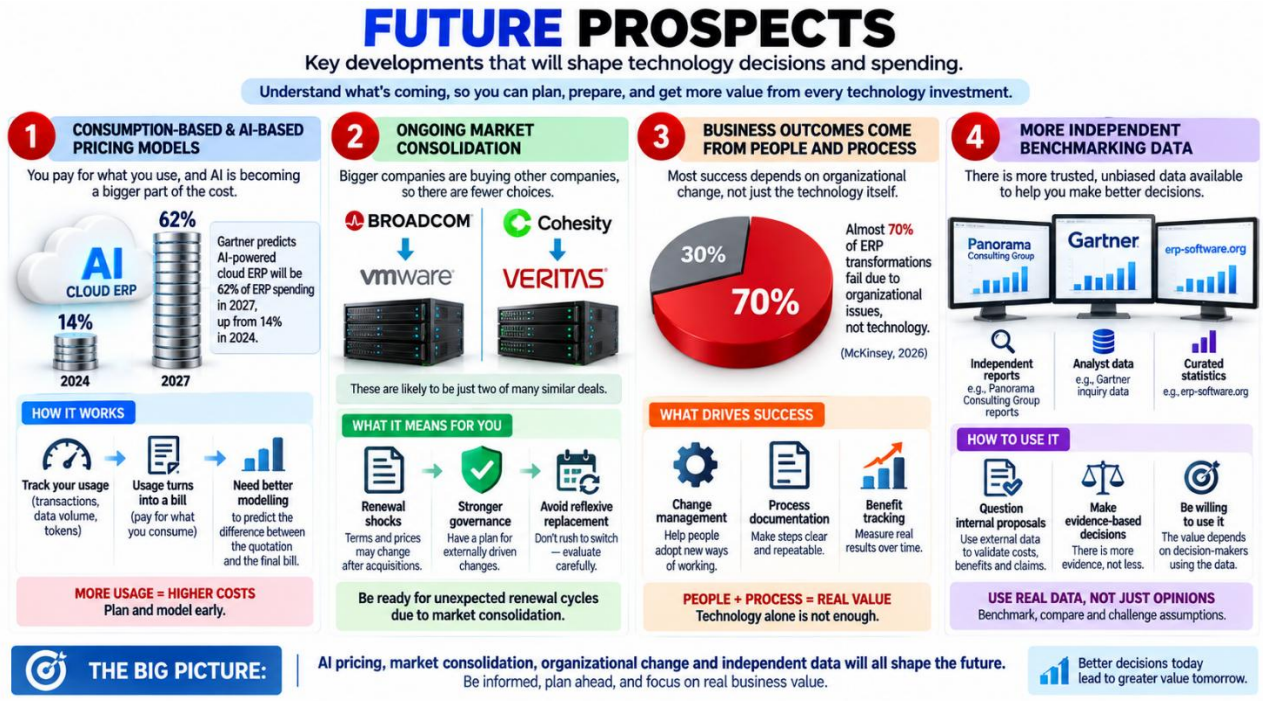


Fig -12: Future Prospects

The other is the on-going consolidation of existing markets. Broadcom's acquisition of VMware and Cohesity's acquisition of the Veritas data protection business are likely to be just two of many similar deals. The finance function will need to be ready to have governance processes to deal with externally driven renewal shocks without falling back on reflexive replacement as future consolidations will create additional involuntary decision cycles.

The third is the shift in focus that most measurable business outcomes are due to organizational change, not technology choice. This is corroborated by the McKinsey study that found that almost 70 percent of enterprise resource planning (ERP) transformations fail due to organizational issues, not technology. Finance functions that spend on change management discipline, process documentation and benefit tracking will get greater value from every technology investment that they make, compared to those that invest only in platform selection.

The fourth is that there are more independent benchmarking data available. Verifiable reference points, like the Panorama Consulting Group reports, Gartner analyst inquiry data, and curated statistics, can be used to question internal proposals by the finance team. There is increasing evidence-based governance in this domain, not less; it depends on decision-makers' willingness to use evidence.

13. CONCLUSION

All the 12 scenarios, three worked examples and governance framework provided in this analysis point towards one argument. There are instances where technology replacements are required. Platforms become obsolete, businesses grow out of tools and some vendors get lost. It's not about replacement. Unexamined replacement activity is mistaken for transformation, procurement is mistaken for improvement. Once a major platform change proposal makes it to the finance desk, it is not the CFO's job to review the technology. It is imperative to assert the business case in a written form before the capital is invested. New product is a COST. Met business requirement is a plus. The latter is the only one that can be justified by the former. Many tech managers are well-meaning, but well-intentioned without business analysis equals loss of money. It doesn't matter if the driver is a salesperson's quota, a consultant's billable hours or a manager's career ambitions – the monetary impact is the same. Don't distrust the technology function this is the solution. The solution is governance, which involves documented requirements, a total-cost model that includes people, and a named business owner for the benefit, and a priced optimize-versus-replace comparison. Buying is easy. There can only be one result that is worthy of investment, and that is transformation.

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