



WHITEPAPER

# The 2027 Midsize IT Budget Playbook

## How to Build Organizational Budget Confidence

### Key Takeaways

- ✓ **Planning Horizons Remain Misaligned** 34% of organizations plan one to two years out, while 39% focus on three to five years, creating tension in long-term budget confidence.
- ✓ **AI Adoption Depends on Strong Foundations** While 56% list AI as a priority, 90% report skills shortages impacting adoption. Organizations must secure data, operations, and networks before investing.
- ✓ **Cloud Visibility Remains Elusive** 42% of leaders struggle with exact cloud spend visibility. Establishing continuous FinOps practices is required to convert unpredictable costs into strategic assets.
- ✓ **Optimization Creates Capacity for Innovation** Microsoft licensing decisions and VMware planning cycles are strategic windows to reclaim budget, align workloads, and fund future initiatives.
- ✓ **Execution Requires Extension** With 90% of leaders lacking necessary skills, partnering with a strategic Managed Services Provider (MSP) provides the specialized expertise needed to execute long-term roadmaps. It also shifts unpredictable capital expenditures (CapEx) into more predictable operational expenditures (OpEx) for consistent outcomes.

## Defend Investments And Reduce Operational Risk

IT leaders currently operate in a high-pressure environment defined by a profound challenge: securing budget confidence amid flat funding and competing modernization priorities. The board demands rapid progress on artificial intelligence (AI), cloud modernization, and robust security, yet infrastructure and operations teams are often constrained by skills shortages and disconnected planning cycles. This whitepaper details a structured approach to bridge this gap, offering a methodology to defend investments and reduce operational risk.

By analyzing the systemic challenges of isolated decision-making, we identify the cascading consequences of stranded investments, uncoordinated spend, and compromised operational agility. The solution lies in a unified framework centered on four core pillars:

- ✓ **Building the foundation for AI adoption**
- ✓ **Cloud spend control**
- ✓ **Microsoft optimization**
- ✓ **Long-term VMware strategy**

## Where Mid-Market IT Budgets Are Headed

The root cause of budget instability in the mid-market is the fundamental tension in planning horizons coupled with the expectation of exponential innovation on linear budgets. The current landscape forces a divide: a survey of 500 midsize IT decision-makers found 34% of organizations plan one to two years out, reacting to immediate pressures, while 39% attempt to focus on three to five years to accommodate complex infrastructure shifts. This disjointed approach is exacerbated when infrastructure, security, AI, disaster recovery, and cloud are planned independently rather than evaluated cohesively.

Furthermore, the pressure to adopt emerging technologies frequently outpaces organizational readiness. Many companies are rapidly expanding AI initiatives, yet only 30% have formal governance policies in place. This gap between perceived readiness and operational reality creates a systemic vulnerability. Projects proceed without the necessary foundation, leading to stalled initiatives and budget overruns that erode executive trust.

## The Hidden Costs: Operational Fragmentation

The consequences of planning in silos and moving faster than foundational readiness allows are severe. When initiatives like cloud migration, VMware renewals, and AI adoption are treated as separate procurement events, the organization suffers cascading hidden costs.

### Financial Loss and Stranded Investments

Decisions made in isolation result in stranded investments and uncoordinated spend. For instance, nearly one-third of IT leaders believe over 50% of their cloud spend is wasted due to a lack of visibility and governance. Organizations also frequently pay for underutilized software capabilities, such as untapped security features in Microsoft E3/E5 licenses, while requesting net-new budgets for similar third-party tools.

### Downtime and Increased Risk Exposure

Implementing AI faster than your security and governance frameworks can handle often leads to costly downtime and compliance failures. To ensure your AI investments actually deliver business value, you need to establish a strong foundation first. By defining clear policies, ownership, and operational controls before scaling, you minimize security risks and set your organization up for long-term success.

### Soft Costs

The human cost of uncoordinated IT strategy is substantial. With 63% of IT leaders expecting AI to weigh on headcount and only a quarter reporting adequate AI-skilled talent, teams are stretched thin. This leads to burnout, high turnover, and an inability to focus on strategic, business-driving innovation, as internal resources are consumed by reactive troubleshooting and managing fragmented systems.

## The Four Pillars of Budget Confidence

To resolve the root causes of budget unpredictability and operational fragmentation, IT leaders must shift from isolated procurement events to cohesive, multi-year strategic planning. This requires addressing four core pillars through the lens of critical decision-making.

## 1. Planning for AI Adoption: Are We Ready to Invest?

The ambition to adopt AI is real, but security, data, operations, and skills readiness remain the gating factors. While 56% of organizations list AI as an investment priority, 9 in 10 IT leaders report that skills shortages have considerably impacted their ability to adopt new technologies (with 53% citing major impacts). Organizations that achieve real ROI from AI don't simply move faster; they establish the right foundation before scaling AI initiatives.

To confidently justify AI spend to the board, organizations must establish a foundational roadmap that includes:

- ✓ **Assessing Current Capabilities** Evaluate how well your existing data, security, identity access, operational processes, and infrastructure can support your proposed AI use cases.
- ✓ **Identifying Priority Gaps** Pinpoint the weaknesses that pose the greatest risk or delay, such as unclear data ownership, excessive access rights, shadow AI, missing governance, or limited operational capacity.
- ✓ **Prioritizing the Foundation** Address the highest-impact gaps first by establishing clear governance processes and building the operational support needed to securely scale AI.

## 2. Cloud Spend Control: Are We Spending Wisely?

Cloud computing consumes a massive share of the IT budget, yet 42% of leaders struggle with visibility into their exact cloud spend. Without dedicated FinOps resources, mid-market IT leaders need practical ways to position cloud spending as a strategic activity rather than an unpredictable cost center. Visibility is the prerequisite for informed decision-making; when every workload is tied to a clear purpose, owner, and measurable business value, IT teams can optimize spend without increasing operational risk.

Applying practical FinOps principles provides the financial controls necessary to confidently forecast future cloud expenses. This involves:

## THE 2026-2027 MIDSIZE IT BUDGET PLAYBOOK

- ✓ **Build Complete Visibility** Understand what workloads are running, who owns them, and eliminate orphaned or unnecessary resources.
- ✓ **Establish Ongoing Financial Management** Implement consistent tagging, cost allocation, and reporting practices to improve visibility, strengthen accountability, and support continuous optimization.

### 3. Microsoft Optimization: Are We Maximizing What We Already Own?

As the board pushes for modernization, IT leaders must absorb higher software costs without breaking a flat budget. The Microsoft renewal cycle should not be treated as an administrative procurement event, but rather a chance to uncover existing investment opportunities and fund innovation. Many organizations are surprised to discover they are paying for underutilized capabilities while requesting new budgets for similar functionality.

Before defending a net-new budget request for tools like Copilot, leaders must ask a simpler question: are we fully using the capabilities we are already paying for? By identifying unused security, productivity, and compliance features, IT can redirect existing spend, build a credible path for AI adoption, and balance financial discipline with innovation.

### 4. Long-Term VMware Strategy: Are Today's Decisions Aligned with Our Next Five Years?

Rather than viewing an upcoming VMware planning cycle as a routine operational task or a prompt to migrate, IT leaders should treat it as a strategic pause and the best opportunity this decade to reset their entire infrastructure roadmap. Planning VMware, cloud, AI, and security in isolated silos leads to stranded investments and uncoordinated spending.

By using this decision point as a launchpad, organizations can evaluate workload placement, align VMware Cloud Foundation (VCF) timelines with hardware refresh cycles, and build a unified 3–5 year hybrid infrastructure strategy. This strategic planning creates an aligned roadmap, synchronized hardware refresh cycles, and the predictable capital expenditure (CapEx) modeling necessary to lock in organizational budget confidence.

## The 2026 Budget Planning Checklist

To synthesize these four pillars, IT leaders must address a strategic checklist to balance short-term agility with long-term business growth:

- ☐ **Define the Foundation Before Funding AI**  
Assess your data, cloud, security, and operational capabilities before investing in new AI initiatives.
- ☐ **Audit Before You Ask**  
Baseline your actual M365 usage before requesting net-new AI budgets.
- ☐ **Synchronize Your Cycles**  
Align major technology decision points including Microsoft licensing, VMware planning, cloud investments and hardware refresh cycles to improve budgeting and reduce unplanned spending.
- ☐ **Implement Financial Controls**  
Establish FinOps practices to map cloud spend directly to business value.
- ☐ **Assess Your Execution Gap**  
Evaluate whether your team has the capacity, skills, and operational bandwidth to execute your roadmap successfully.



## The Role of a Trusted Partner

Mid-market IT teams are often caught between the board's ambition and their own operational realities. Because 90% of IT leaders are struggling with skills shortages, executing across AI, Microsoft, VMware, and cloud optimization simultaneously is rarely feasible in-house. Partnering with a strategic managed service provider (MSP) acts as an extension of the IT team, helping organizations build budget confidence and reduce operational risk.

The right partner helps organizations make more informed technology decisions before significant investments are made. Effective planning starts with business priorities, existing technology investments, and long-term goals. That approach helps organizations evaluate options objectively, prioritize the initiatives that matter most, and build greater confidence in every technology decision.

## Take the Next Planning Step

Strategic technology planning focuses on making smart, strategic decisions with your existing resources rather than trying to fund every project at once.

Rather than trying to tackle everything simultaneously, the goal is to clearly sequence your investments. By identifying what needs immediate action and what can wait, you ensure every dollar spent aligns with your long-term IT roadmap.

**Schedule your complimentary Technology Investment Planning Session.**

### About TierPoint

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