2025 Technology & IT Modernization Report for Mid-Sized Businesses

INDUSTRY REPORT
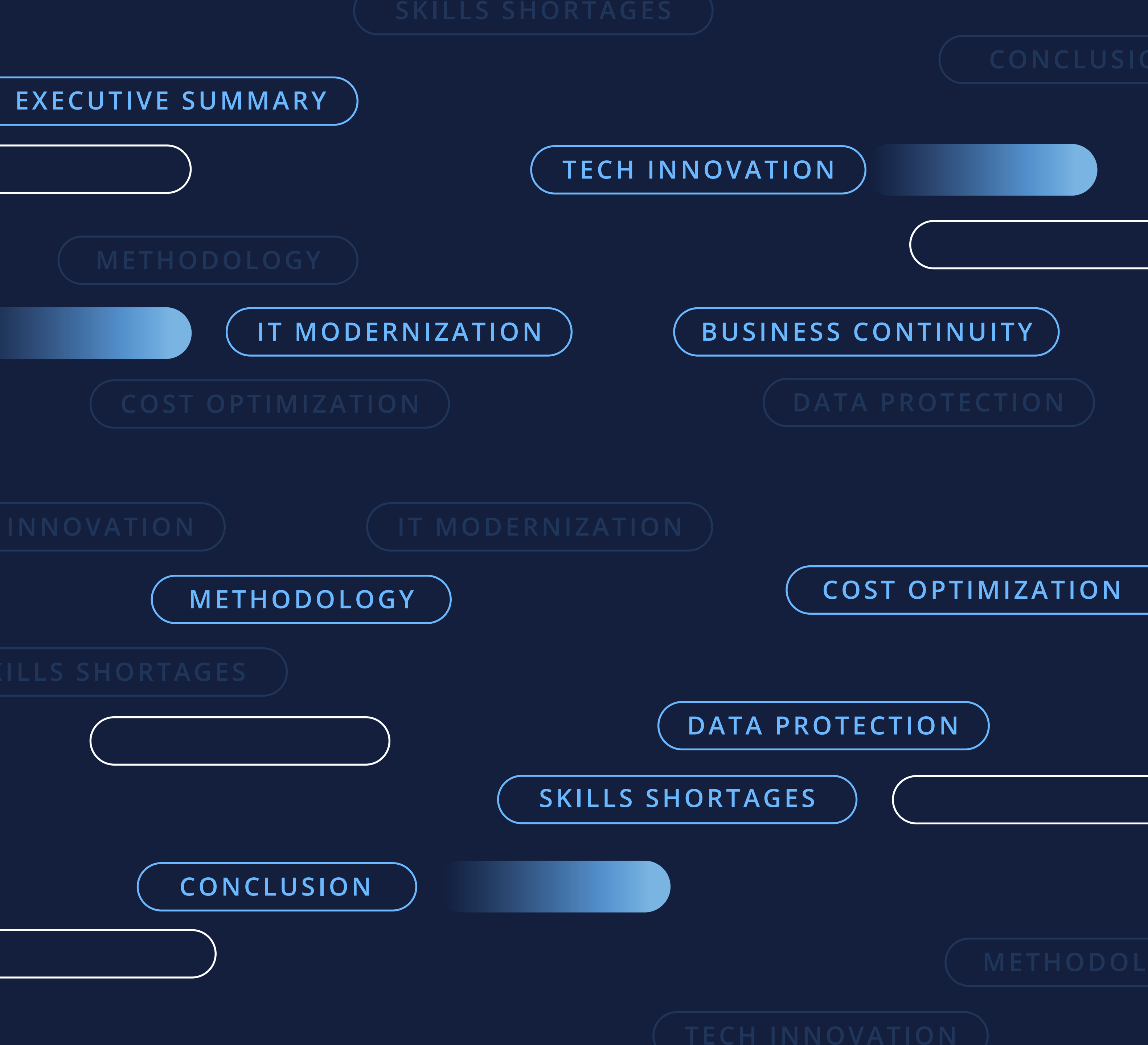
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Methodology

This report was developed as part of a market research study conducted by Drive Research in partnership with TierPoint. The primary objective was to survey participants on IT trends affecting their planning and decision-making.

APPROACH

To achieve these objectives, an online survey was employed as the primary data collection method. This approach was chosen for its **efficiency** in reaching many IT decision-makers and its ability to gather quantifiable data.

SURVEY DESIGN AND EXECUTION

The survey, averaging 7 minutes to complete, included 31 questions to gather insights from 400 IT decision-makers across a variety of industries (*mid-sized businesses with a company size of 101-1,000 employees*). Conducted over two and a half weeks, the fieldwork took place from May 29 to June 15, 2024.

STATISTICAL CONSIDERATIONS

A probabilistic sampling method was used to ensure the results represent IT decision-makers broadly, **enhancing generalizability**. The study was designed with a 95% confidence level and a margin of error of ±4.9%, indicating that repeated surveys would likely yield results within this range, ensuring reliability and precision.

Executive Summary

As organizations expand their IT operations or adopt new technologies, they encounter a new set of IT complexities and challenges. A recent TierPoint survey of **over 400 IT leaders** highlights these challenges, particularly regarding emerging technologies like AI. An overwhelming **99% of leaders** acknowledge the importance of these technologies and plan to implement them. However, two-thirds of respondents report significant IT staffing challenges, citing skill gaps in AI and related technologies that severely hinder their ability to adopt these innovations and pursue broader IT modernization efforts.

In addition to staffing, cost optimization and business continuity are critical concerns. The use of cloud technologies continues to rise, with **72% of respondents planning to expand their cloud services** over the next two years. Despite implementing cost-saving measures, only 29% of organizations find these efforts fully effective, leading many to consider cloud repatriation to regain control over escalating expenses.

Business continuity remains a top priority for companies of all sizes. Although **74% of respondents have implemented additional safeguards against IT disasters**, only 35% feel fully confident in these protections. This uncertainty persists despite 53% of organizations enhancing their cybersecurity efforts. Ensuring confidence in disaster preparedness and maintaining seamless operations in the face of potential disruptions are ongoing challenges that require attention.

IT Modernization

Technology change remains a constant in enterprise IT, often requiring organizations to upgrade their infrastructure to meet evolving demands or enhance their capabilities. These upgrades improve efficiency, security, product and service quality, and user experiences. Our survey focused on key components of IT modernization: **prioritization, motivation, and improvement**.

These elements are interconnected. For instance, respondents prioritizing cybersecurity are motivated by security concerns, driving them to adopt new technologies and upskill internal resources to support these advancements. **This synergy highlights how prioritization and motivation play crucial roles in shaping IT modernization strategies**.

What IT Modernization means to those surveyed.

Prioritization

Despite differences between small and large organizations, there is notable alignment in IT modernization priorities. Enhancing cybersecurity measures tops the list, with 53% of organizations focusing on this area. Organizations modernize their IT infrastructure for improved security due to the prevalence of data breaches and ransomware attacks, which often stem from outdated systems and software.

Improving data management practices follows closely, **prioritized by 48%** of respondents. As businesses grapple with an increasing number of internal and external data sources, they find that efficiently organizing and managing data has become critical. This priority reflects the growing complexity of data ecosystems in modern businesses.
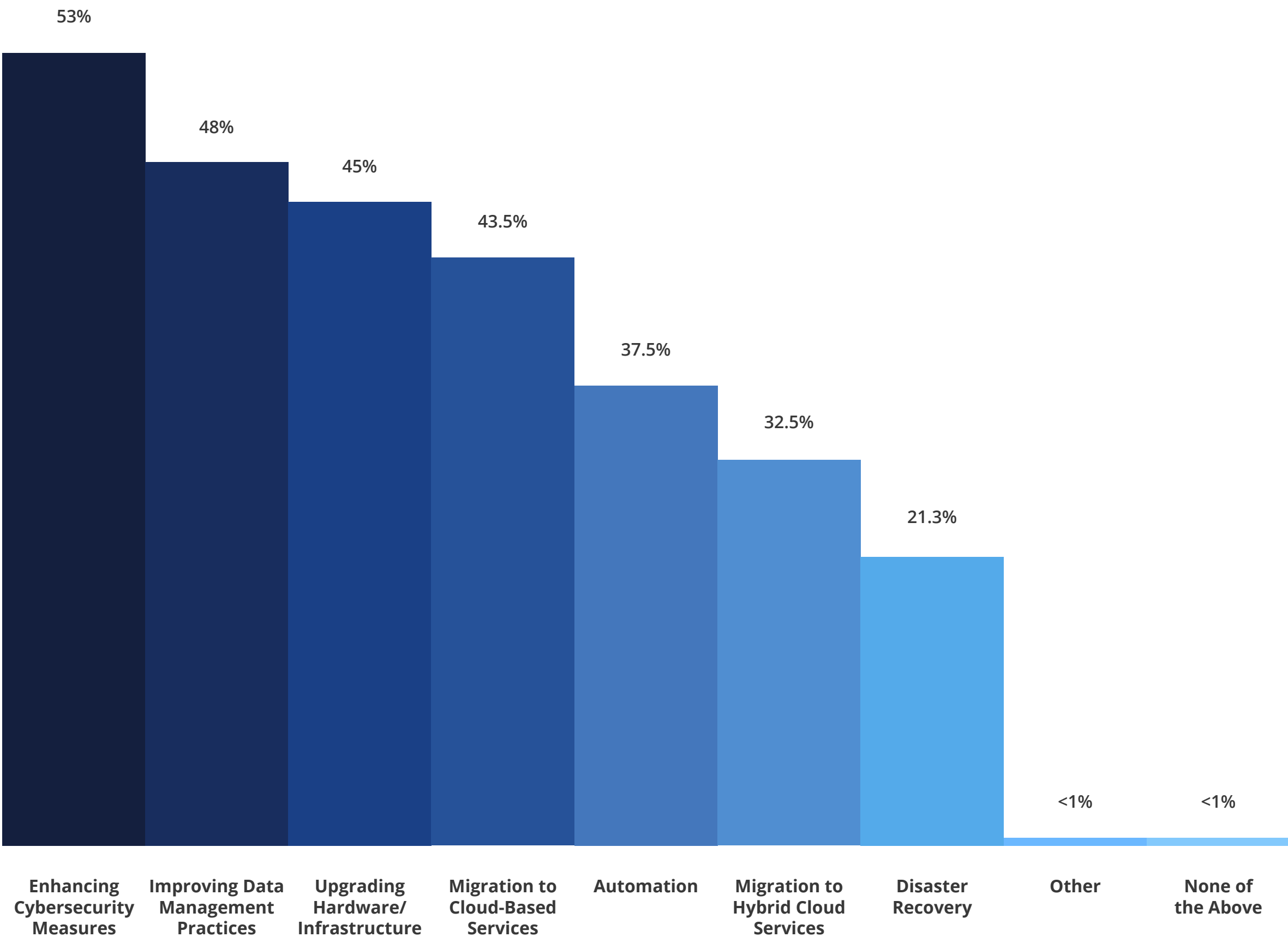
Upgrading hardware and infrastructure **ranks third at 45%**, supporting the goals of enhanced cybersecurity and improved data management. Closely related is the fourth priority: migration to cloud-based services, cited by 44% of respondents. Knowing 94% of companies globally use cloud software *(according to a report from Colorlib)*, this focus aligns with the broader trend of cloud adoption as a crucial element for business growth and IT modernization.

31%
PRIORITIZED DISASTER RECOVERY

Respondents of organizations with 101 to 500 employees said disaster recovery was much more likely to be prioritized (31%) than for larger organizations with 501 to 1000 employees.

What are your organization's TOP IT modernization priorities for 2024?

Category	Value
Enhancing Cybersecurity Measures	53%
Improving Data Management Practices	48%
Upgrading Hardware/Infrastructure	45%
Migration to Cloud-Based Services	43.5%
Automation	37.5%
Migration to Hybrid Cloud Services	32.5%
Disaster Recovery	21.3%
Other	<1%
None of the Above	<1%

Motivation

SO WHY IT MODERNIZATION?

What drives businesses to modernize their IT infrastructure, software, and hardware? The two biggest motivations align with the priorities respondents indicated:

Cybersecurity

53%
43%

Data Management

48%
40%

Upgrading Hardware/Infrastructure

45%
41% [1]

**Migration To Cloud Services**

44%
36% [2]

● Priority ● Motivation

[1] "Respondents identified "Collaboration/Productivity" as a key motivation." It could be surmised that by upgrading hardware/infrastructure, collaboration and productivity improve.

[2] "Respondents identified "Scalability" as a key motivation." Cloud infrastructure is inherently scalable, so this motivation aligns with the prioritization of cloud migration.
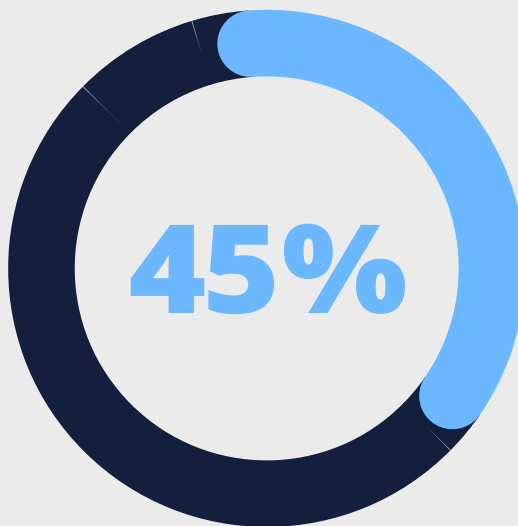
36%

In addition to those alignments, **36% of respondents** also indicated that "customer experiences" were a motivation for IT modernization.
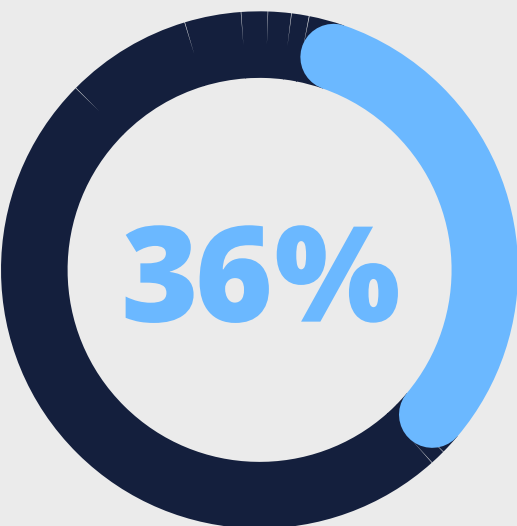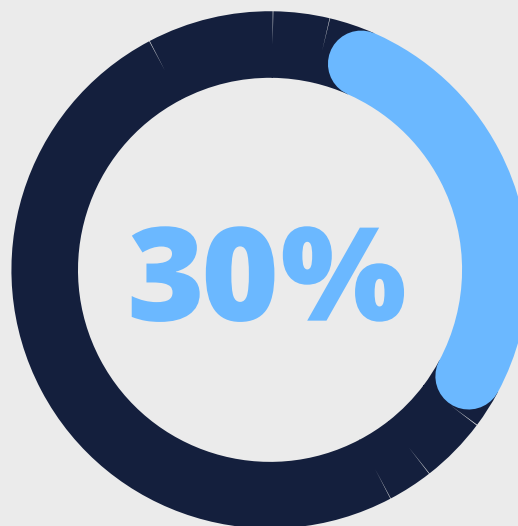
Challenges & Percentages of Responders

47%
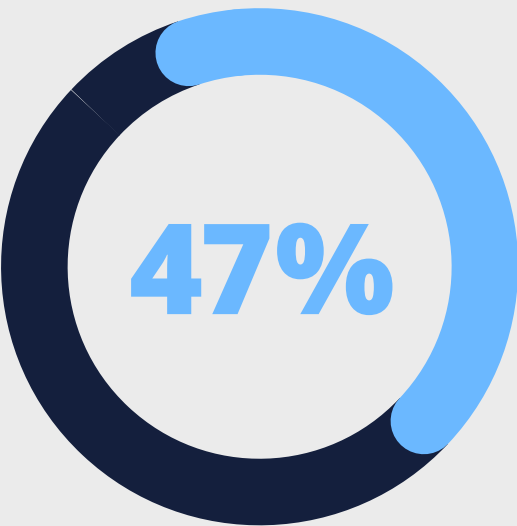
Lack of Internal
Skills/Talent

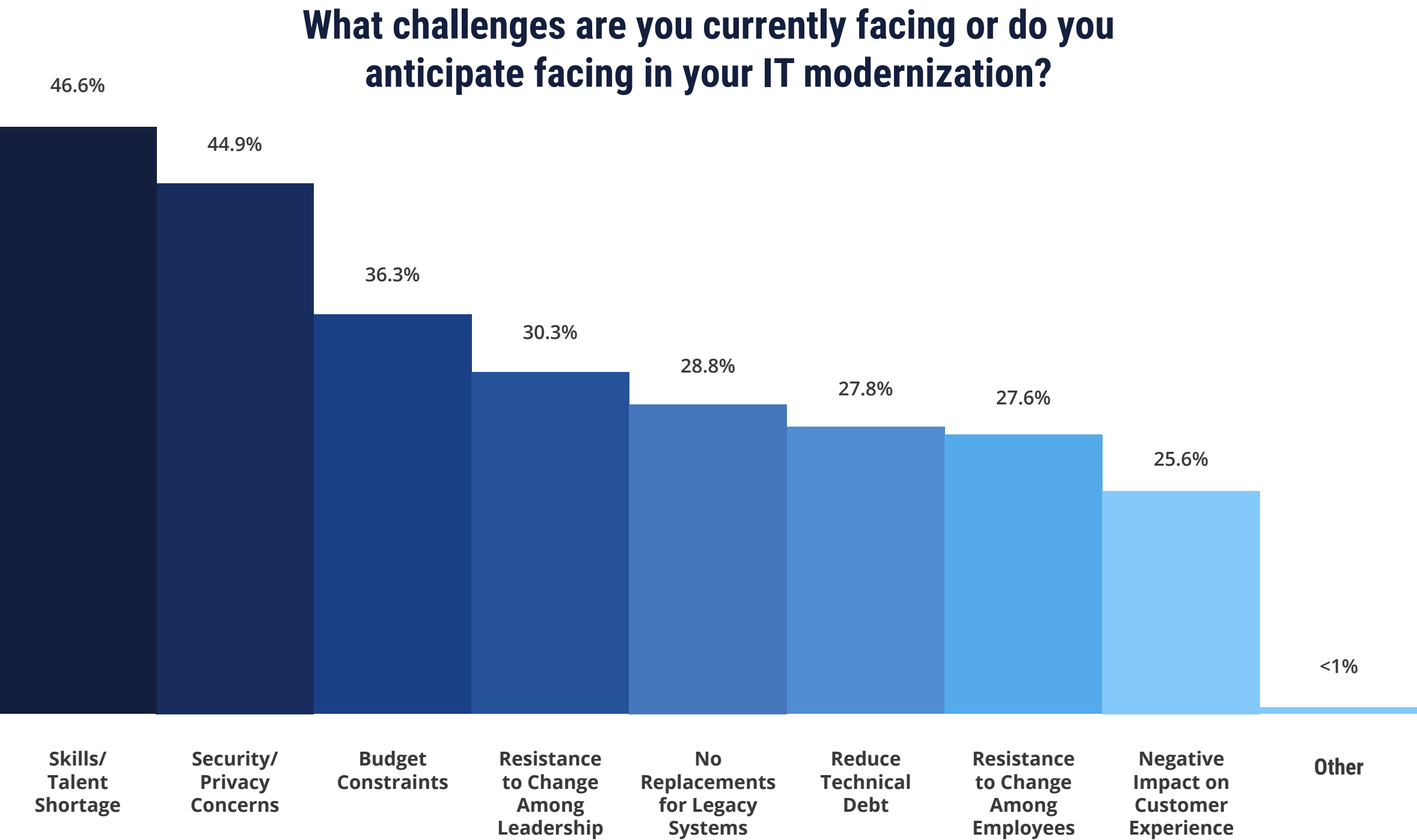**45%**

Security/Privacy
Concerns

36%

Budget
Constraints

30%

Resistance
to Change

The Challenges in IT Modernization

IT modernization, though, is fraught with challenges. Respondents indicated several different obstacles:

What challenges are you currently facing or do you anticipate facing in your IT modernization?

46.6%

44.9%

36.3%

30.3%

28.8%

27.8%

27.6%

25.6%

<1%

Skills/
Talent
Shortage

Security/
Privacy
Concerns

Budget
Constraints

Resistance
to Change
Among
Leadership

No
Replacements
for Legacy
Systems

Reduce
Technical
Debt

Resistance
to Change
Among
Employees

Negative
Impact on
Customer
Experience

Other

Tech Innovation

A core component of IT modernization is improving the software and hardware that make up the business computing infrastructure. This process may involve simply upgrading existing infrastructure, which includes replacing current equipment or software with new or comparable versions, such as cloud solutions. It can also entail integrating newer or cutting-edge technologies.

Integrating these technologies provides **enhanced functionality** that can improve business operations and competitiveness. Our survey respondents addressed these new technologies across three vectors: technology types/strategies, motivation for adoption, and supporting new technologies.

TECH INNOVATION

COST OPTIMIZATION

COST OPTIMIZ

SKILLS SHORTAGES

BUSINESS CONTINUITY

DATA PROTECTION

DATA PROTECTION

BUSINESS CONTINUITY

IT MODERNIZATION
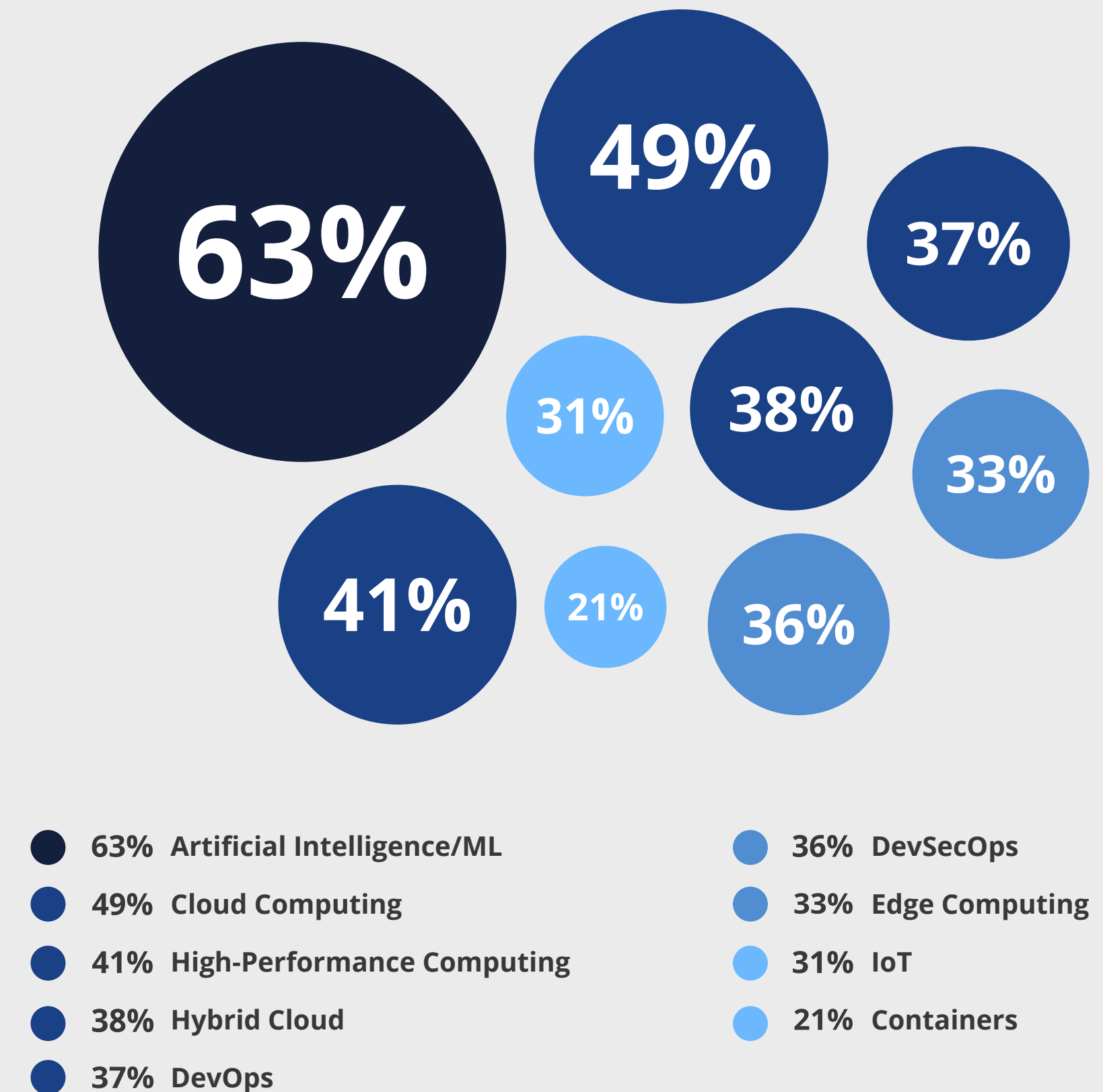
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METHODOLOGY

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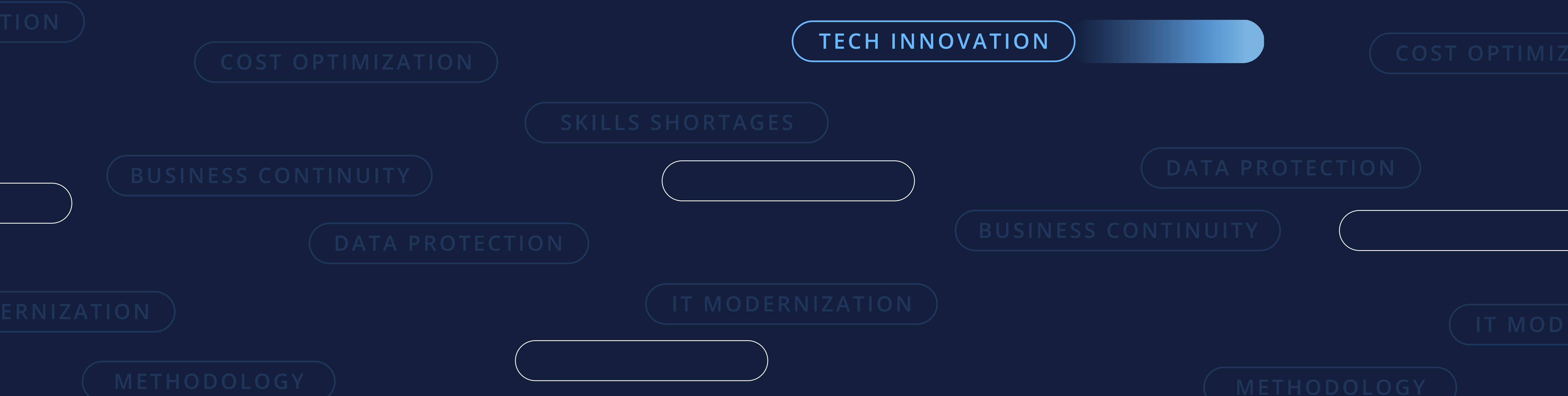
Technology Types & Strategies

In our survey we looked at a cross-section of technologies and/or technology strategies. In short, **99% of IT decision-makers plan to adopt or invest in emerging technologies and strategies for their organization over the next 12 to 24 months.** The table to the right indicates the types of technologies or technology strategies and the respective percentage of respondents indicating their intent to adopt:

Interestingly, some technologies and strategies align with the priorities and motivations in IT Modernization. For instance, **44% of respondents prioritize "cloud migration"** in their modernization plans.

Additionally, AI and machine learning are increasingly applied in cybersecurity, with many providers using these technologies to automate monitoring and threat identification.
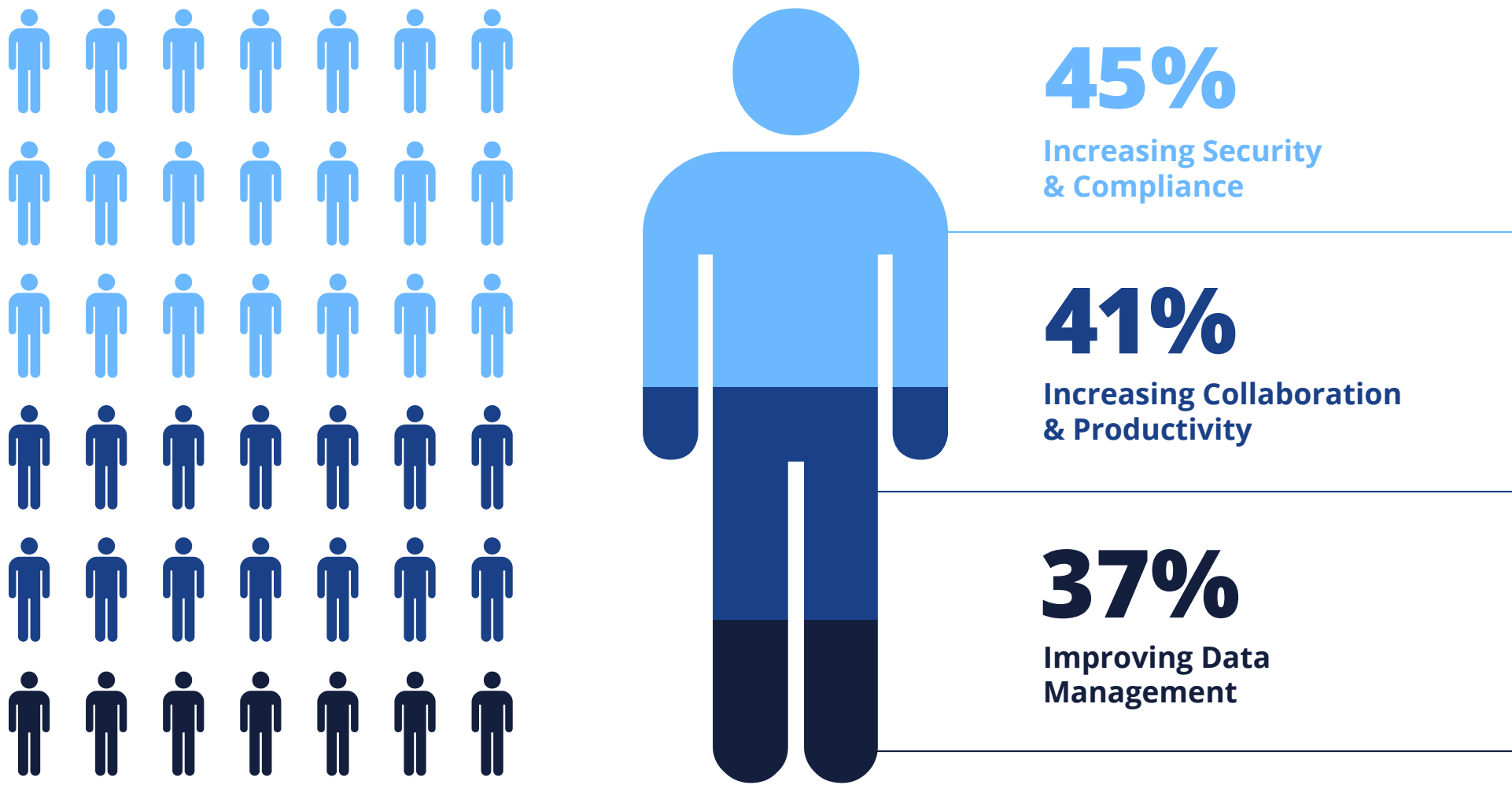
TOP Strategies & Technologies for Organizations to Adopt

63%
49%
37%
31%
38%
33%
41%
21%
36%

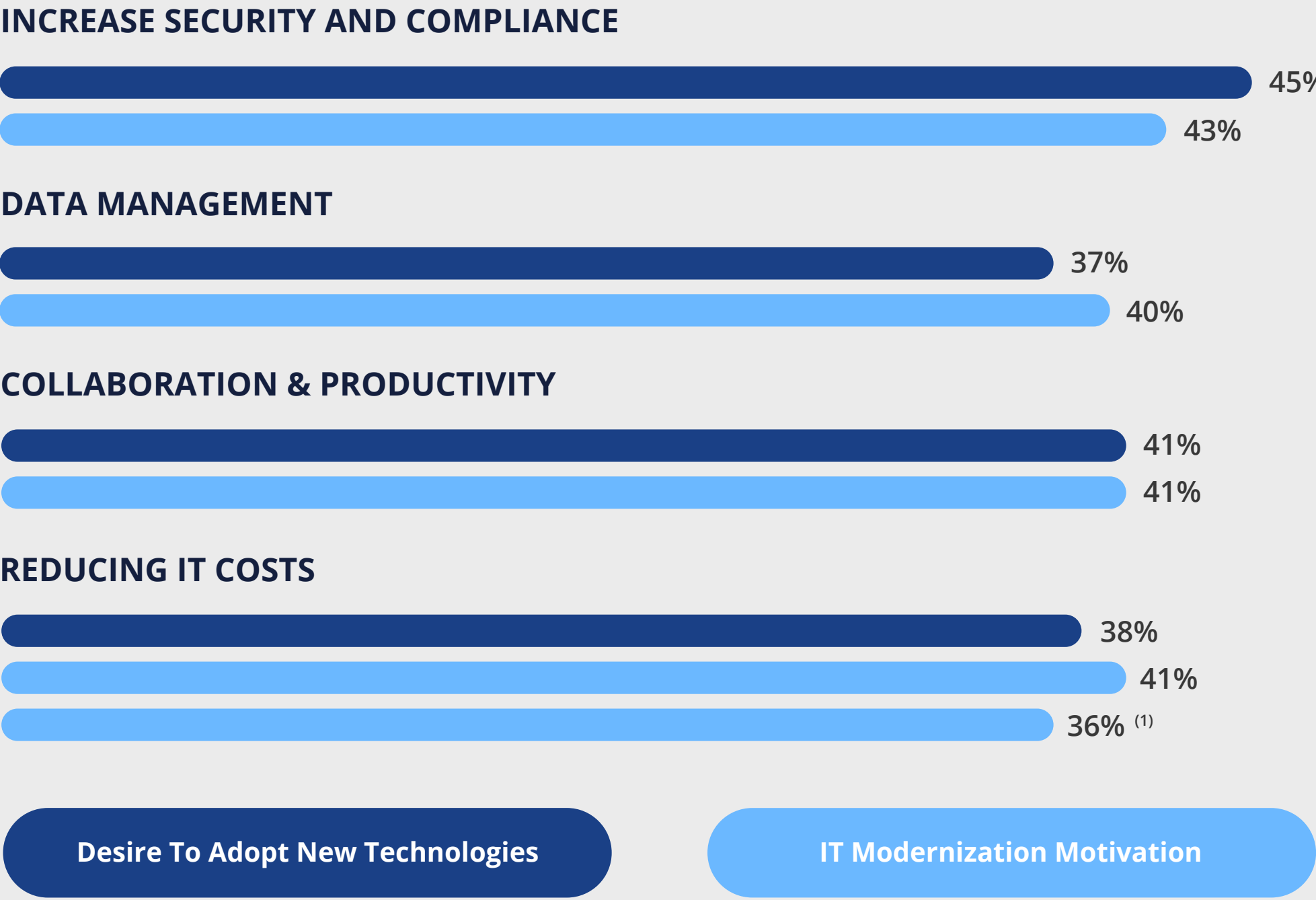|	
● **63%** Artificial Intelligence/ML	● **36%** DevSecOps
● **49%** Cloud Computing	● **33%** Edge Computing
● **41%** High-Performance Computing	● **31%** IoT
● **38%** Hybrid Cloud	● **21%** Containers
● **37%** DevOps	

Motivation for Adoption

Evaluating new technologies is a **crucial aspect** of any IT organization. However, this process demands resources and strategic guidance. Therefore, understanding the factors that influence the technology choices of IT decision-makers in small and medium-sized enterprises is essential.

The survey highlighted the main reasons for assessing these new technologies, which are:

45%
Increasing Security & Compliance

41%
Increasing Collaboration & Productivity

37%
Improving Data Management

As you can see, each motivation for adopting emerging technologies aligns with the motivations and drivers in IT modernization:

INCREASE SECURITY AND COMPLIANCE

45%
43%

DATA MANAGEMENT

37%
40%

COLLABORATION & PRODUCTIVITY

41%
41%

REDUCING IT COSTS

38%
41%
36% (1)

Desire To Adopt New Technologies

IT Modernization Motivation

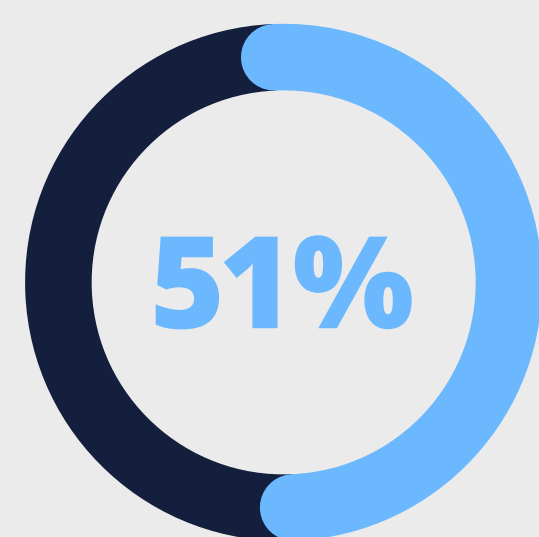(1) The desire to adopt new technologies to reduce IT costs aligns with motivations like "upgrading infrastructure/hardware" and "migrating to cloud services." Cloud services can lower costs, and consolidating infrastructure into more efficient equipment can also reduce overall IT expenses.
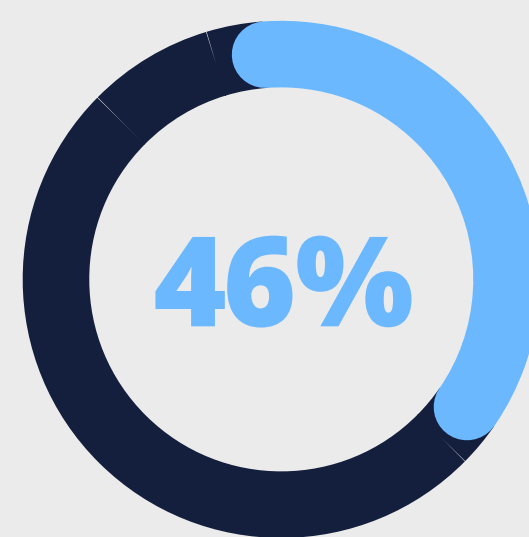
Supporting New Technologies

While adopting new technologies can significantly help the business, they also come at a cost. Businesses must develop a strategy for supporting these technologies. Without a clear strategy, organizations may implement technologies incorrectly or fail to operationalize them effectively, undermining the support employees need to use these tools.
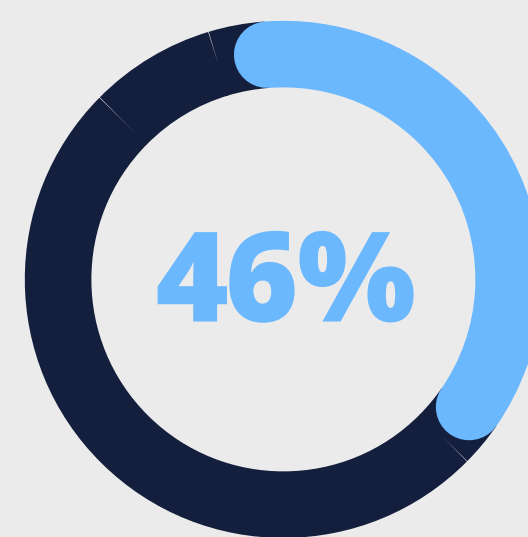
45%

A noteworthy observation shows how some of the support plans **align with general IT modernization**. For example, the first and third graphs align with the IT modernization priority of "upgrading/hardware infrastructure" (45%).*

* Referencing graph on page 3.

For survey respondents, plans for support included:

51%
New & Upgraded Software

46%
Upskilling Current Employees

46%
New & Upgraded Hardware
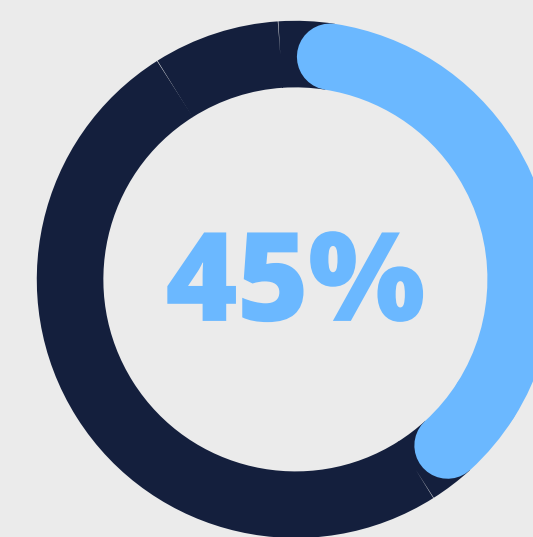
45%
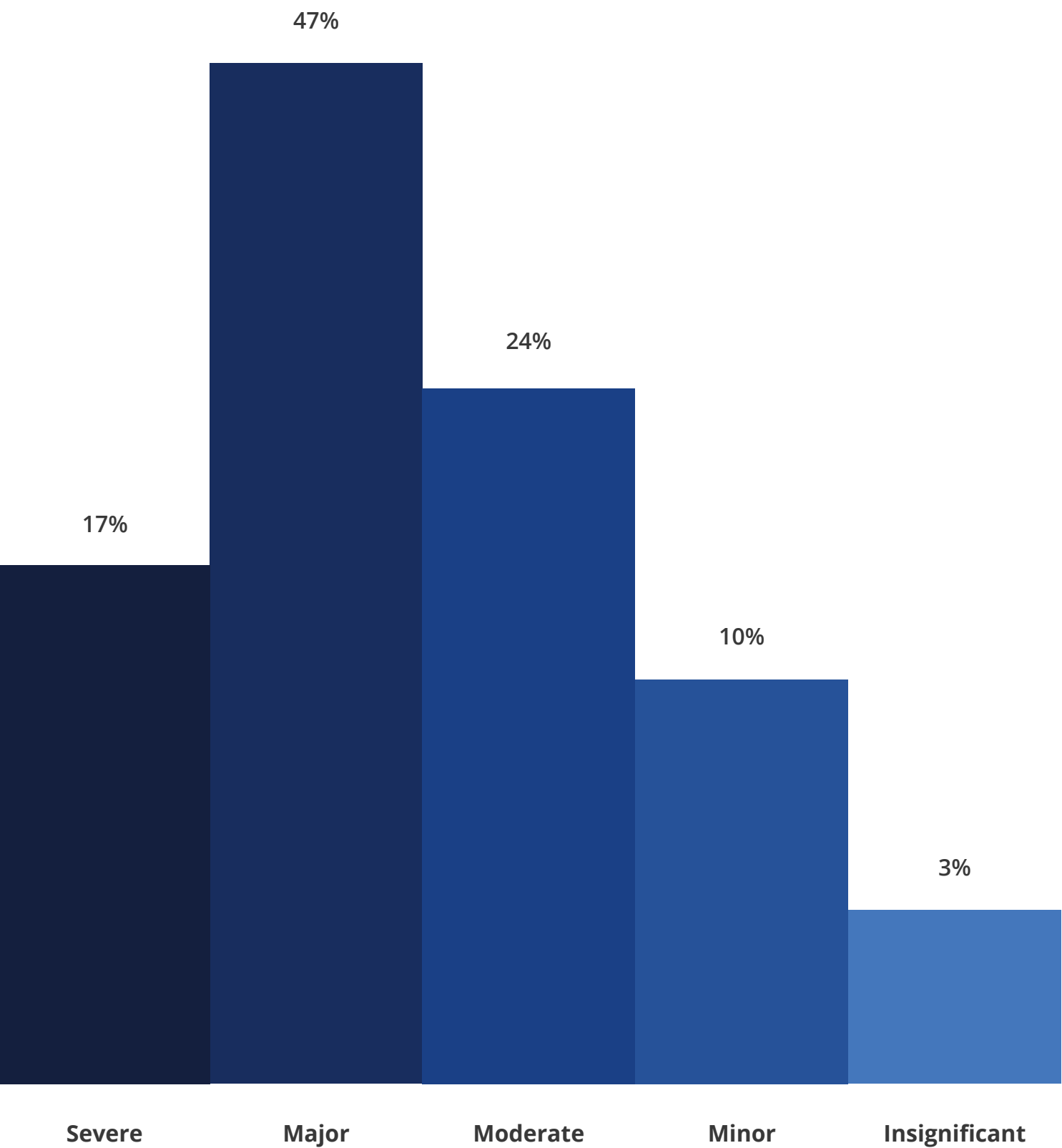Managed Service Providers to Support In-House Teams

Skills Shortages

Skills are crucial for IT modernization and technical innovation. Without expertise in areas like cloud migration and optimization, efforts can fail, leading to increased costs and reduced productivity. However, these skills are scarce. IDC predicts that by 2026, **over 90% of organizations will experience an IT skills crisis,** resulting in $5.5 trillion in losses due to product delays, impaired competitiveness, and loss of business. Unsurprisingly, 97% of survey respondents report feeling the impact of this shortage to varying degrees.

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TECH INNOVATION

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COST OPTIMIZ

BUSINESS CONTINUITY

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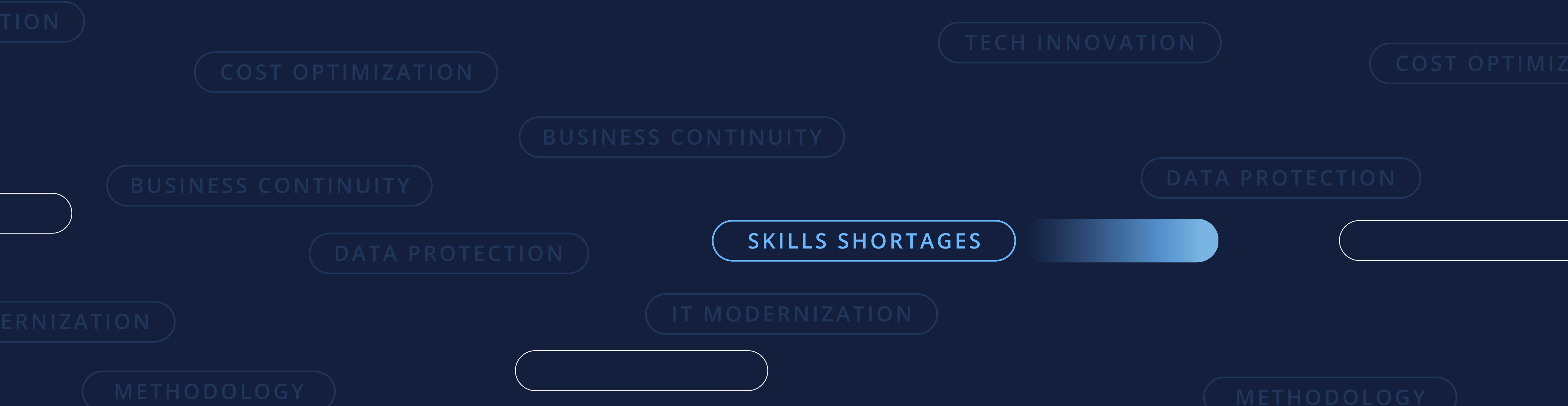
Impact of IT Skill Shortages

- 47% — Major
- 24% — Moderate
- 17% — Severe
- 10% — Minor
- 3% — Insignificant

Severe   Major   Moderate   Minor   Insignificant

Over 87% of respondents, indicated that these skill shortages will, at the least, have a moderate to severe impact on the business *(64% indicated at least a major impact)*. Therefore, the perceived difficulty in finding specific skills among prospective new hires aligns with the new technologies and IT modernization initiatives they aim to accomplish.

Additionally, 37% of respondents reported difficulty finding cybersecurity skills. As highlighted in this report, **cybersecurity is crucial for many businesses**, and the IT skill shortage could jeopardize these initiatives.

AI & MACHINE LEARNING

- 63%
- 45%

CLOUD COMPUTING

- 49%
- 32%
- 32% [1]

Percentage of Respondents Adopting New Tech

Skill Shortage for That Tech

[1] Respondents specifically identified Software as a Service skills shortage (32%) and Cloud Automation skills shortage (32%) which align collectively with the cloud computing IT modernization priority.

Cost Optimization

As highlighted in the Tech Innovation section, **reducing IT costs is a key driver for 38% of respondents adopting new technologies**. While cloud services offer significant productivity and security benefits, managing costs effectively is crucial.

Our research found that 40% of IT budgets are allocated to cloud platforms, SaaS, and infrastructure, underscoring the need for cost optimization strategies to maximize cloud investments.

TECH INNOVATION

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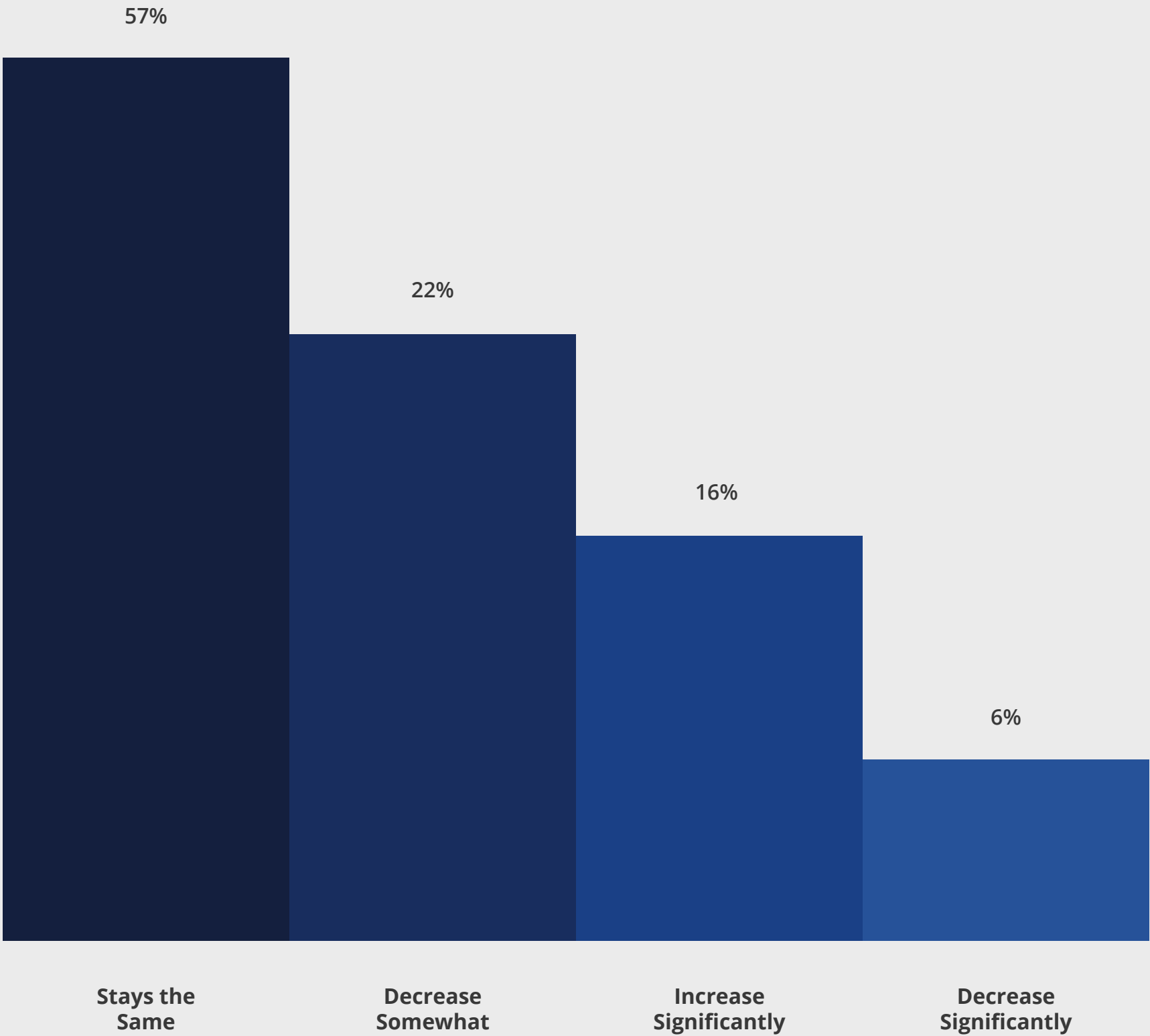
ERNIZATION

METHODOLOGY

METHODOLOGY

72% of respondents expect their IT budgets for cloud services to increase over the next two years, underscoring the industry's reliance on cloud technologies despite rising costs. To manage these expenses, 73% have implemented cost-saving measures, with 83% finding them effective.

72%

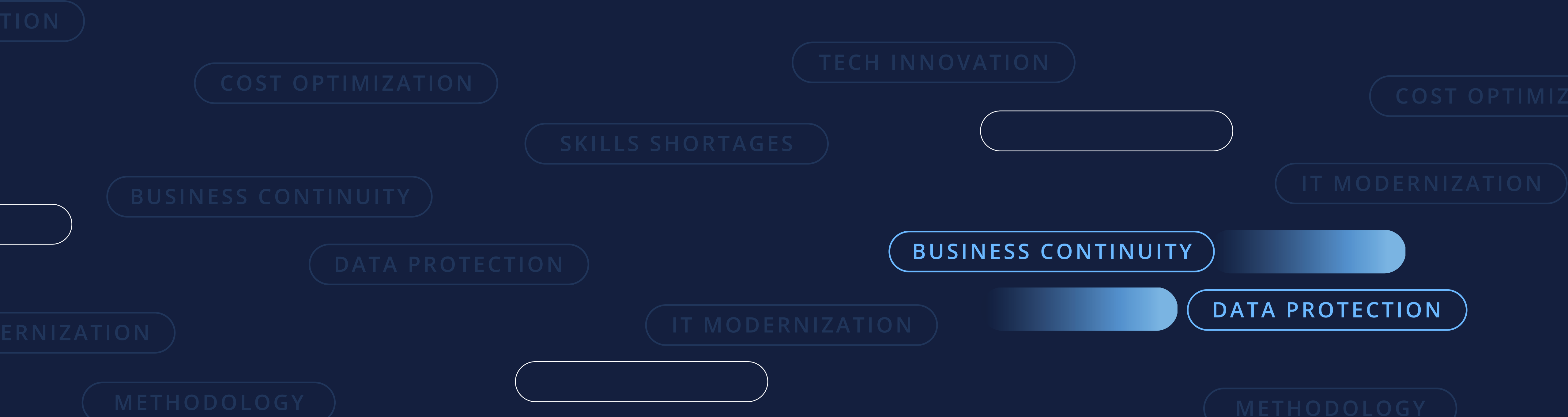**Expect their IT budgets for cloud services to increase over the next two years**

IT Budget Allocated to Cloud Services (Next 12 Months)

57%

22%

16%

6%

Stays the Same

Decrease Somewhat

Increase Significantly

Decrease Significantly
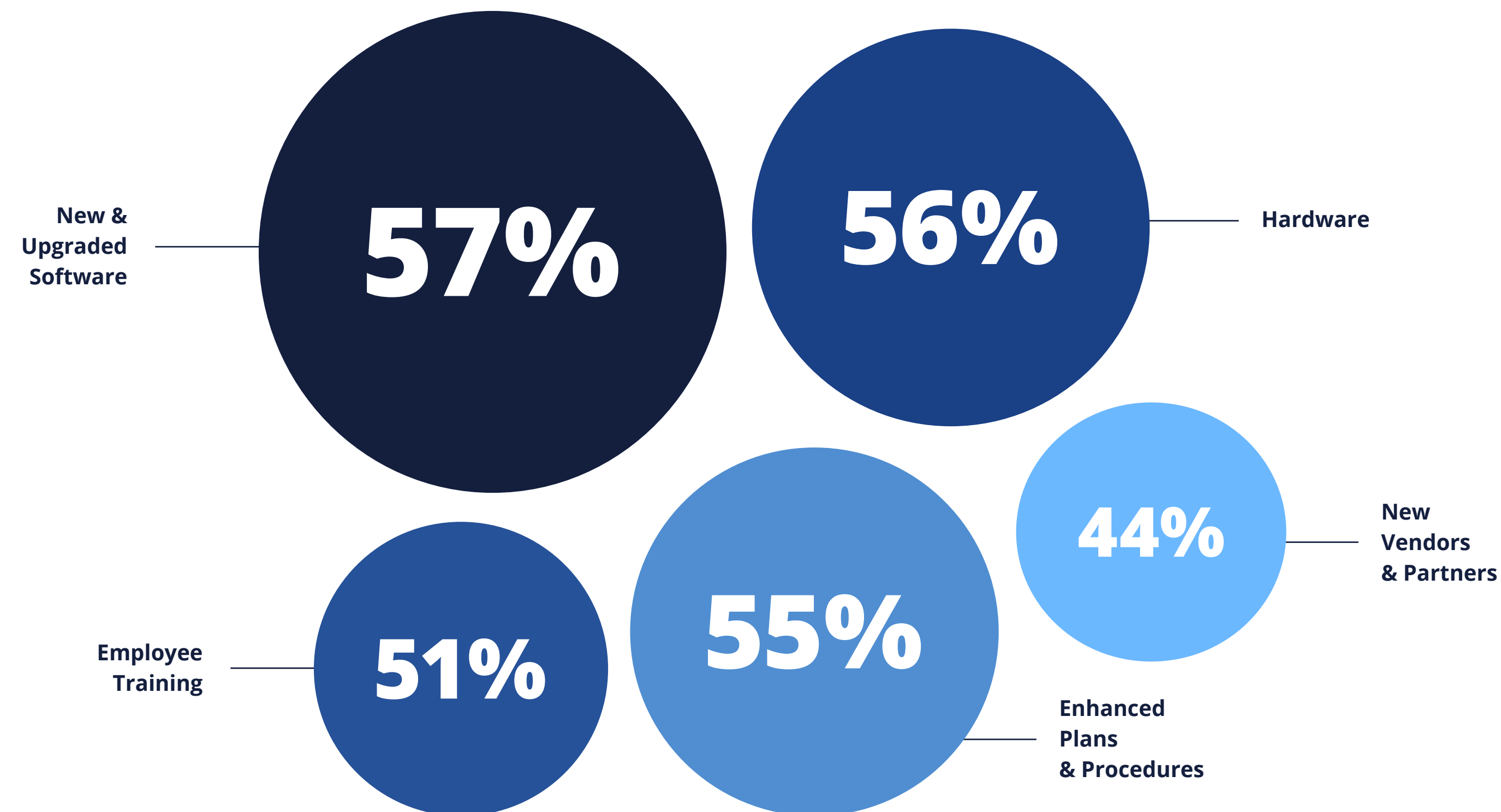
Business Continuity & Data Protection

As mentioned in the prioritization subsection of the IT Modernization part of this report, **businesses relying on multiple data sources must ensure business continuity and data protection**.

Interruptions can severely impact operations and revenue, whether caused by hackers or data corruption. This underscores the importance of having robust, regularly tested continuity and protection plans.

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According to our respondents, **3 out of 4 organizations (74%) reported implementing a mix of additional measures over the past 12 months to ensure business continuity and data protection**. These measures included a variety of approaches including:

57%

New & Upgraded Software

56% — Hardware

44% — New Vendors & Partners

51% — Employee Training

55% — Enhanced Plans & Procedures

86%

86% percent of respondents are confident in their organization's ability to recover critical data and systems after a disaster, though only 35% feel fully confident. This suggests a reliance on **multiple solutions**—hardware, software, people, and processes—which adds complexity. To manage this, 65% of organizations conduct continuity tests at least once a month.

Conclusion

This study highlights several critical challenges and opportunities for organizations aiming to modernize their IT infrastructure with their existing in-house resources. Key issues include IT talent shortages, cloud cost optimization, business continuity, and cybersecurity. These challenges are interconnected and **significantly impact the ability of businesses to adopt emerging technologies like AI and cloud computing effectively**.

The study reveals that while organizations are eager to implement these technologies to enhance productivity and reduce costs, they often face difficulties due to a lack of skilled IT professionals. Additionally, managing cloud expenses and ensuring robust disaster recovery and cybersecurity measures remain **top priorities** for IT leaders. A Managed Services Provider (MSP) can play a crucial role in addressing these challenges by offering strategic support and expertise.

MSPs can help address IT skills challenges by providing access to experienced professionals who can implement and manage new technologies. They can also assist in developing a comprehensive cloud strategy that includes cost optimization measures and the integration of AI and ML technologies. Moreover, MSPs offer robust disaster recovery solutions and advanced cybersecurity measures, ensuring business continuity and data protection.

By partnering with an MSP, organizations can **enhance their IT capabilities, optimize costs, and ensure a secure and resilient IT environment**, enabling them to focus on innovation and growth.

Contact the TierPoint Sales Team

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