

The background of the entire slide is a blurred photograph of several runners in motion on a track. The runners are wearing various colored athletic gear, including orange, blue, and red. The motion blur is horizontal, suggesting speed and forward movement.

**NODE4+**

# Mid Market Report

Unlocking Growth  
in the Mid-Market



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Richard Moseley, CEO

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# Introduction

I'm proud to introduce the latest edition of our flagship Mid-Market Report - a piece of work that marks the continuation of a well-established research programme at Node4 and represents our most ambitious effort yet to understand the opportunities and challenges facing the UK's mid-market.

This year's edition is broader in scope and deeper in insight than ever before. Based on original research involving more than 600 senior decision-makers across six industry sectors, and structured around 20 targeted questions, the report offers a comprehensive view of how the mid-market is evolving in the face of unprecedented change.

What's clear from this year's findings is that the mid-market continues to be a powerful, resilient engine of the UK economy - but one that is not without friction. Our analysis explores the many dimensions of this, revealing where the most promising opportunities for growth and productivity lie, and where organisations are being held back - whether by internal inertia, structural challenges, policy gaps, or broader economic pressures.

For the first time, we've also gone beyond the IT function to capture the views of both business and technology leaders. This gives us a richer, more balanced perspective on key technology-related issues and shines a light on where alignment - and misalignment - between the two is shaping investment priorities and outcomes.

The research shows how deeply the UK's current economic climate influences IT budgets, resourcing decisions, and transformation ambitions among the

core themes. Companies are under pressure to do more with less, prompting a laser focus on productivity and efficiency, but not always with a clear roadmap to get there.

Artificial Intelligence is a perfect illustration of this paradox. The mid-market is excited by AI's potential to bridge skills gaps, increase efficiency, and even reduce dependency on headcount. But there is a clear shortfall in the capabilities required to adopt and operationalise these technologies effectively.

We also explore the evolving nature of hybrid work - now a permanent feature of business life, but still a source of inefficiency and inconsistency for many - and how organisations balance flexibility with productivity. Sustainability is another key theme, as companies weigh the long-term benefits of a greener agenda against near-term cost pressures and shifting expectations.

Finally, we take a closer look at the critical issue of skills. With talent availability and retention more challenging than ever, organisations are having to rethink not just their hiring strategies but also how they nurture and grow the capabilities they already have. There's also a growing consensus that government policy has a role to play in addressing mid-market workforce shortages - and a call for more targeted support.

Whether you're a business leader, technology strategist, or policymaker, we hope the insights in this report help you better understand the forces shaping the UK's mid-market today - and where the greatest opportunities lie for tomorrow.

**Richard Moseley**  
Chief Executive Officer



# Key findings

1.

48% of mid-market leaders are responding to the current economic climate by increasing IT investment to drive efficiency and competitiveness. Just 16% intend to reduce spending or delay investment, showing that technology is seen as a growth enabler.

2.

97% of mid-market companies plan to migrate applications and workloads from their public cloud environments to private cloud, on-premises, or colocation services within 12 months. Our findings indicate that 49% will repatriate a few specific applications, 43% will migrate a significant proportion, and 5% intend to remove everything.

3.

92% of mid-market leaders are confident in their organisation's ability to prevent and respond to cyber-attacks. That's despite just 36% having resolved compliance and data security risks associated with hybrid work - and over half reporting security or performance challenges across their hybrid infrastructure.

4.

Cybersecurity confidence declines as organisations move further into the cloud. 94% of organisations running primarily on-premises say they're confident in their ability to prevent and respond to cyberattacks. That number falls to 78% for fully cloud-based organisations. Given the advanced security capabilities built into most public cloud platforms, we might expect greater confidence, not less.

5.

Almost 70% of mid-market organisations favour some form of hybrid working model, with 25% planning to adopt a "remote-first" approach, 22% maintaining their current hybrid model, and 20% expanding remote work options. Nevertheless, around one in ten plan to reduce remote working opportunities in the next 12-18 months.

6.

Five years after COVID, most mid-market organisations have been slow to resolve fundamental challenges associated with hybrid and remote working. These include network security and connectivity and provision of remote collaboration tools - as well as IT cost-related issues. Significant organisational and cultural challenges around productivity, engagement, and inclusivity also remain.

7.

95% of fully office-based mid-market organisations fail to exploit secure, reliable, and scalable hybrid networks.

8.

Business expansion and market growth are the top priorities for mid-market organisations over the next 12 months. However, only 10% of Business leaders and 17% of IT leaders intend to use AI to gain a competitive advantage. This tells us that mid-market leaders are investing in IT for growth, but they're not making that leap of faith to invest in AI to deliver it.

9.

93% of mid-market organisations are experiencing an IT skills shortage. Over half (56%) are significantly impacted.

10.

Most mid-market organisations take a hybrid approach to managed services, with around a third fully outsourcing their IT operations. Almost two-thirds plan to either maintain or expand their use of managed services in the next 12 months.



# Building a Winning Season: Mid-Market Firms Push IT Investment to Stay in the Lead

Part One



# Strategic priorities, growth potential and the current economic climate

## IT spending and investment as drivers for growth

How is the current economic climate influencing your IT budget and investment plans?

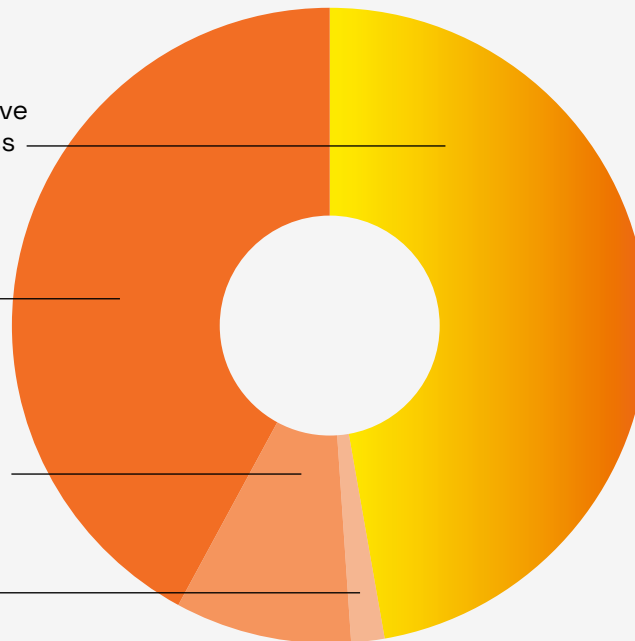
Influence of economic climate on IT budget and investment plans

**48%** Increasing IT investment to drive efficiency and competitiveness

**36%** Maintaining IT spending at current levels

**13%** Reducing IT spending and focusing on cost optimisation

**3%** Delaying major IT investments due to budget constraints



Top ten strategic priorities for the next 12 months among mid-market organisations.

Rank	Strategic priority
1	Business expansion and market growth
2	Workforce productivity and skills development
3	Sustainability and net zero commitments
4	Digital transformation initiatives
5	Enhancing customer experience
6	Cost optimisation and efficiency
7	Cybersecurity
8	Automation
9	AI adoption
10	Compliance

## Invest in IT to drive growth

Mid-market organisations see IT spending and investment as key ways of encouraging growth, competitiveness and productivity - with 84% responding to the current economic climate by either increasing or maintaining IT spending and investment.

This aligns with the mid-market's top two strategic priorities: business expansion and market growth, and workforce productivity and skills development. Indeed, the entire list of strategic priorities can be seen through the lens of driving efficiency, improving competitiveness, and optimising costs.

## Invest in IT to drive efficiency

Mid-market organisations are also spending on IT to drive efficiency. We see this extensively within our Digital business unit, where we support clients by installing new warehouse management systems, finance systems, retail ERPs, and order management tools. With IT teams under pressure to demonstrate value for money and make savings where possible, this is a significant investment area.

***History shows that the most innovative and value-creating companies thrive during periods of uncertainty or downturn. Those who merely strive to survive will do so, but to create great businesses, one must double down during these challenging times.*** **Andrew Warren** | Chief Commercial Officer

## Is IT seen as a cost centre by the wider business?

By contrast, the 16% of organisations that are either reducing or delaying IT spending and investment remind us that - in some mid-market sectors - any stakeholders still see IT as a cost centre. This is why 30% plan to reduce IT headcount to improve productivity and efficiency.

Taken together, these findings demonstrate that IT teams continue to be pressured to accomplish more with less. While these organisations recognise the value of technology in driving growth and achieving broader strategic objectives, they do not always seem to acknowledge this in their IT personnel. This will accelerate the adoption of productivity tools, AI, and automation - and lead to increased reliance on outsourced IT operations.

**“Innovation thrives in tough times, and those who strive will succeed.”** **Andrew Warren**  
Chief Commercial Officer



# We asked IT and Business leaders about the strategies they're prioritising to improve productivity and efficiency in response to economic pressures.

## Here's what they told us.

What strategies is your organisation prioritising to improve productivity and efficiency in response to economic pressures? (Select up to 3)

### IT Leaders

Rank	Strategy to improve productivity and efficiency in response to economic pressures	IT
1	Consolidating IT vendors and renegotiating contracts	38%
2	Investing in automation and AI	34%
3	Enhancing workforce productivity tools	33%
4	Optimising IT and cloud spend	31%
5	Outsourcing IT operations	30%
6	Reducing IT headcount or implementing hiring freezes	29%
7	Reorganising IT and business processes	29%
8	Addressing IT skills shortages	25%

### Business Leaders

Rank	Strategy to improve productivity and efficiency in response to economic pressures	Business
1	Enhancing workforce productivity tools	32%
2	Reducing IT headcount or implementing hiring freezes	31%
3	Addressing IT skills shortages	29%
4	Optimising IT and cloud spend	28%
5	Investing in automation and AI	27%
6	Outsourcing IT operations	27%
7	Reorganising IT and business processes	27%
8	Consolidating IT vendors and renegotiating contracts	22%



## Enhancing workforce productivity tools

Around a third of IT and Business leaders agree on enhancing workforce productivity tools and improving efficiency in response to economic pressures. This aligns with the theme of doing more with less and includes introducing AI assistants such as Copilot within productivity tools to help with content generation - as well as enhanced technology for collaboration, project management and communication.

Our data indicates that mid-market organisations are starting from a relatively strong position, with 33% already using cloud-based collaboration and digital workspaces to improve workforce productivity.

Business leaders place much more emphasis on enhancing workforce productivity tools than IT leaders, ranking it first. In contrast, IT leaders rank it third. That's below consolidating IT vendors (37%) and investing in AI and automation (34%). This reflects the silent strain on IT teams under pressure to deliver more with less and the emerging theme of AI being driven from the bottom up - starting in operations and not from strategy.

***The report tells us that the productivity gap is driven by the failure of businesses to understand the power of technology and vice versa. This has always been the case, but we're at an inflection point in technology development and its use to improve productivity.***

**Andrew Warren** | Chief Commercial Officer

## Different AI investment priorities emerge between IT and Business leaders

There is a massive disconnect between IT leadership (34%) and Business leadership (27%) when investing in automation and AI. We'll discuss the ramifications of this in our section on AI. However, this is very much indicative of how each group views the potential of AI to deliver growth, productivity and improved efficiency. Business leaders still think of AI in terms of generative AI apps like ChatGPT. They often aren't aware that they already use AI in many different forms and within multiple applications. By contrast, IT Leaders view AI in much broader terms and, therefore, see it as more transformative.

An aerial view of two orange sports cars racing on a dark blue track. The cars are angled towards the bottom right, leaving white motion blur trails behind them. The track has white lane markings.

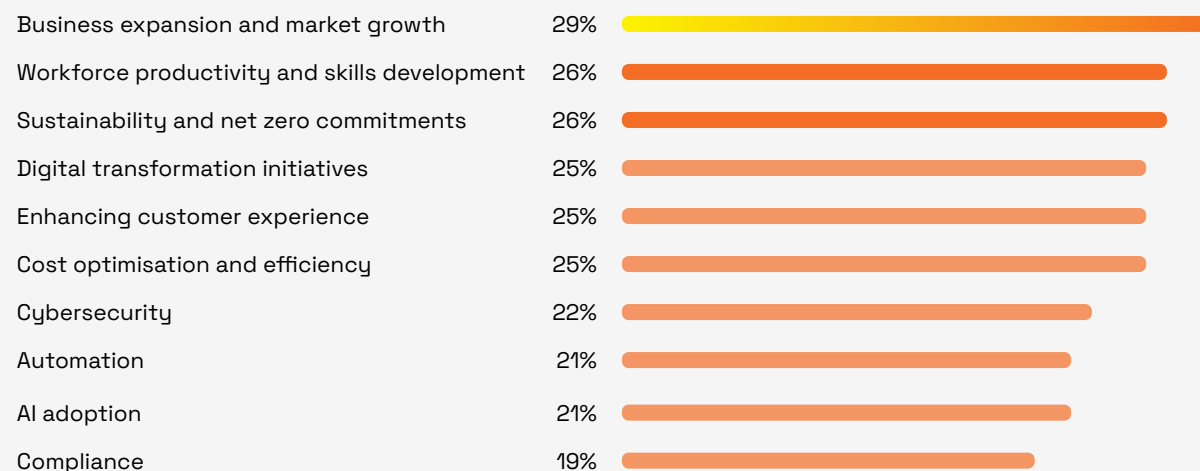
# 33%

**of the mid-market organisations use cloud tools to drive workforce productivity.**

# Top strategic priorities for the mid-market in the next 12 months

What are your organisation's top strategic priorities for the next 12 months? (Select up to 3)

Strategic priority



## A barometer for growth readiness among mid-market organisations

Each priority on this list has the potential to drive growth and productivity while also delivering vital efficiencies and cost savings. But the importance given to each reveals much about the state of (and attitudes towards) critical foundational IT infrastructure necessary to achieve both these goals, particularly in challenging economic conditions.

## An even split across the top six priorities

The top three strategic priorities for mid-market organisations over the next 12 months are business expansion and market growth (29%), workforce productivity and skills development (26%) and sustainability and net zero commitments (26%).

However, our findings show a relatively even split across the top six priorities. This aligns with our experience in the field. When we meet with mid-market organisations, they tell us they're facing a tough business climate, so everything is focused on maximising their potential. Improving workforce productivity and skills development fits with this objective, and, as we'll see later in the report, so does a commitment to sustainability and net zero.

*Companies should work on what they can, focus on critical areas, and start planning for the future. The uncertainty will dissipate faster than expected, and those who are prepared will emerge successfully. While immediate action may not be necessary, putting plans in place is crucial.*

**Andrew Warren** | Chief Commercial Officer

## Why are cybersecurity, compliance and AI so far down the list of priorities?

At the other end of the scale, cybersecurity (22%) and compliance (19%) are given relatively low priority. This links to the fact that over nine out of ten mid-market leaders told us they are confident in their organisation's ability to prevent and respond to cyber-attacks. Most organisations clearly feel they are doing well in this space and prioritising other issues - despite understanding that they face an ever-changing threat landscape. But we would sound a note of caution here, as 31% of mid-market leaders say they are not taking active steps to address cybersecurity threats.

Meanwhile, AI adoption ranks just ninth, which highlights a persistent blind spot. Many mid-market organisations have yet to fully grasp the connection between AI investment and their desired outcomes - growth, productivity, and efficiency. As AI becomes more accessible and embedded in core business tools, this gap may become a competitive liability.

## Are IT and Business leadership priorities aligned?

### IT Leaders

Rank	Strategic priority	IT
1	Business expansion and market growth	30%
2	Cost optimisation and efficiency	29%
3	Workforce productivity and skills development	28%
4	Sustainability and net zero commitments	28%
5	Digital transformation initiatives	27%
6	Enhancing customer experience	26%
7	Cybersecurity	24%
8	Automation	23%
9	AI adoption	23%
10	Compliance	20%

### Business Leaders

Rank	Strategic priority	Business
1	Business expansion and market growth	29%
2	Workforce productivity and skills development	24%
3	Sustainability and net zero commitments	24%
4	Digital transformation initiatives	24%
5	Enhancing customer experience	24%
6	Cost optimisation and efficiency	21%
7	Cybersecurity	21%
8	Automation	20%
9	AI adoption	19%
10	Compliance	18%

### IT leadership focuses on cost optimisation

IT leaders are concerned about budgets. Almost a quarter told us that budget constraints are having the biggest influence on their organisation's IT strategy. Within that group, 68% are taking active steps to address the issue, and 64% expect to make progress in the next 12 months. As such, it makes sense that this group places a much higher emphasis on cost optimisation and efficiency - giving it the second highest priority, while their Business peers rank it sixth. This is the most significant opinion split between the two respondent groups in terms of strategic priorities for the next 12 months.

It's also interesting to note the gaps that emerged between IT and Business respondents regarding digital transformation initiatives (27% vs 24%), cybersecurity (24% vs 21%), automation (23% vs 20%), and AI adoption (23% vs 19%). What do these differences reveal? Many business leaders still see these as IT's responsibility - not as shared, organisation-wide priorities. We believe that this mindset is holding back progress in the mid-market.

***Ensuring productivity without perceived extra spend is a critical challenge for mid-market companies. In my experience in nearly 4 decades in the IT Services industry a common fact is that most organisations commit close to two thirds to maintaining the status quo. This presents an opportunity for mid-market companies to offload everyday tasks that add little value. Companies like ours can provide these essential services at a better price point by using our core competencies.***

**Andrew Warren** | Chief Commercial Officer



## The need for bold leadership

We've already seen indications that IT teams are considered cost centres, not growth enablers. This perception may be compounded because some mid-market leaders are not bold enough to seize the growth opportunities AI presents. Why else might IT and Business leaders rank AI ninth on a list of ten strategic priorities for the next 12 months?

This is where bold, visionary leadership matters. The mid-market needs leadership that can bridge the gap between operational technology and business impact. People who can make the case for investments in new technology, like AI - but also help demonstrate how IT can play a role in areas like cost optimisation, filling skills gaps, and streamlining processes.

Whether it's automation, AI, or cyber resilience, IT can no longer be a back-office function. It's time to shift the narrative from support to strategy.

***Partnering with organisations that understand your goals and offer outcome-based agreements rather than input-based ones is crucial. Instead of simply providing a set number of personnel, the focus should be on achieving specific business improvements.***

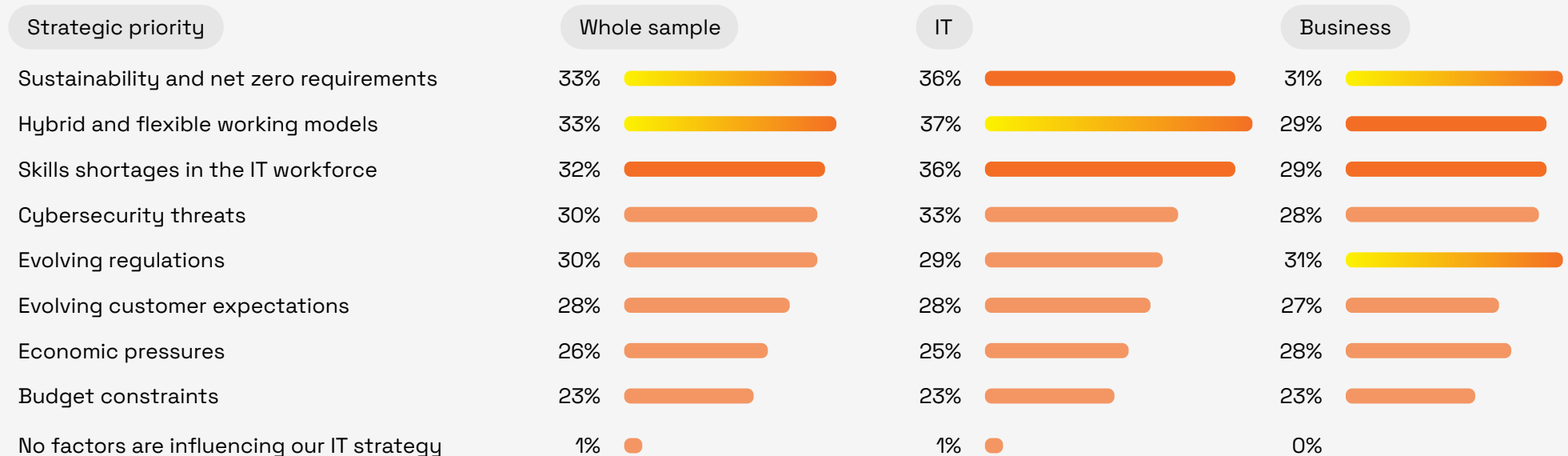
**Andrew Warren** | Chief Commercial Officer

**The mid-market is running towards bridging the gap between operational tech and business impact.**



# What external factors are influencing IT strategies across mid-market organisations?

Which external factors have the most influence on your organisation's IT strategy? (Select up to 3)



Looking across the whole sample, our data shows that sustainability and net zero requirements (33%), hybrid and flexible working models (33%), and skills shortages (32%) have the most influence on mid-market IT strategy.

## Evolving regulation and sustainability cause most concern for Business leadership

For business leaders, the biggest external pressures are evolving regulations and sustainability/net zero commitments - each cited by nearly a third as a major influence. These concerns reflect the growing need to respond to policy shifts, stakeholder expectations, and ESG obligations.

Economic pressure is also more prominent in the minds of business leaders, who weigh rising costs and market volatility as they set strategies. Their concerns indicate a desire for resilient, compliant, and reputation-safe operations.

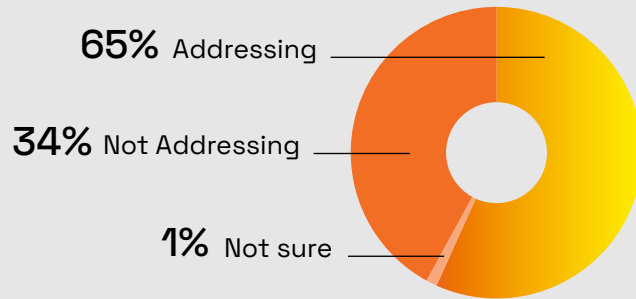
## Hybrid working remains a big issue for IT leadership

In contrast, IT leaders believe hybrid and flexible working models impact their IT strategy most. Hybrid working can pose challenges for IT teams if the technology and security infrastructure are not optimally configured - and, according to our respondents, there is still much work to be done in this area. Part three of the report provides a more detailed analysis of this topic.

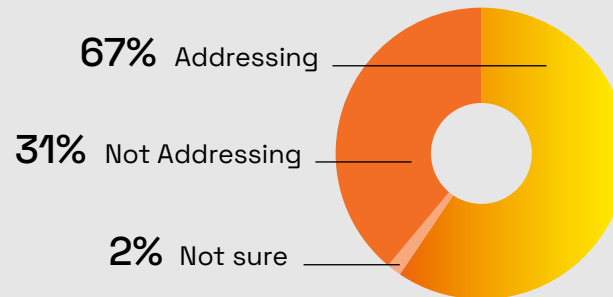


## Are Business leaders taking active steps to address these factors, and do they expect to see results in the next 12 months?

Sustainability



Cybersecurity threats



### Cybersecurity and regulation becoming 'business as usual'

Most mid-market organisations are taking steps to address the most significant external factors that influence their IT strategy. However, a considerable number (around a third) have yet to do so. This includes 31% of mid-market organisations not addressing cybersecurity threats and 34% not dealing with evolving regulations. These figures raise concerns.

Rather than being seen as strategic enablers or risks to competitiveness, they may now view cyber and compliance as operational hygiene - important, yes, but no longer areas where leaders expect to gain strategic ground.

That complacency could prove costly. In today's fast-moving risk landscape, assuming these areas are under control may leave gaps that are hard to close later.

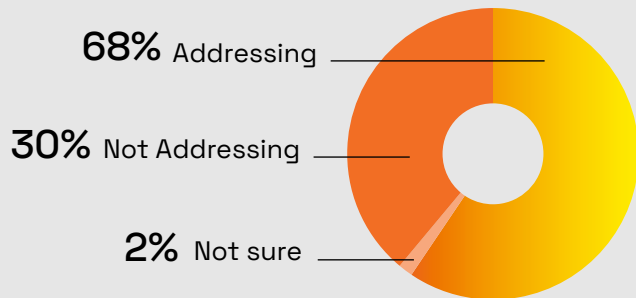
### Skills shortages: The mid-market's top priority in practice

If one issue gets real attention, it's the IT skills shortage. A full 78% of leaders are taking action, and 79% expect to make progress in the next 12 months. This is the highest across all external factors surveyed.

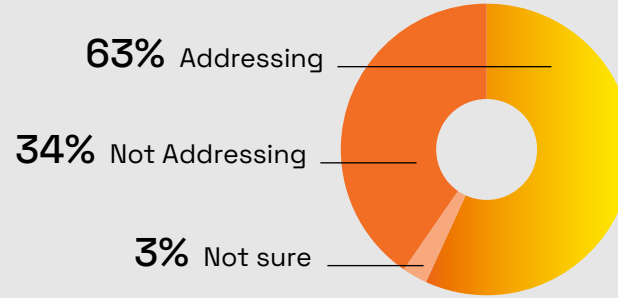
This makes sense: skills gaps are a limiting factor across every strategic objective, from digital transformation to growth and innovation. Organisations know they can't hire, build, or automate their way forward without the right people.

It's a strong signal that the mid-market recognises talent as a core enabler, not just an HR problem.

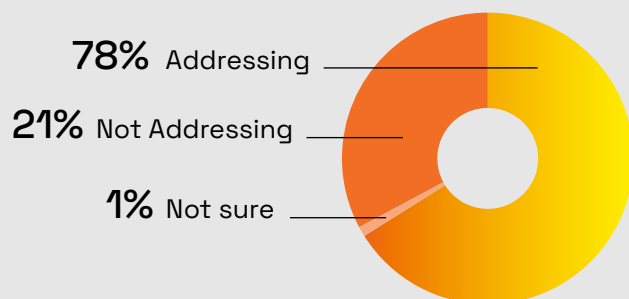
Hybrid/flexible working



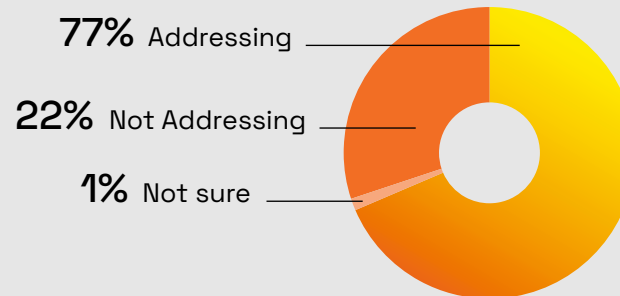
Evolving Regulations



IT skills shortages



Economic Pressures

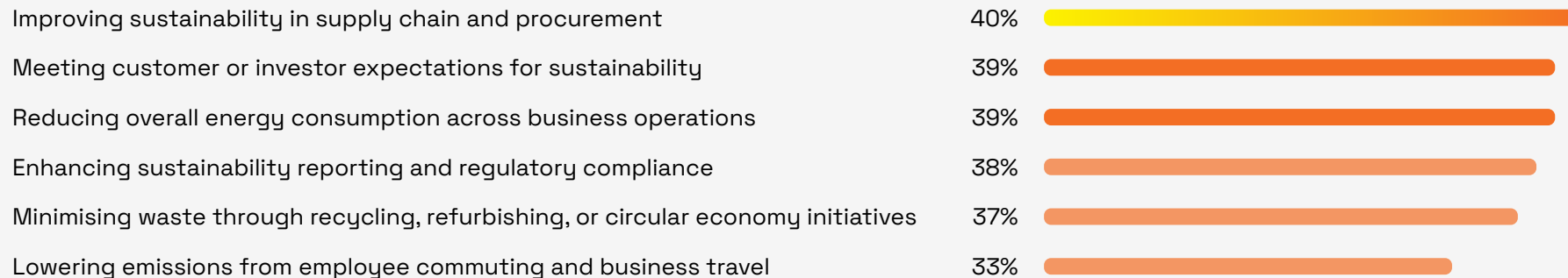


# Sustainability and Net Zero: Delivering business **benefits** or causing administrative **burden**?

Respondents across the board told us that sustainability and net zero are the biggest external influences on their IT strategy - and over a quarter say these commitments are a top strategic priority for the next 12 months. Here, we explore sustainability priorities in more detail and ask what benefits they bring to mid-market organisations. We also ask if they can be tied back to business growth objectives.

What are your organisation's top sustainability priorities? (Select up to 3)

## Top sustainability priorities at my organisation



Improving sustainability in supply chain and procurement is the top sustainability priority for most mid-market organisations. That's followed by meeting customer or investor expectations and reducing overall energy consumption across all business operations (both 39%).

## Scope 3 emissions and supply chain impact

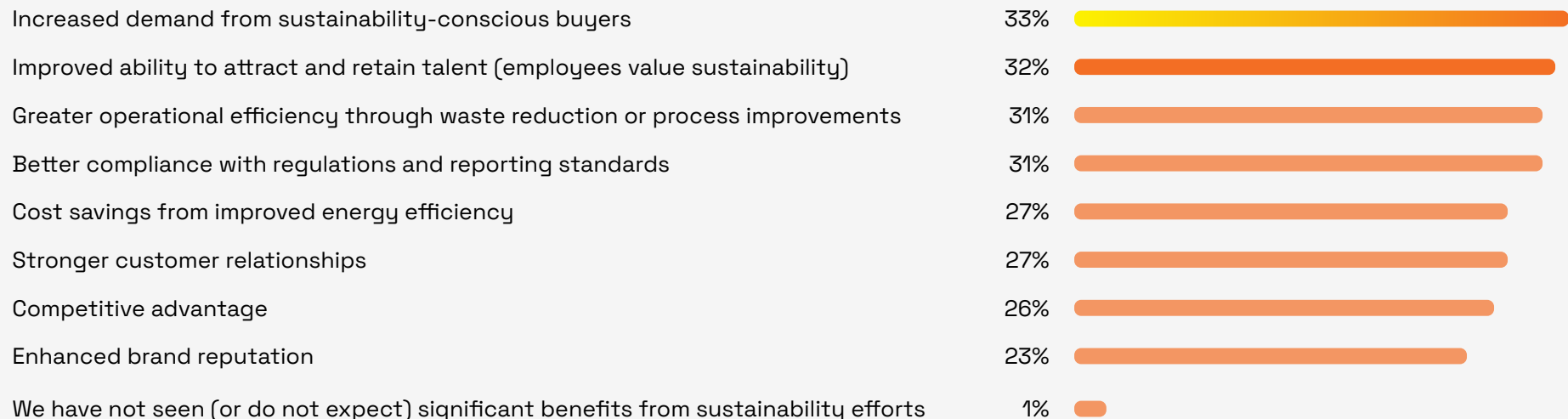
It's tempting to think these results might be a one-off, but in last year's mid-market report, most mid-market leaders told us that improving environmental sustainability and social impact was their top drive for digital transformation.

It's also worth considering these findings in the context that new and evolving regulations, such as the EU Corporate Sustainability Reporting Directive (CSRD), are likely to require organisations to further their Scope 3 emissions improvements. This means larger corporations will want to reduce emissions and push those requirements across supply chains, with an impact felt across the mid-market. For example, many multinational food and consumer goods manufacturers are already asking mid-market transport and logistics companies to offer sustainable services such as electric lorries or EVs for last-mile deliveries - and to switch from road to rail for long-haul trunking between major logistics hubs.

# What **benefits** do mid-market organisations expect from adopting **sustainability initiatives**?

What are the biggest benefits your organisation has seen (or expects to see) from sustainability initiatives? (Select up to 3)

Biggest sustainability benefit for my organisation



## Ability to report on sustainability and net zero credentials

We are talking more often with mid-market organisations that want to improve their sustainability and net zero credentials so they can report progress from a regulatory and supply chain perspective. In part, this aligns with achieving better compliance with regulations and reporting standards, a top priority for 31% of respondents and ranked fourth overall.

## You won't save money, but you might attract talent

Only around a quarter of mid-market organisations think sustainability will deliver cost savings - and we believe it will cost the mid-market more than they will save, at least in the short term.

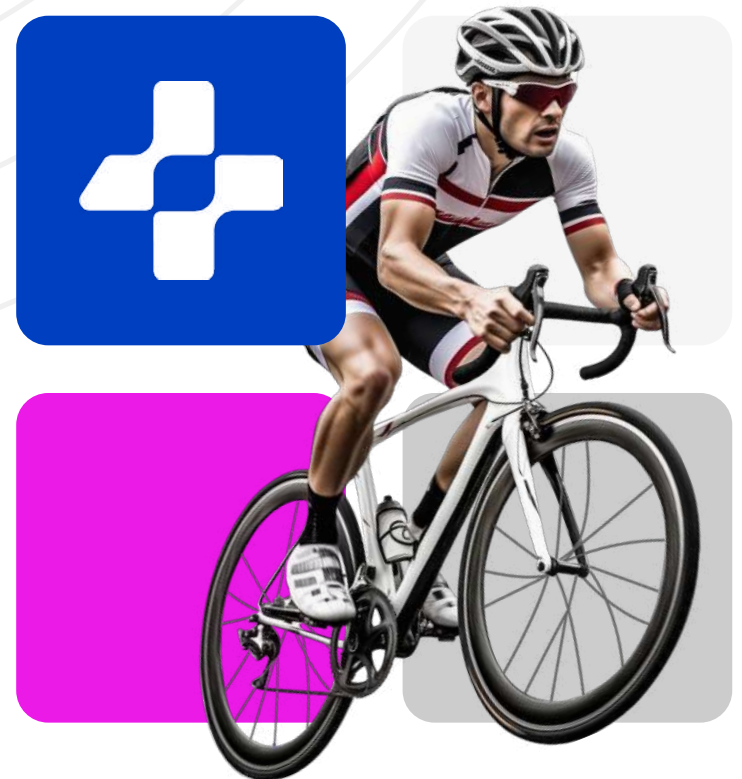
However, sustainability is becoming a key lever in the war for talent. With 32% of mid-market organisations citing improved ability to attract and retain employees, it's clear that a strong sustainability stance now plays a central role in employer branding and workforce engagement - especially among younger employees and prospective candidates.

**Companies can enhance their CRM systems or automate middle and back-office processes using AI to drive productivity. By removing employees from repetitive tasks and using bots, businesses can operate more efficiently. Although implementing these changes immediately isn't required, planning for them can position companies for future success. Even in difficult times, there are actions that can improve everyday performance, and the smart companies are already planning for the future.**

**Andrew Warren** | Chief Commercial Officer

# Shifting Gears: Mid-Market repositions Cloud Strategy with a Focus on Flexibility

Part Two



# Public cloud and the mid-market

Welcome to the era of pragmatic cloud adoption

Is your organisation planning to migrate any applications or workloads from the public cloud to the private cloud, on-premises, or colocation services in the next 12 months?

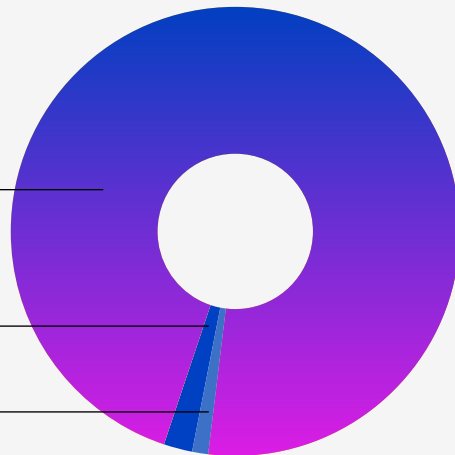
Planned public cloud migration?

**97%** Yes (Net)

49% Yes, a few specific applications or workloads  
43% Yes, a significant portion of applications or workloads  
5% Yes, we are moving everything out of the public cloud

**2%** No, we are not planning any migrations

**1%** Don't know



How does this trend break down across specific market sectors?

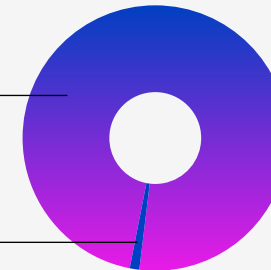
Finance

**99%**

Yes (Net)

**1%**

No plan to migrate



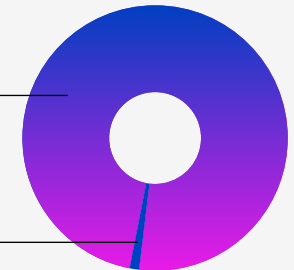
Private Healthcare

**99%**

Yes (Net)

**1%**

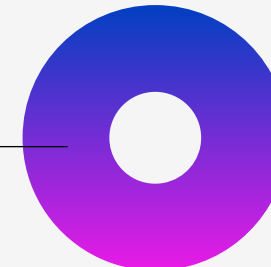
No plan to migrate



Retail

**100%**

Yes (Net)



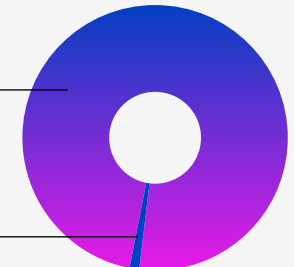
Manufacturing

**99%**

Yes (Net)

**1%**

No plan to migrate



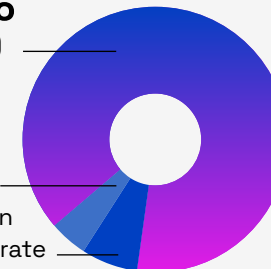
Professional

**88%**

Yes (Net)

**5%** Don't Know

**7%** No plan to migrate



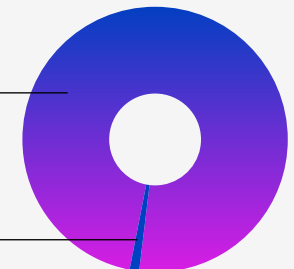
Construction

**99%**

Yes (Net)

**1%**

No plan to migrate





## Choose the cloud solution that works for your organisation and lays the foundations for growth

Mid-market organisations are entering a new phase of cloud strategy - one defined by pragmatism, not dogma. A striking 97% of mid-market companies plan to migrate some workloads out of public cloud environments over the next 12 months. This doesn't signal the end of public cloud but reflects a more targeted and pragmatic approach, where organisations optimise location and workload in environments that work best for their specific needs.

In this context, it's notable that only a tiny percentage (5%) are moving everything out of their public cloud environments. The majority (49%) plan to remove a few specific applications and workloads. Finance (60%), retail (59%) and construction (53%) organisations are most likely to follow this course of action. By contrast, mid-market manufacturing (52%) and private healthcare organisations (47%) are most likely to move a significant number of applications or workloads.

If we examine the profiling data more closely, we can see that most respondents still have a substantial footprint of on-premises infrastructure and applications running in the public cloud. As such, the UK mid-market is now hybrid, and we expect this to remain the case. Our findings show that organisations are optimising their hybrid assets while minimising their risk - moving from cloud-first to cloud-appropriate. They have stopped thinking in binary terms of in the cloud or on-premises and are undoing some of the issues they've created by not taking a flexible and dynamic approach.

***Public cloud has hurt many customers where a lift and shift approach has been adopted. To unlock the true benefits of public cloud, an application modernisation process must be adopted. Many companies struggle with this due to various factors, the two main being cost and lack of skills. If we are not careful, we will end up in cycles of moving workloads around without solving the real underlying problems of the applications we run today.***

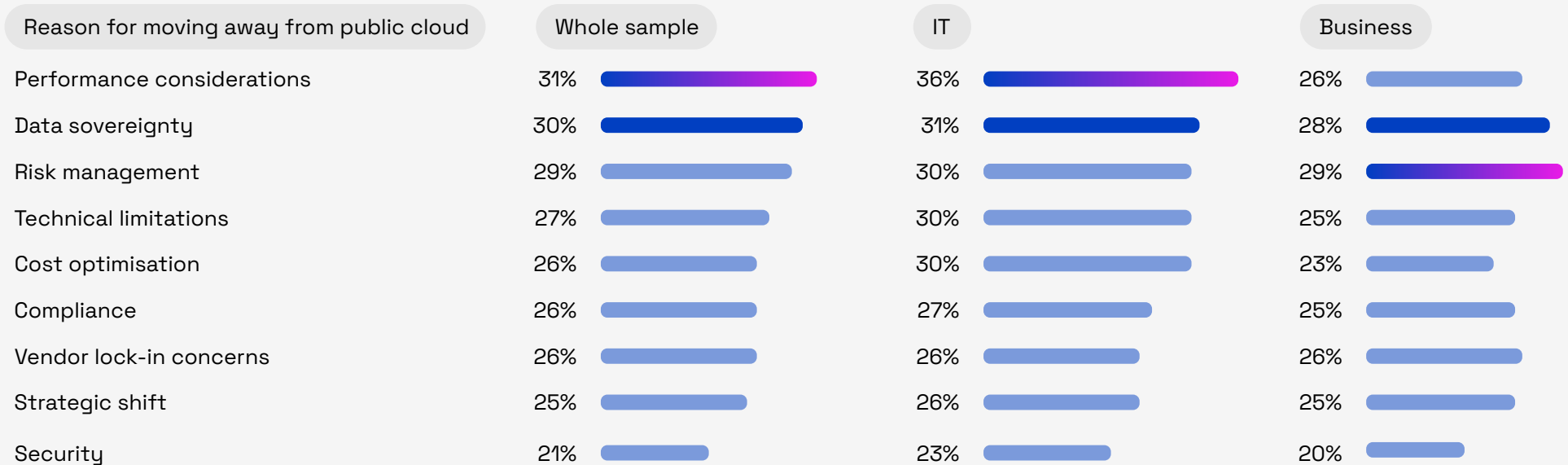
**Mark Skelton** | Managing Director - Digital Services



**Like golfers  
adjusting swings,  
mid-market  
firms rethink  
cloud migrations  
carefully.**

# Why are some IT and Business leaders planning to **migrate** selected **workloads** away from public cloud environments?

You said you are moving workloads out of the public cloud; what are the primary reasons for this decision?



Results from across the whole sample show that mid-market organisations are migrating away from the public cloud because of performance considerations (31%), data sovereignty (30%), risk management (29%) and technical limitations (27%). These performance issues stem from a combination of:

- Lift and shift workloads that were unsuited to the public cloud
- Applications that have been modernised but aren't performing as expected
- User frustrations from SaaS application latency

## A lift and shift legacy

Some organisations, especially those that migrated to public cloud environments several years ago, have realised that while they provide many benefits and offer more scalable on-demand performance than other hosting options, they aren't always the best fit for every application.

This applies particularly to organisations that lifted and shifted to the public cloud without due planning and strategy - perhaps with legacy systems or databases that were never intended for cloud consumption. This might explain why a large percentage are rolling back that decision and trying to be more strategic about their future public cloud use.

## IT and Business leaders have different reasons for public cloud repatriation

Business leaders told us that risk management is their primary driver (29%) for public cloud repatriation, while IT leaders point to performance considerations (36%). Both groups of respondents rank data sovereignty as their second most significant driver (28% Business, 31% IT). This is quite a change in priority from a year ago, when respondents in our 2024 mid-market report ranked the issue 11th on a list of 16 compliance challenges for the year ahead.

It's also very telling to see Business leaders place cost optimisation so far down the list (ranked eighth with 23%). In an economic climate that makes it prudent to look for cost savings wherever possible, respondents are - for the most part - not migrating away from public cloud because of costs. That's remarkable when you consider hosting is one of the big-ticket IT expenses for mid-market organisations.

***If the customer is in a mixed workload environment (e.g., some SaaS workloads and some IaaS workloads), moving out of public cloud environments can cause increased complexity and compliance concerns as data has to traverse diverse ecosystems. Security controls should be considered carefully when moving to these architectures.***

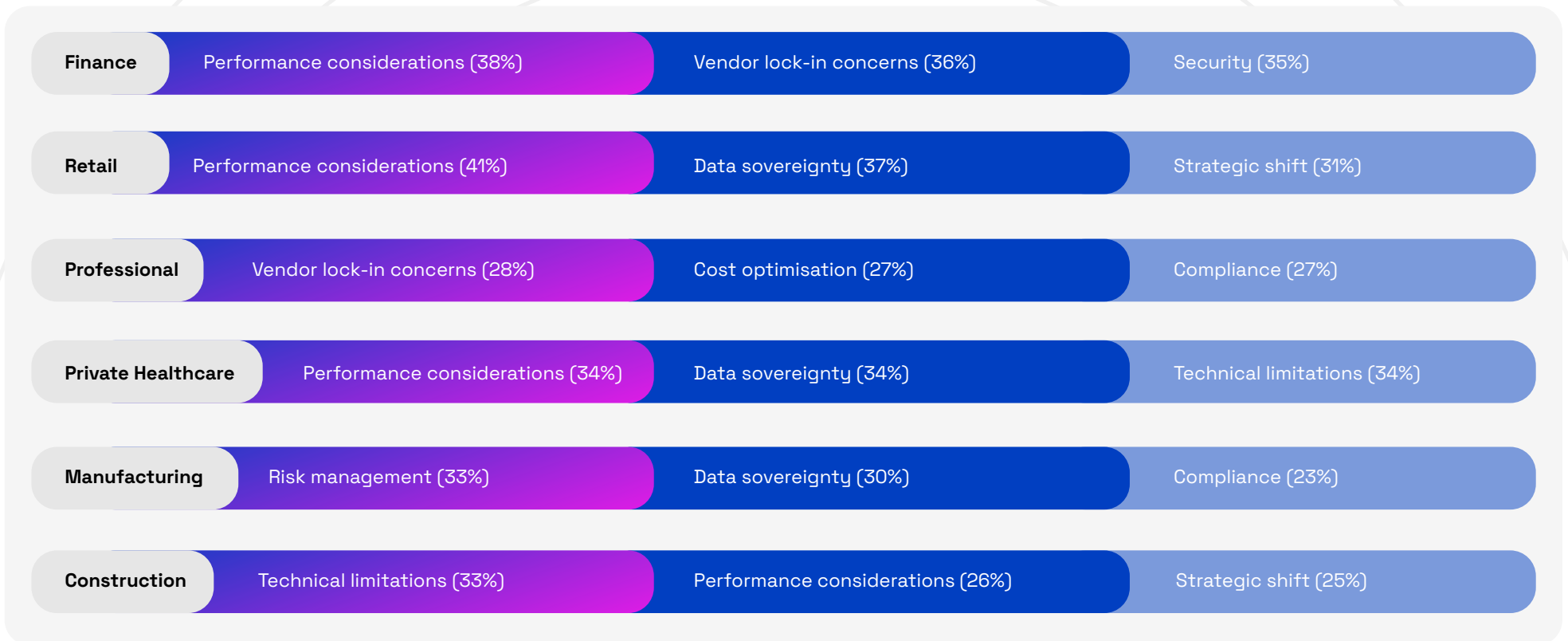
**Mark Skelton** | Managing Director - Digital Services



**29%**  
of leaders change  
course, navigating  
cloud risks.



Vertical markets have unique cloud repatriation reasons, too. Here are the top three from those included in our research:





## UK organisations are becoming increasingly focused on data sovereignty

While concerns around regulations like DORA and the US Cloud Act are part of the picture, what we're really hearing from clients is a broader unease about control, jurisdiction, and long-term data access - especially those in regulated or compliance-heavy environments. With rising geopolitical tension and a more protectionist US policy outlook, many prioritise infrastructure that ensures their data remains within UK borders, under UK ownership.

This is especially important in sectors facing regulatory pressure - whether from GDPR, the Financial Conduct Authority, or public procurement frameworks - where data residency and auditability are now essential compliance requirements. As a result, we're seeing strong demand for our virtual data centre and private cloud offerings explicitly designed to meet these sovereignty expectations.

## Strategic cloud, not default cloud

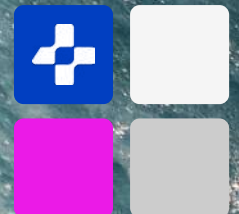
These cycles of preferences for public cloud migration and on-premises infrastructure have come and gone before. Our concern at this point is that organisations could be tempted to swing from 100% public cloud to 100% on-premises, forgetting the issues they had with on-premises that first pushed them to the cloud. Thankfully, just 5% of respondents said they were looking to completely exit from public cloud services.

There have been some highly publicised instances of this happening - and the organisations involved have regretted their decision. That's why we favour a pragmatic, cloud-appropriate approach - free from dogma and extremes. And it's why we recommend organisations either work out for themselves, or seek assistance to uncover, the most appropriate environment for each system or application.

As such, it's positive to see the mid-market entering a more mature phase of cloud adoption. The narrative has shifted from moving everything to the cloud to moving what makes sense. Modernisation is the future, but does the mid-market have the right level of understanding and the right skills to make this happen?

Public cloud still plays a vital role, but it's no longer the default. Organisations are optimising for performance, compliance, and control, not just convenience. Businesses that get this balance right will unlock greater efficiency, agility, and resilience from their infrastructure investments. This, in turn, will lay the foundations for improved growth and productivity.

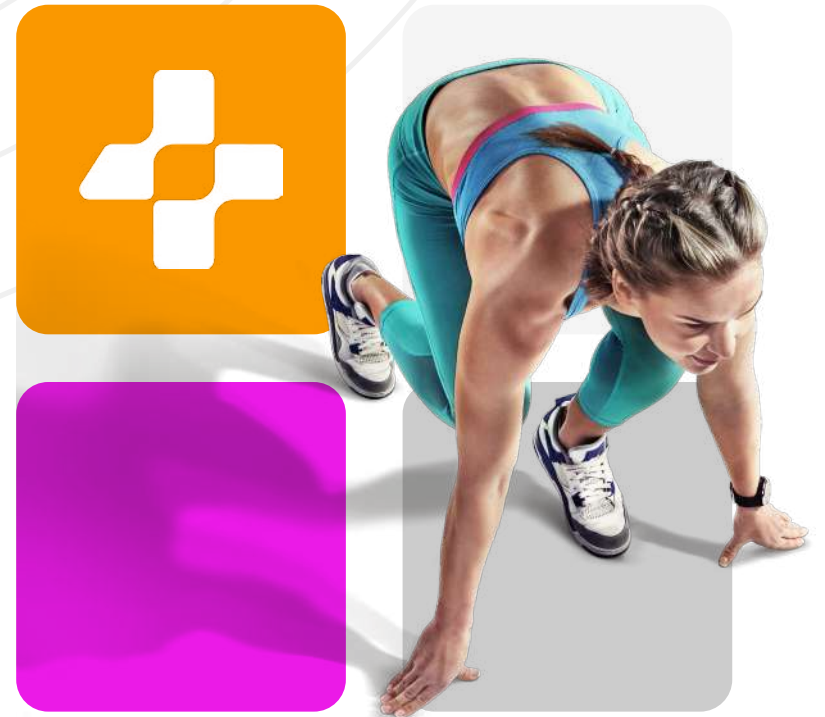
**Organisations risk losing balance, riding waves between cloud and on-premises extremes.**





# **The hybrid playbook:** **Mid-Market Teams Are** **Adjusting Hybrid Work for** **Long-Term Success**

Part Three



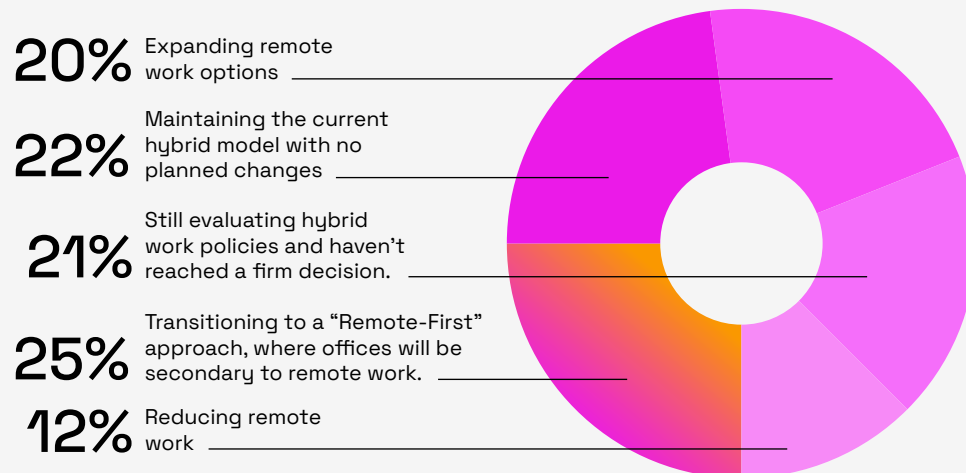
# Hybrid working and network infrastructure

## Evolving hybrid work models

Hybrid working is no longer an experiment; it's the dominant model for mid-market organisations. Our data shows that 67% favour some form of hybrid work setup, a quarter plan to become remote-first, while others are either expanding (20%) or maintaining (22%) their current approach. This direction isn't just about flexibility; it's about competitiveness in talent markets, accommodating day-one hybrid working rights, and building more diverse, inclusive teams.

With that in mind, let's look at how mid-market organisations intend to evolve their hybrid and remote working models over the next 12-18 months:

Evolution of my organisation's hybrid working model



## Hybrid working is the preferred option for most mid-market organisations

The majority (67%) favour some form of hybrid working model, with 25% planning to adopt a "remote-first" approach, 22% maintaining their current hybrid model, and 20% expanding remote work options.

## However, some mid-market organisations are planning to reduce remote work options

Just 12% plan to reduce remote working opportunities, but with respondents pointing to an IT skills shortage, it will be interesting to see if these organisations will face additional recruitment issues as a result.

This could result from challenges presented by company culture or an inability to effectively manage remote teams - particularly around bringing new starters up to speed. It could also signify scepticism that employees can still be productive outside office environments.

### Sector

Finance	29%
Private healthcare	24%
Retail	24%
Manufacturing	24%
Professional	24%
Construction	21%

### Sector

Finance	10%
Private healthcare	14%
Retail	9%
Manufacturing	16%
Professional	15%
Construction	7%

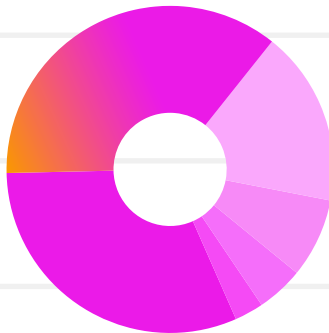
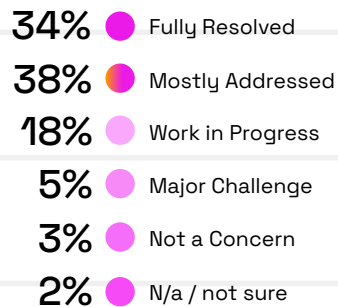
The challenge for all sectors is how to balance on-site requirements with fairness and inclusion across the broader workforce. However, with IT skills in short supply, this strategy could further restrict access to talent—especially among candidates who expect flexibility as standard.

## Barriers to delivering hybrid and flexible work

Despite widespread adoption of hybrid models, many mid-market organisations still face challenges in making flexible work successful, especially regarding technology readiness and culture.

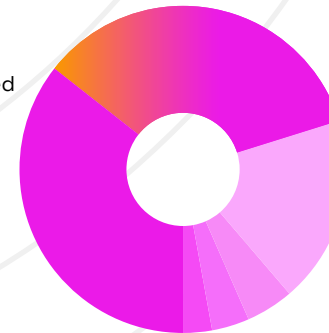
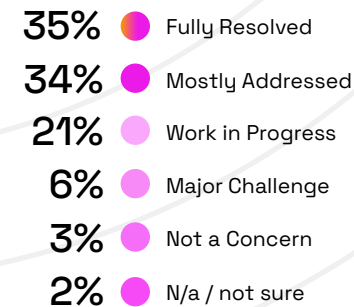
Our data shows that many of the foundations of hybrid work remain a work in progress, and some organisations are still struggling with key enablers such as secure access, collaboration, and inclusivity. Let's look at how well-prepared they are:

### Ensuring secure remote access to business systems



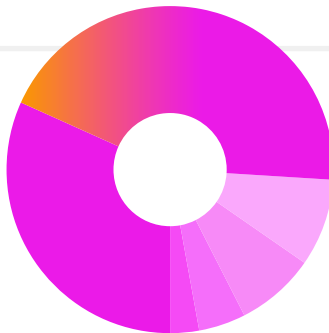
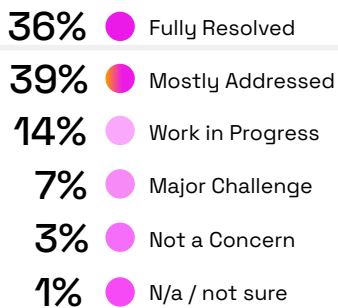
Unreliable access doesn't just hinder productivity. It encourages shadow IT, weakens security postures, and increases operational risk. If users can't connect securely and consistently, the hybrid model breaks down.

### Providing seamless collaboration tools and infrastructure



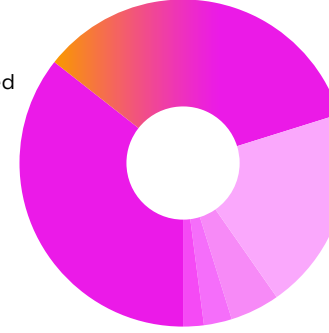
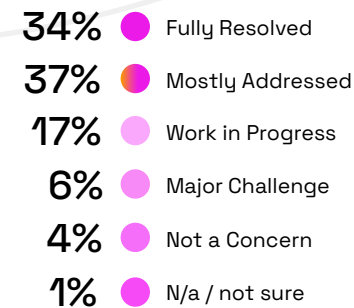
Seamless collaboration tools and infrastructure reduce friction and enable people to do their best work. But how many organisations have employees traveling into offices to spend a high proportion of their day on Teams calls from a hot desk? Do mid-market organisations have the right collaboration infrastructure and are they using it to best effect?

### Compliance and data security risks with remote work



Compliance and data security risks are still a major issue for mid-market organisations, with just under three-quarters confirming that more work is required in this area. It's critical to manage these risks as not doing so can have catastrophic consequences.

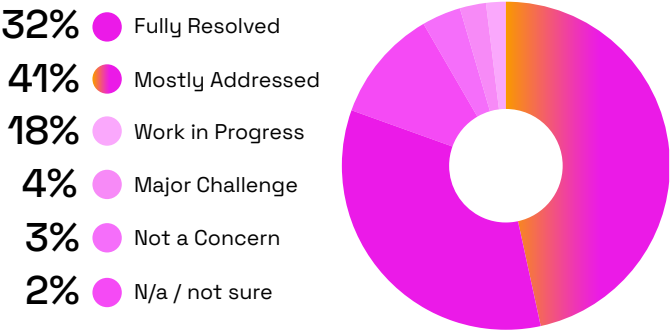
### Controlling IT costs related to remote work enablement



Three-quarters of mid-market organisations are still struggling to control costs relating to remote work enablement. This ties back to ongoing work on the other IT and infrastructure areas covered in this section.

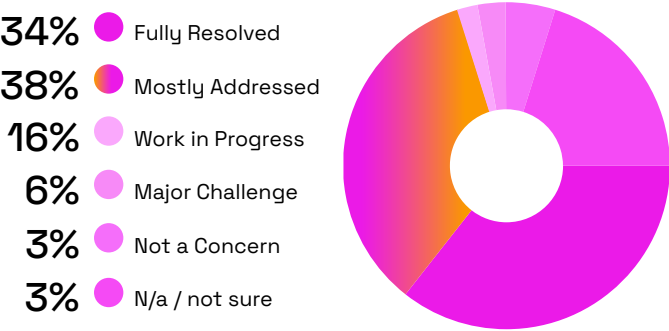
Culture and people-related challenges

Managing employee productivity and engagement



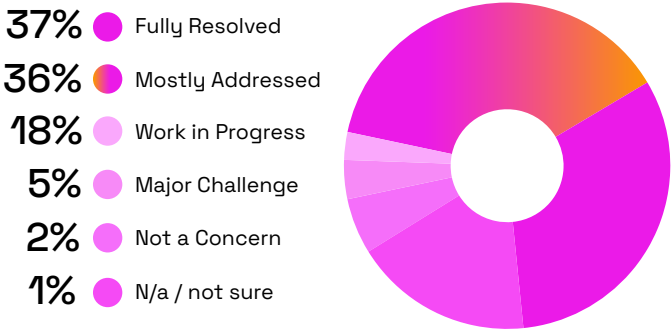
It's important to get the balance right here so that managers have the skills, support and framework to move beyond the need for employee presenteeism and trust that workers will maintain productivity levels in non-office settings. Employees also need to feel trusted and empowered to work remotely and not feel a constant need to justify productivity.

Ensuring fairness and inclusivity between remote and in-office employees



There are still too many anecdotal stories about hybrid meetings, where those in the room forget colleagues who are joining via collaboration platforms. There's work to be done on meeting experiences to balance in-person and remote attendees. But this also extends to ensuring fairness when carrying out employee reviews and considering remote/hybrid working candidates for promotion.

Maintaining company culture in a hybrid environment



There's no one-size fits all approach to maintaining company culture in a company that supports hybrid work. There are rightly concerns about certain groups that find it difficult to integrate or learn key skills when colleagues work remotely - particularly those just starting their careers.

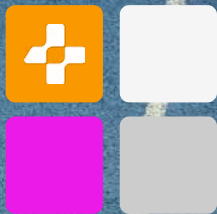
Conversely, enabling more flexible employment possibilities through active support of hybrid working enables greater diversity in talent acquisition. This includes candidates who might otherwise be excluded - for example, because they have caring responsibilities. As such, the mid-market's ability to offer hybrid working has a direct impact on how it responds to skills shortages.

Hybrid work demands precise cultural adjustments, especially for new players.





Mid-market organisations are still sprinting to overcome hybrid work hurdles five years after COVID.



Five years after COVID, only around a third of mid-market organisations have fully resolved some of the most fundamental hybrid working challenges, with around three-quarters still struggling with issues including:

Network security and connectivity

IT costs associated with enabling remote work

Ensuring fairness and inclusivity between office-based and remote workers

Managing remote worker productivity

Maintaining engagement with remote workers

Provision of remote collaboration tools

This makes them less appealing to prospective job candidates and creates significant challenges when retaining staff. By limiting their ability to attract and retain the best and brightest employees, these organisations risk falling behind in terms of innovation and severely limiting their growth potential.

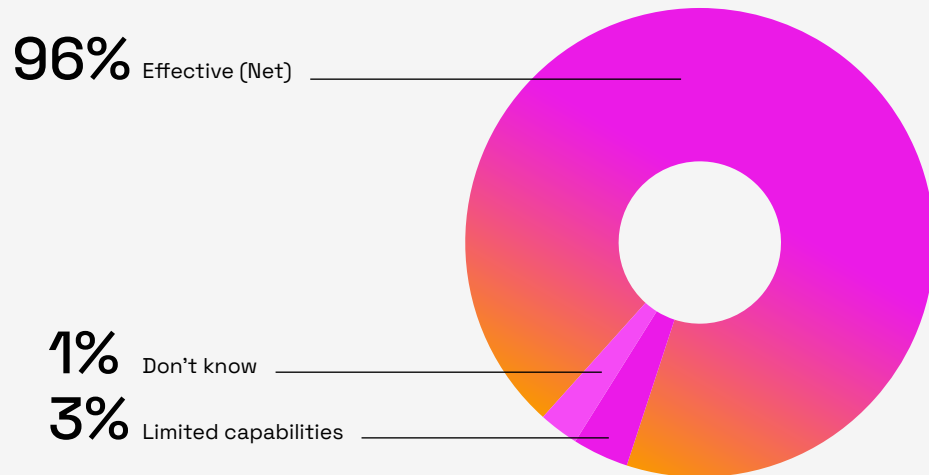


## Hybrid infrastructure connectivity within mid-market organisations

Hybrid infrastructure spanning cloud, on-premises data centres, remote users, and edge environments is only as effective as the network that connects it. Our findings suggest that while most mid-market organisations report strong connectivity, cracks are starting to appear as demands increase.

**How well does your organisation's network support secure and reliable connectivity across your hybrid infrastructure?**  
(Hybrid infrastructure includes cloud, on-premises data centres, remote workers, and edge environments.)

State of connectivity across hybrid infrastructure



## Highly effective connectivity - but pressure is building

An encouraging 96% of mid-market respondents describe their hybrid connectivity as effective overall, with nearly half (46%) calling it highly effective.

These findings show that the networks powering mid-market organisations are generally in a good state, supporting the idea that a reliable and secure network is the backbone of any organisation.

But beneath this positive headline lies a more complex reality. 41% say connectivity is only “mostly effective” with occasional performance or security issues.

A further 12% admit to partial or limited capabilities, indicating more serious infrastructure weaknesses.

This suggests that while the core plumbing is in place, many networks struggle to keep pace with new demands - especially as hybrid work and digital tools become more embedded.

These pressures also combine with connectivity and bandwidth demands from hybrid workforces and new digital tools that respondents told us they are using to improve workforce productivity and customer interactions:

Cloud-based collaboration and digital workspaces

33%

Workflow automation and process optimisation

31%

AI-driven sentiment and analytics tools

29%

Employee experience and engagement platforms

29%

AI-powered productivity assistants

29%

Omnichannel contact centre solutions

29%

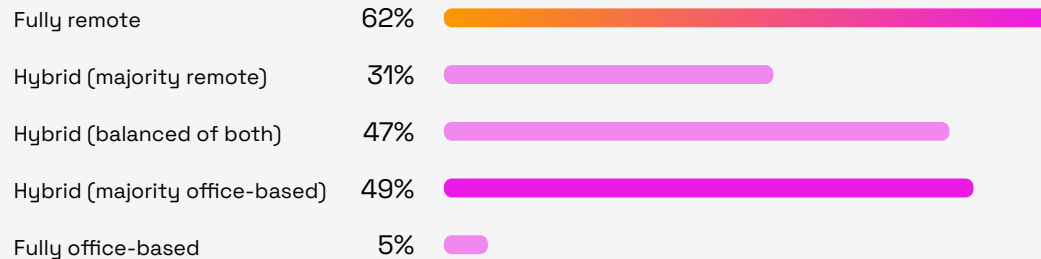
Each of these tools drives a need for more complex connectivity and security scenarios and could expose latency issues across networks with previously high levels of connectivity.

## How does the proportion of highly effective hybrid infrastructure connectivity vary across...

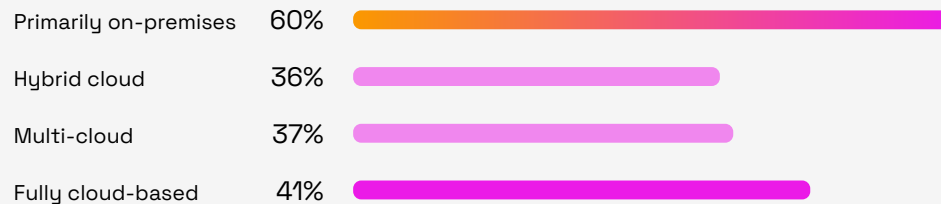
### ...different market sectors?



### ...different work models?



### ...different IT hosting models?



## Who's Getting It Right?

Our data reveals clear differences in connectivity effectiveness across sectors, work models, and hosting strategies:

### By Sector:

Finance (61%) and Retail (58%) lead the pack in highly effective connectivity, likely reflecting greater IT investment and maturity.

Professional services (32%) and Manufacturing (38%) trail behind. Potentially due to legacy systems, diverse site requirements, or underinvestment.

### By Work Model:

Fully remote organisations (62%) will most likely have highly effective connectivity. Suggesting a more deliberate investment in cloud-native and user-centric architectures.

Conversely, 95% of fully office-based mid-market organisations fail to exploit secure, reliable, and scalable hybrid networks. This highlights a missed opportunity to modernise and enable flexibility.

### By Hosting Strategy:

Interestingly, primarily on-premises organisations (60%) report better connectivity outcomes than those with hybrid cloud (36%), multi-cloud (37%), or fully cloud-based (41%) architectures.

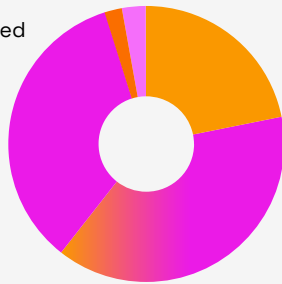
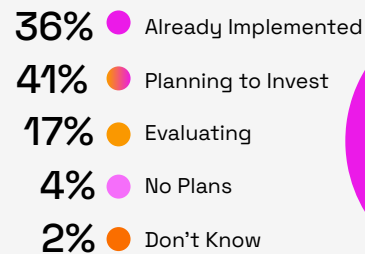
This could suggest greater optimisation of known infrastructure or, conversely, that more complex environments have yet to reach the same level of stability and performance tuning.

## Investing in hybrid infrastructure

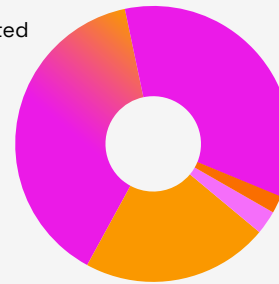
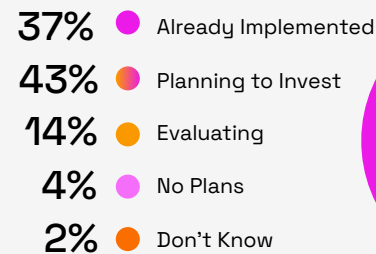
Most mid-market organisations (68%) are confident they are addressing concerns around hybrid and flexible working models, and 68% expect to fix the issues within the next 12 months. But where are mid-market organisations prioritising the investments that will deliver improved hybrid networking and security, ultimately driving growth and efficiencies? Here are some of the key areas:

### Where is your organisation prioritising investment to improve hybrid infrastructure networking and security?

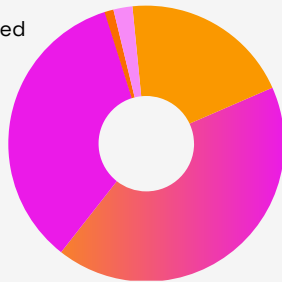
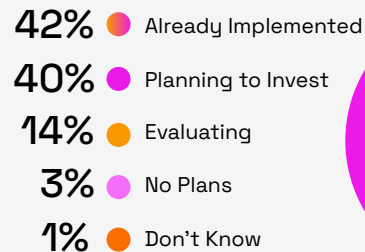
Zero Trust Networking – Verifying identity and device security before allowing access



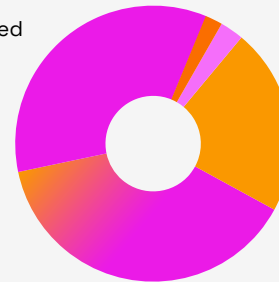
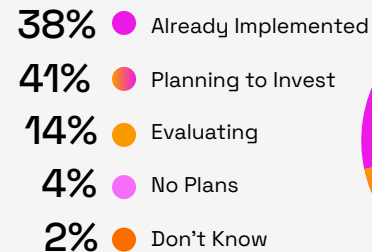
SD-WAN – Optimising connectivity between sites, cloud, and remote users



Security Service Edge (SSE) – Cloud-delivered security for remote and hybrid work



5G and Private Wireless Networks – Enhancing connectivity for hybrid workers and IoT



When it comes to prioritising investment to improve hybrid infrastructure networking and security (perhaps taking them from mostly effective to highly effective), mid-market organisations are most likely to:

Have implemented Security Service Edge to enable cloud-delivered security for remote and hybrid work.

**42%**

Be planning investment in SD-WAN to optimise connectivity between sites, cloud, and remote users.

**43%**

Be evaluating Zero Trust Networking to verify identity and device security before allowing access.

**17%**

# Defensive Shift: Cybersecurity confidence is taking a hit in the mid-market

Part Four





# Cybersecurity

## How are mid-market leaders prioritising cybersecurity components within their organisations?

In the opening chapter of this report, we identified some misalignment between IT and Business leadership when it comes to cybersecurity. Our data shows that many business leaders still see cyber as IT’s responsibility, not a shared business risk. And yet, 30% of mid-market leaders agree that cybersecurity threats as the biggest external influence on IT strategy.

It’s encouraging to see over two-thirds of mid-market organisations are taking steps to deal with cybersecurity threats. It’s also reassuring to learn that almost three-quarters expect to make progress in the next 12 months - that’s the good news.

However, it’s worrying that almost a third of mid-market leaders are not taking active steps to address the issue. This is especially concerning when 36% told us that security and governance concerns are the most significant barriers to AI adoption within their organisations - and only 36% have fully resolved data security risks associated with remote work.

### How would you rate the priority of the following cybersecurity areas within your organisation?

Cybersecurity posture component	Critical or high priority
Data loss prevention (DLP)	75%
Compliance with industry regulations	74%
Reducing security risks from third-party vendors	74%
Cloud security governance	74%
Phishing and social engineering defence	74%
Zero Trust security implementation	74%
Secure remote and hybrid work	73%
Risk management	73%
Incident response and recovery planning	72%
AI and automation in security operations	72%
Insider threat prevention	71%
Protection against ransomware and malware	71%
Operational Technology (OT) and Internet of Things (IoT) security	71%

When asked about specific cybersecurity components, roughly three-quarters of respondents regarded each as critical or high priority. This highlights a clear trend: cybersecurity in the mid-market is no longer about fixing point problems. It’s about building a complete, integrated posture.

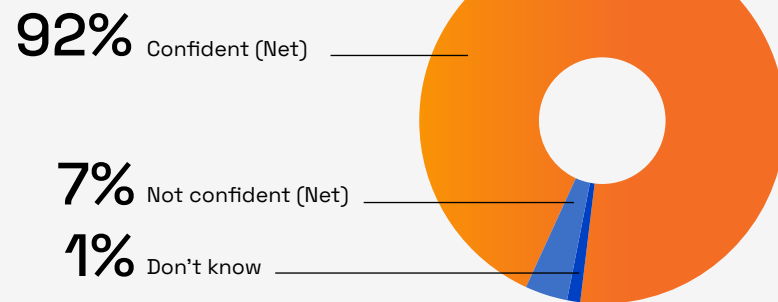
However, within this grouping, data loss prevention (DLP) is the highest priority (75%), with insider threat prevention, protection against ransomware and malware, and Operational Technology (OT) and Internet of Things (IoT) security ranked lowest at 71%. Prioritising DLP links back to findings in our 2024 mid-market report, where respondents identified insider threat as their top cybersecurity concern. As DLP focuses on protecting from data exfiltration - potentially from inside organisations - it shows respondents continue to take insider threat seriously and use the tools at their disposal to mitigate the risk.

***Data is the gold often targeted in cyber attacks, making its protection crucial. Data Loss Prevention (DLP) solutions are correctly highlighted as a key focus area. However, we often find a lack of understanding within organisations about where data resides and its business criticality. Without this knowledge, implementing DLP solutions successfully can be very difficult.***

**Mark Skelton** | Managing Director - Digital Services

# Measuring mid-market confidence in preventing and responding to cyber-attacks

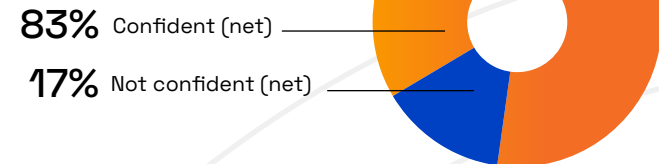
How confident or unconfident are you in your organisation's ability to prevent and respond to cyber-attacks?



Overall, 92% of mid-market organisations are confident in preventing and responding to cyber-attacks, with most (52%) saying they are very confident. But is this confidence well-founded? Many mid-market organisations may underestimate evolving risks such as AI-driven threats, vulnerabilities across hybrid networks, or the increased sophistication of supply chain attacks. Without regular stress testing, even seemingly robust defences can turn out to be weak.

Looking at last year's data, we observed a similarly high net confidence level (83%), although the proportion of very confident responses was significantly lower (27% in 2024 vs. 52% this year). This may suggest growing optimism - or overconfidence - in the face of increasingly complex threat landscapes.

Cybersecurity confidence levels in 2024



## Defining cybersecurity confidence levels

We believe that organisations reporting to be very confident likely fall into one of two camps:

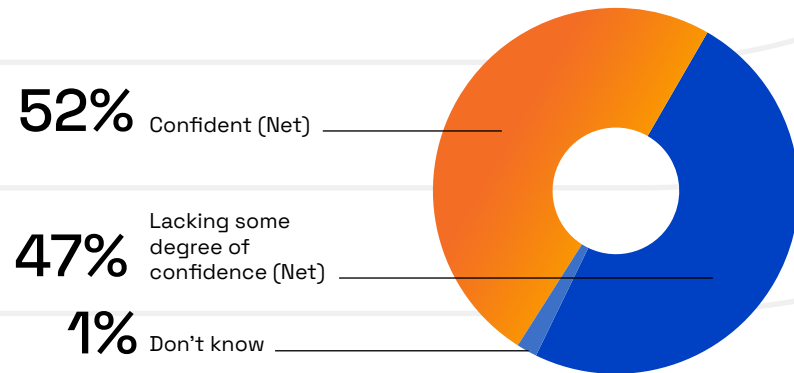
**Battle-hardened:** Their security posture has been tested by a real-world incident, prompting investment and hardening of defences.

**Proactively tested:** They've commissioned ethical hacking, penetration testing, or red-teaming - and closed the gaps those exercises revealed.

By contrast, those who are somewhat confident may not have experienced or simulated a serious breach. Instead, they may be relying on security assumptions that have yet to be challenged.

## Given data from elsewhere in the report, is a somewhat confident response more realistic?

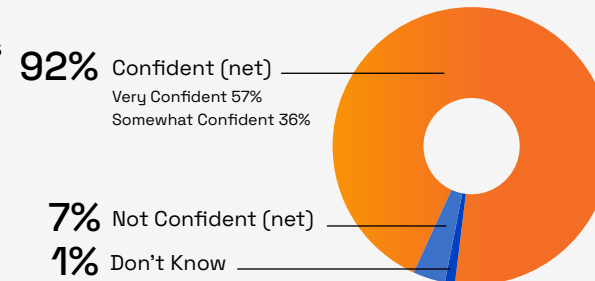
If we look at the data from a different perspective, we start to see what could be a more realistic picture. There is almost a 50/50 split between those who are very confident and those lacking some confidence because they see areas for improvement, gaps in their security strategy, or a lack of measures and response capabilities.



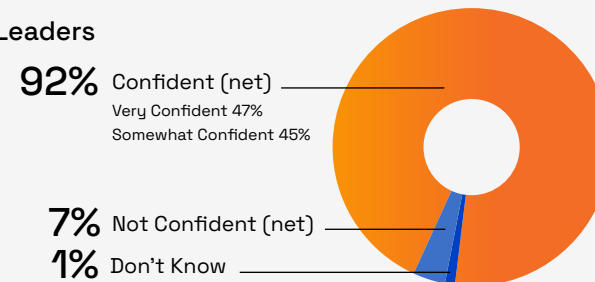
We believe mid-market leaders who describe themselves as “somewhat confident” may struggle with cybersecurity skills gaps. In fact, 32% say cybersecurity specialists are the hardest roles to hire or retain, suggesting that limited in-house expertise could be holding back both capability and confidence.

## How do cybersecurity prevention and response confidence levels vary between IT and Business leaders?

### IT Leaders



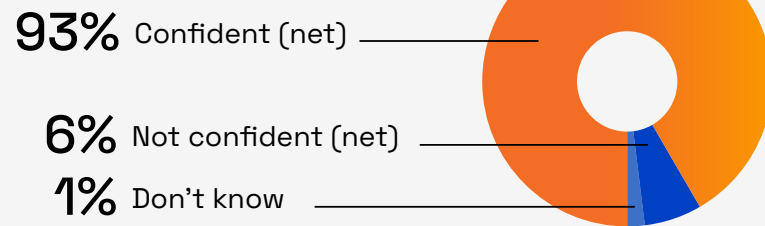
### Business Leaders



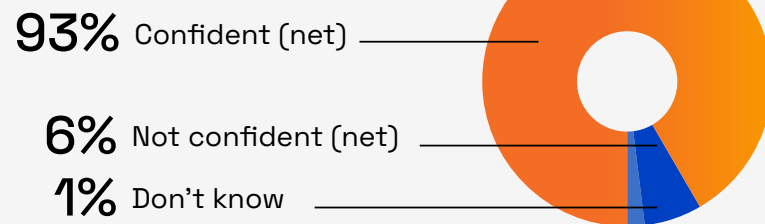
These differences indicate that business leaders are more pragmatic regarding cybersecurity than their IT peers. IT leaders are more familiar with the technology, strategic vendor, or MSP partnerships that prevent and mitigate cyber threats and, therefore, can be more confident. However, Business leaders take a broader view of the risk landscape and see cybersecurity tools as one part of the solution alongside risk management, supply chain, compliance, legal, and business continuity components.

How do these confidence levels vary between different work models?

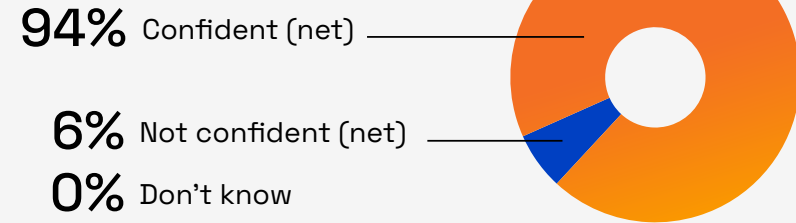
Fully remote



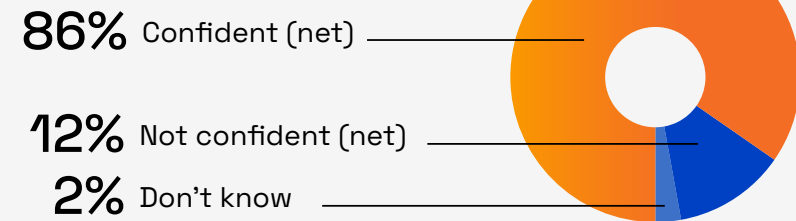
Hybrid (majority remote)



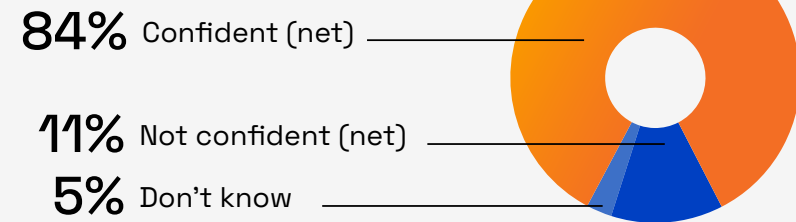
Hybrid (balanced remote & office-based)



Hybrid (majority office-based)



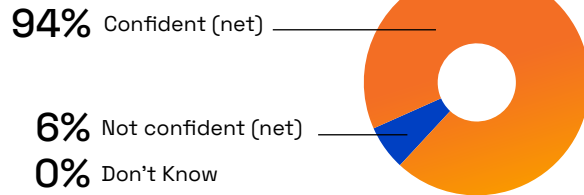
Fully office-based



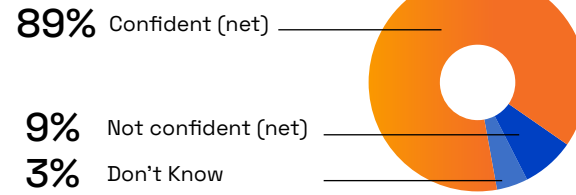


## How do these confidence levels vary between different work models?

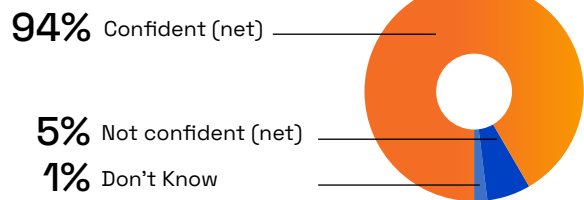
Primarily on-premises – Most workloads and applications run on in-house servers or private data centres.



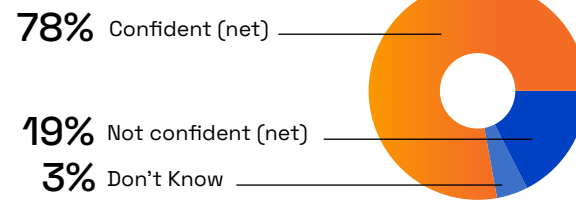
Multi-cloud – Utilising multiple public cloud providers for different workloads.



Hybrid cloud – A mix of on-premises infrastructure and public/private cloud services.



Fully cloud-based – The majority of workloads and applications run in public or private cloud environments.



## How do cybersecurity prevention and response confidence levels vary between IT and Business leaders?

Our data shows a surprising trend: cybersecurity confidence declines as organisations move further into the cloud.

94% of organisations running primarily on-premises say they're confident in their ability to prevent and respond to cyberattacks.

That number falls to 78% for fully cloud-based organisations.

The very confident proportion also drops from 63% (on-premises) to 53% (fully cloud).

More concerning still is the fact that 9% of fully cloud-based respondents say they're not confident at all, compared to just 1% of on-prem leaders.

This finding runs counter to expectations. Given the advanced security capabilities built into most public cloud platforms, we might expect greater confidence, not less.

## What's driving the confidence gap?

**Perceived loss of control:** On-premises teams have hands-on control, while cloud environments introduce shared responsibility and less visible infrastructure.

**Complexity and misconfigurations:** Cloud flexibility can lead to gaps without the correct governance or expertise.

**Limited visibility:** Multi-cloud and hybrid setups are harder to monitor consistently.

**Skills gaps:** Cloud-native security evolves fast, and skilled people are hard to find.

***The skills gap in security is rightly highlighted as a challenge. This is a systemic issue across the tech industry. However, we are starting to see partner and vendor investments in the security space generate more talent. Additionally, the advancement of AI solutions will help fill these gaps. In the next two years, we expect many first-level security analyst capabilities to be supplied using AI tools available today.***

**Mark Skelton** | Managing Director - Digital Services

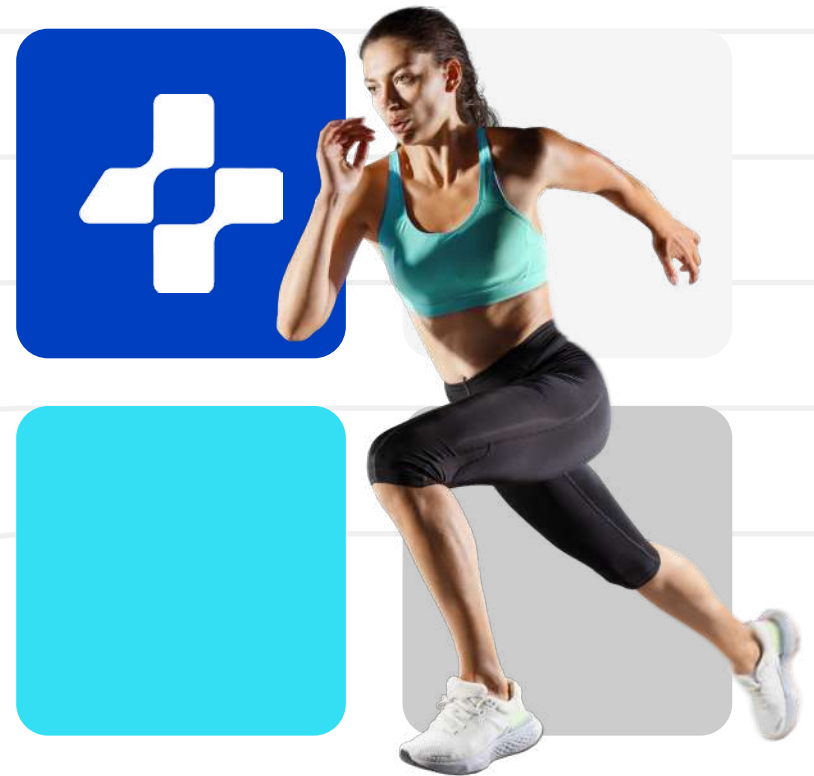
**Compliance concerns:** Data sovereignty and regulatory requirements feel harder to manage in cloud environments.

**The takeaway:** Tools don't equal confidence

Cloud platforms offer robust security, but confidence comes from execution, not availability. For the mid-market, securing the cloud means investing in skills, automation, and visibility - not avoiding the platform altogether.

# Changing the Momentum: Mid-Market Firms Push Past Legacy and Modern App Challenges

Part Five



# Applications

## What are the mid-market’s biggest application management challenges

What are the biggest challenges your organisation faces in managing business applications? (Select up to 3)

Challenge

Application consolidation due to M&A/VC readiness	23%
Outdated or unsupported applications	23%
Operational stability challenges	23%
Siloed and disparate systems	22%
Lack of documentation	21%
Limited reporting and insights	20%
Lack of automation and inefficient processes	19%
Reliance on legacy infrastructure	18%
Compliance concerns	18%
Security concerns	18%
Knowledge retention	17%
User experience	17%

### The reality of mid-market applications: complex, outdated, and holding businesses back

Our findings reveal that many mid-market organisations still run outdated and fragmented business applications - often the legacy of rapid growth, mergers and acquisition (M&A) activity, or tactical IT decisions made under pressure. Instead of embarking on full-scale replacement programmes, leaders are focusing on integration, automation, and selective modernisation - often within a hybrid cloud model.

There’s a clear spread across pain points, but three challenges stand out: application consolidation, outdated systems, and operational stability, all tied at 23%. These reflect the weight of tech debt across the mid-market and signal a shift in how IT leaders are approaching system modernisation.

*The move to SaaS-based applications is accelerating faster than ever as vendors push customers in this direction. This shift offers many benefits, such as removing future technical debt through evergreen services. However, it requires careful planning. These systems are often the lifeblood of an organisation, and any downtime can be hugely impactful. Investments into automated and rigorous testing programs are essential to manage this future landscape.*

Mark Skelton | Managing Director - Digital Services

### M&A and growth-readiness are driving pre-emptive rationalisation

Application consolidation is no longer just a post-M&A task. Increasingly, we see mid-market firms rationalising their stacks ahead of funding rounds or acquisitions - removing complexity, aligning to a ‘single version of the truth,’ and making the business more attractive to investors. This strategic hygiene helps reduce integration costs down the line, particularly around ERP and financial platforms.

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## From 'lift and shift' to best-of-breed SaaS

Interestingly, while 97% of mid-market organisations plan to migrate workloads out of public cloud, that trend does not apply equally across all workloads. Core business apps - particularly modern ERP and finance systems - are increasingly moving into cloud-based SaaS environments, not out of them. This reinforces the hybrid cloud narrative: organisations are repatriating workloads that were poorly suited to cloud, while investing in SaaS platforms that offer scalability, integration, and rapid innovation.

## Fragmented systems create downstream pain

Siloed systems (22%), limited reporting (20%), and lack of documentation (21%) form a trio of challenges that ripple across business functions. When data lives in too many places and workflows aren't clearly mapped, reporting becomes unreliable, integration becomes fragile, and productivity suffers. The result? A reliance on manual workarounds, risky change processes, and a handful of key individuals who hold legacy knowledge.

### How is your organisation planning to address these business application challenges? (Select up to 3)

Integrating siloed systems

Investing in AI and automation

Enhancing security and compliance

Working with third-party vendors/MSPs

Migrating to cloud-based solutions

Upgrading/replacing outdated applications

40%

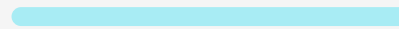
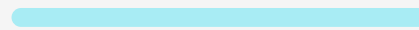
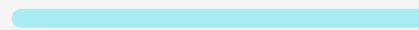
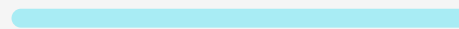
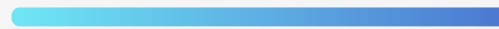
40%

38%

36%

36%

35%



Organisations are embracing smart modernisation, rather than large-scale rip-and-replace. Integration and automation top the list - pointing to a strategy of building bridges between legacy and new platforms, while using AI to streamline inefficient workflows.



## IT vs Business: Different lenses, shared goals

### Top IT Actions

Integrate systems

44%

Third-party/  
vendor support

42%

AI & automation

41%

### Top Business Actions

Invest in AI & automation

39%

Upgrade outdated apps

37%

Improve security & compliance

37%

There's a subtle but important difference in mindset: IT leaders are trying to stabilise and optimise the stack through integration and support. Business leaders are focused on end-user impact - automating workflows and modernising visible systems.

***A common oversight in the SaaS world is the security and business continuity of the platform. In a SaaS model, it is often assumed that the vendor is responsible for many of these elements. However, it is frequently up to the customer's designs and architecture to ensure that the system's data is protected accordingly.***

**Mark Skelton** | Managing Director - Digital Services

## Why this matters: Skills, security, and scale

**Skills Shortage Pressure:** 93% of organisations report IT skills shortages. Simplifying application estates through rationalisation, support partnerships, and automation is vital to reducing complexity and reliance on overstretched internal teams.

**AI Opportunity:** A third of organisations are already using AI to streamline internal processes. But if the application layer isn't integrated, secure, and fit for purpose, those AI tools will quickly hit roadblocks.

**Cloud Strategy Reality Check:** The application layer tells us the real story of cloud maturity. SaaS investment is still rising, even as some workloads move back on-premises. This is not a retreat - it's a recalibration.

## Pragmatic modernisation is winning

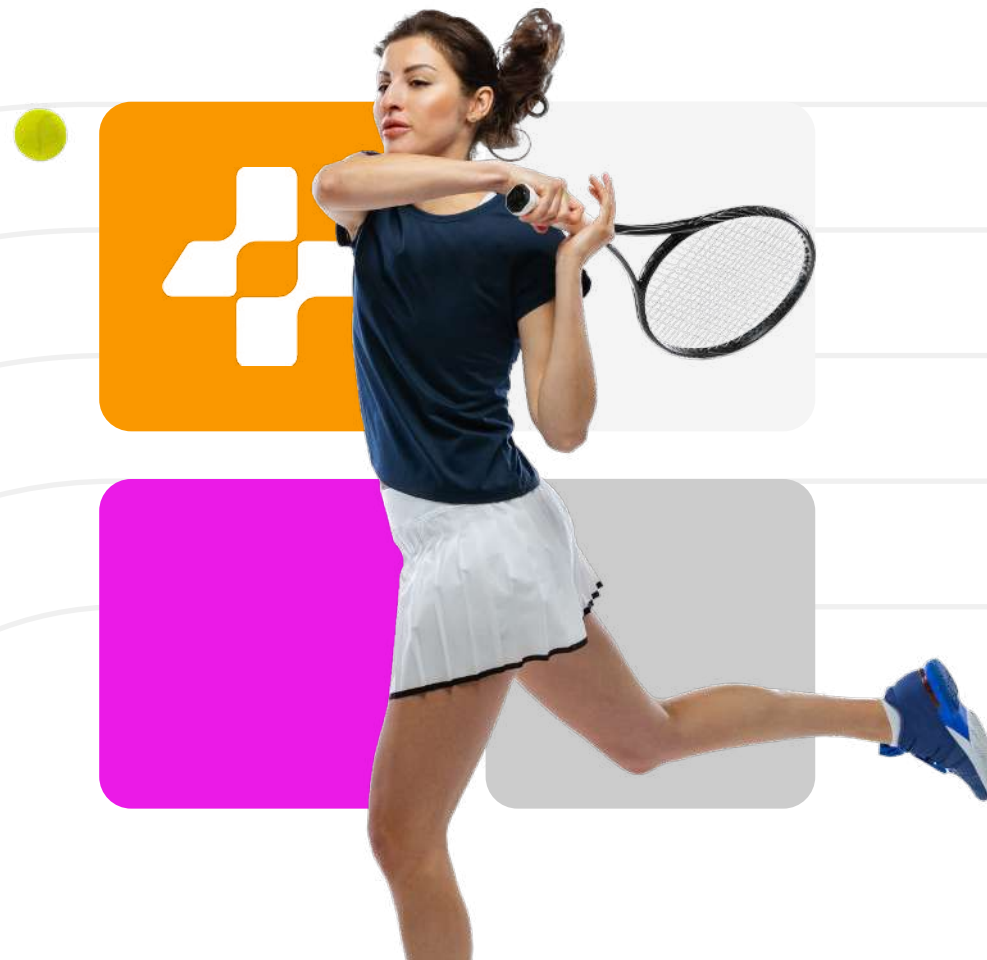
Mid-market organisations aren't ripping out everything - they're working smarter. That means:

- Rationalising apps before M&A, not after
- Moving core systems to cloud SaaS platforms
- Automating where possible to fill skills gaps
- Integrating instead of replacing wherever they can

The result? A more stable, agile, and efficient application layer that can support growth without creating new complexity.

# The Star Player That's Yet to Start: AI in the Mid-Market

Part Six



# Data, AI and Automation


## Data, analytics and decision-making


Which of the following statements best describes how your organisation uses reporting and analytics in decision-making?


Reporting and analytics use in decision-making

40%  Highly data-driven

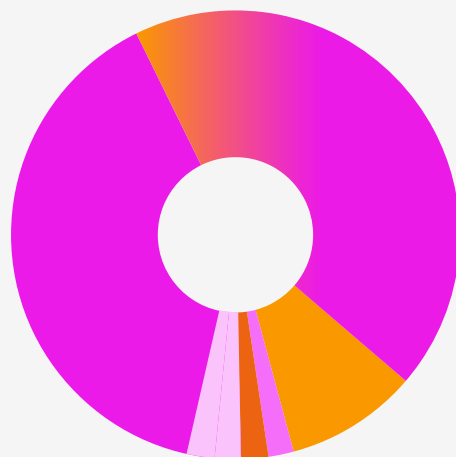
42%  Data-informed

14%  Basic reporting

2%  Limited but evolving

1%  Not data-driven

1%  Don't know



### Most Mid-Market Organisations Are Data-Led but Not Fully Data-Driven

When asked how reporting and analytics influence decisions, most mid-market organisations describe themselves as either:

**Data-informed (42%):** Relying on dashboards and analytics in key business areas

**Highly data-driven (40%):** Using advanced analytics, AI, and predictive insights across the organisation

Only 14% of organisations still rely on basic reporting, and just 3% haven't yet begun a serious data journey.

While visibility is widespread, few have progressed to real-time, automated, or predictive decision-making.

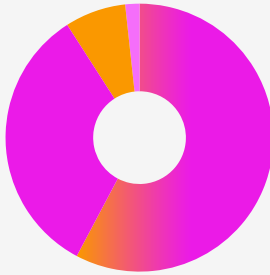
***A high percentage of respondents consider themselves advanced in analytics and reporting. This confidence is a positive indicator, yet it also highlights an area for further development. As analytics capabilities continue to evolve, businesses must strive to advance their reporting capabilities to unlock deeper insights and drive towards more sophisticated analytics.***

**Julian Boneham** | Technology & Innovation Director Data

## How do these results break down by market sector?

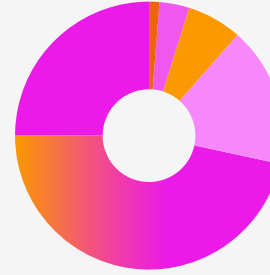
### Finance

40% Highly data-driven  
42% Data-informed  
14% Basic reporting  
2% Limited but evolving



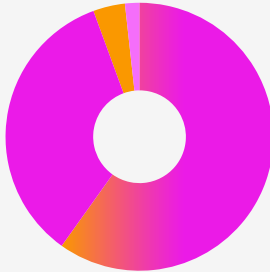
### Manufacturing

25% Highly data-driven  
46% Data-informed  
20% Basic reporting  
5% Limited but evolving  
3% Not data-driven  
1% None of the above



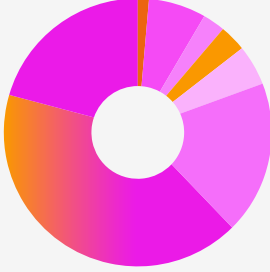
### Private Healthcare

40% Highly data-driven  
55% Data-informed  
4% Basic reporting  
1% Not data-driven



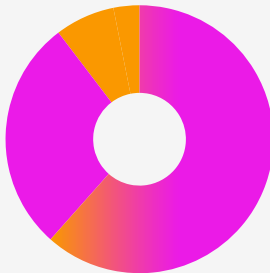
### Professional

23% Highly data-driven  
41% Data-informed  
21% Basic reporting  
4% Limited but evolving  
2% Not data-driven  
2% None of the above  
6% Don't know  
1% Don't use



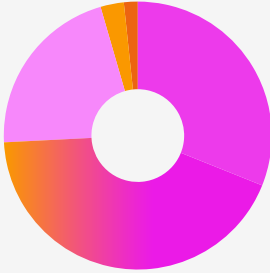
### Retail

59% Highly data-driven  
36% Data-informed  
5% Basic reporting



### Construction

36% Highly data-driven  
40% Data-informed  
21% Basic reporting  
2% Limited but evolving  
1% Not data-driven



## Are IT and Business Leaders Aligned on Data-Driven Decision-Making?

Our data reveals a clear divide in how IT and Business leaders assess their organisation's use of analytics:

- 48% of IT leaders describe their organisation as highly data-driven
- Just 31% of Business leaders say the same

Meanwhile, 48% of Business leaders say they are data-informed. They rely on dashboards but still lean heavily on human judgment.

This gap points to a maturity mismatch, not in ambition, but in how deeply advanced analytics, AI and predictive insights are embedded across the organisation.

**The alignment between IT and business leaders on using reporting and analytics to make decisions is crucial for organisational success. IT users often consider themselves more data-driven, while business users tend to see themselves as data-informed.**

**Julian Boneham** | Technology & Innovation Director Data

## What's behind this perception divide? This isn't simply a technical issue. It's also about visibility, usability, and trust:

IT leaders typically have a cross-functional view of platforms, tools, and system integration. They're often the ones building or deploying analytics solutions - and see a broader capability picture.

On the other hand, business leaders experience data through the lens of usability. If dashboards are disconnected, hard to access, or not tailored to their needs, the perception of being data-driven quickly erodes.

In some cases, business users may fall back on manual reporting, Excel sheets, or experience-based decision-making - either because they don't fully trust the data or because it's not timely or relevant.

Even if the technical foundations are sound, the last mile of the data journey - delivery, integration, and interpretation - can make or break perceived value. Business leaders want trusted, timely, actionable insights. IT can provide the tools, but without shared understanding and alignment.

***Encouraging collaboration between IT and business teams can foster a more integrated approach to data analysis. By empowering business users with the necessary tools and skills, organisations can ensure that data-driven decision-making becomes a shared responsibility***

**Julian Boneham** | Technology & Innovation Director Data

## Bridging the gap

To close this divide, organisations must not just focus on systems. They need to work on shared experience and ownership. This means:

- **Making data personal:** Align insights to team-level KPIs and decisions
- **Embedding analytics into workflows:** Don't just build dashboards. Connect insights to the tools people use every day
- **Improving data trust:** Increase transparency around sources, governance, and definitions
- **Creating shared ownership:** Bring IT and Business together to co-design the data experience - not just consume it

***AI Assistants and Copilots are particularly in focus for IT leaders, highlighting a strong desire to improve productivity and efficiency within the mid-market. Interestingly, business leaders don't rank these tools as highly, which likely points to a gap in understanding the potential benefits of AI Assistants and Copilots. Bridging this gap is essential for maximising the impact of AI across the organisation.***

**Julian Boneham** | Technology & Innovation Director Data

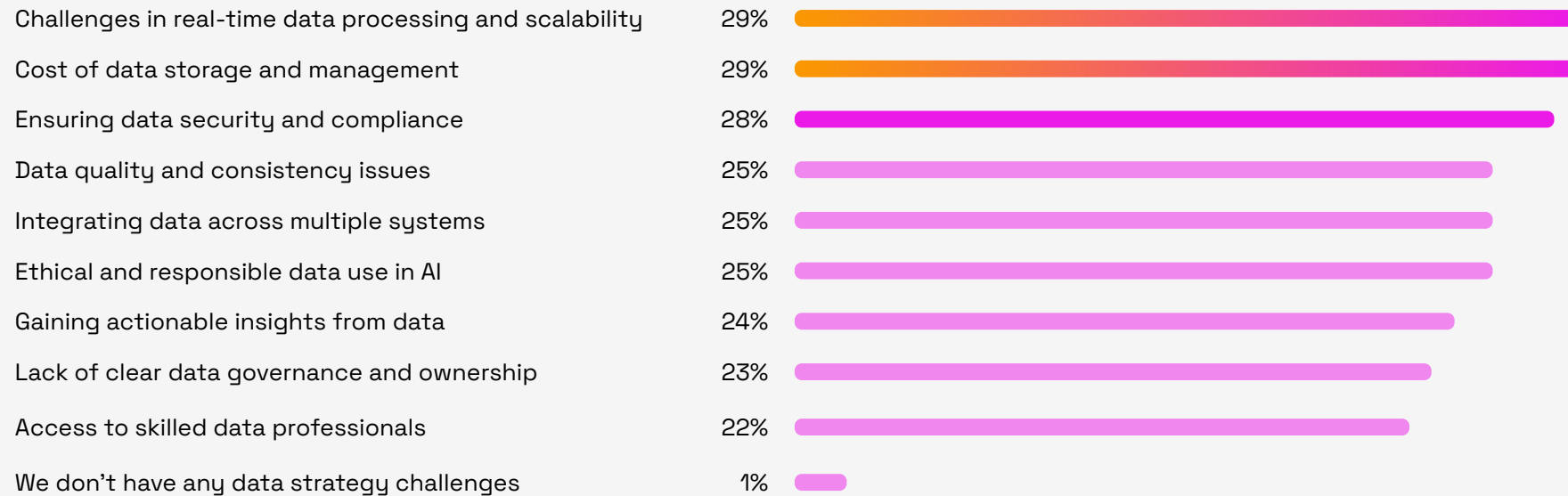


# Mid-market data strategy challenges

Data is central to digital transformation, but it's also a growing source of friction. When asked to identify their top data strategy challenges, mid-market leaders highlighted a familiar mix of technical, organisational, and strategic concerns.

What are the biggest challenges in your organisation's data strategy?  
(Select up to 3)

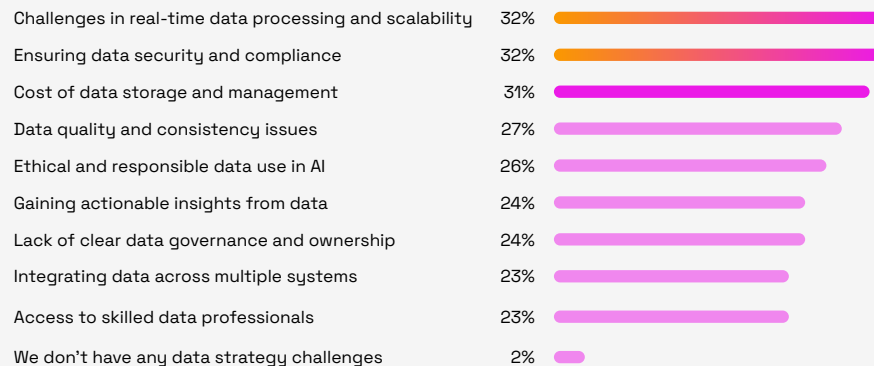
## Biggest data strategy challenge



# How does this differ between IT and Business leaders?

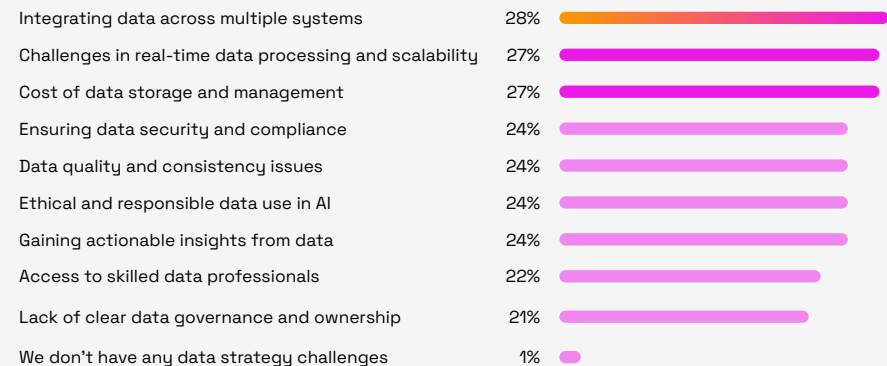
## What are the biggest challenges in your organisation's data strategy? (Select up to 3)

### Biggest data strategy challenge (IT)



## What are the biggest challenges in your organisation's data strategy? (Select up to 3)

### Biggest data strategy challenge (Business)



## IT vs. Business: A difference in focus

IT leaders are most concerned with real-time data processing (32%) and data security and compliance (32%).

Business leaders cite data integration across systems (28%) as their number one challenge.

This reflects the demands each group faces. IT is tasked with scaling and securing infrastructure, while Business leaders are focused on getting a complete operational picture from fragmented systems - ERP, CRM, finance, and more.

## The hidden risk: Data quality blind spots

Interestingly, Business leaders rank data quality and consistency just fifth (24%), while IT leaders rank it higher (27%). This could reflect a disconnect. Business users rely on outputs but may not always question how clean, timely, or trustworthy that data is. This is summed up in a commonly used phrase: "If you're not close to the pipes, you don't always see the leaks."

This gap could have major consequences, particularly if critical decisions are made based on incomplete or misleading information.

## The real-time tipping point

While priorities differ, both groups agree that real-time data is a growing strategic necessity.

Whether it's sales leaders tracking pipeline performance, operations leaders responding to demand signals, or finance needing instant forecasting data, more business functions now expect on-demand insight, not just monthly reports.

However, real-time capability depends on more than speed - it requires:

- Modern architecture
- Integrated systems
- Clean, consistent data
- The skills to act on what's surfaced
- And as we'll see, it's also the foundation for meaningful AI adoption.

These points also echo earlier challenges from the application management section of this report:

- M&A and application consolidation (23%)
- Siloed systems (22%)
- Limited reporting insights (20%)

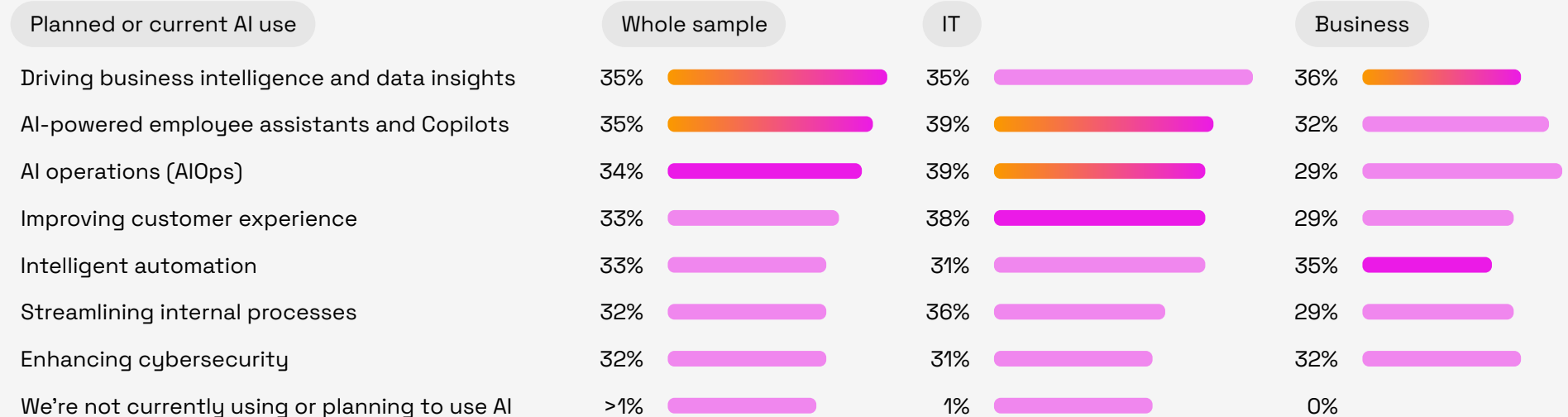
These issues make it harder to align teams around a single version of the truth and reinforce the need for better governance, integration, and architecture.

Many mid-market organisations still make strategic decisions based on static, historical snapshots, not live operational data. This limits agility and leaves value on the table.

As AI and automation become more accessible, the ability to turn real-time data into immediate action will define the next phase of competitive advantage.

## How are mid-market organisations using AI and Automation?

### How is your organisation currently using or planning to use AI? (Select up to 3)



## Common ground: Insight-led AI

Driving business intelligence and data insights is the most popular use case across IT and Business leaders. Predictive analytics and smarter forecasting are key to improving decision-making and streamlining operations in a complex economic environment.

AI enables a shift from reactive to proactive insights, allowing organisations to identify trends earlier and act faster. This aligns closely with the real-time data challenges and actionable insight gaps discussed earlier in the report.

## AI-powered employee assistants and Copilots

AI-powered employee assistants and Copilots are the second most popular planned or current uses of AI across the entire sample, and the most popular choices among IT leaders (joint top with AI operations). This shows IT leaders better understand how these assistants can drive productivity improvements. For example, instead of an employee spending an hour or more submitting their expenses each month, it's possible to provide receipts to an AI assistant that can prepare the claim for them to check before submission. AI assistants can also search company documents and summarise results, saving time when preparing sales pitches or presentations.

## AI for Efficiency: Still an undervalued opportunity

Around a third of mid-market organisations are using AI for intelligent automation (33%), process streamlining (32%), and AI operations (34%). These are the foundations of efficiency at scale, and the data shows that IT leaders are driving this agenda:

- AI operations (AIOps): 39% of IT leaders vs. 29% of Business leaders
- Streamlining internal processes: 36% IT vs. 29% Business
- AI-powered assistants: 39% IT vs. 32% Business

For IT, these use cases offer clear value: they automate repetitive tasks, improve system observability, detect issues earlier, and reduce downtime. It's a pragmatic application of AI to improve service delivery and reduce operational noise.

But the disconnect with Business leaders suggests these benefits aren't being communicated or aren't landing. This is a recurring theme in our data: AI is happening, but not always seen.

## Why this matters: The efficiency imperative

In other sections of this report, efficiency and productivity consistently emerge as top priorities:

- 26% of respondents list cost optimisation and efficiency as a top strategic objective
- 30% say they're investing in automation and AI specifically to deliver those gains
- Workforce productivity is cited as a key focus by 26% overall

Despite this, AI for internal efficiency still ranks lower than expected in AI adoption. Business leaders, in particular, are more focused on external outcomes (e.g. customer experience) than internal process automation.

This suggests that many mid-market organisations may underestimate AI's role in operational streamlining or view it through too-narrow-a-lens.

To realise the full value of AI for internal efficiency, IT leaders must better communicate where automation is already delivering impact - while business teams need support to identify and improve process inefficiencies. AI should be framed as a cost-saver and a strategic tool to address skills gaps, reduce complexity, and unlock innovation. As with data, the gap between IT execution and business visibility remains a barrier. Until both sides align, AI's true potential will stay hidden in the tech stack.

## Improving customer experience: A missed opportunity

AI can radically improve customer service by enhancing how mid-market organisations engage customers, helping them respond faster and personalise at scale.

Yet despite this promise, only 29% of Business leaders prioritise AI for customer experience (CX), making it their lowest-ranked use case. In contrast, nearly 40% of IT leaders place it as a top focus, and 62% cite it as a key driver for AI investment.

This disparity points to more than just a difference in priorities. It reflects a deeper misalignment in how AI's value is experienced and measured across the business.

Business leaders may be unaware of how AI is already improving CX through chatbots, automated routing, and real-time sentiment analysis. In many cases, they don't see the connection between these tools and broader KPIs like satisfaction, retention, or growth. This isn't just a communication gap; it's a structural one.

Several factors are likely to be at play here:

- **CX ownership is fragmented.** This makes it difficult to define and scale AI’s role in end-to-end experience.
- **AI tools may be deployed but underused.** They often lack integration into frontline workflows.
- **Business metrics aren’t always tied to AI performance.** This leads to low perceived value.
- **Strategic focus is elsewhere.** Cost, compliance, and talent take precedence in a challenging economic climate.

Most critically, IT teams see the implementation while the business feels the impact - but only when it’s clear, visible, and aligned with outcomes they care about.

Until the business understands and experiences how AI actively enhances customer interactions, it will remain underutilised as a strategic lever for differentiation and growth.

What’s driving mid-market investment in AI?

AI investment in the mid-market is being driven by pragmatism over ambition. The top use case is cybersecurity, with 61% of respondents citing AI-driven threat detection and response as their primary motivation. In a threat landscape where attackers are already using AI, this is a defensive, risk-mitigation response.

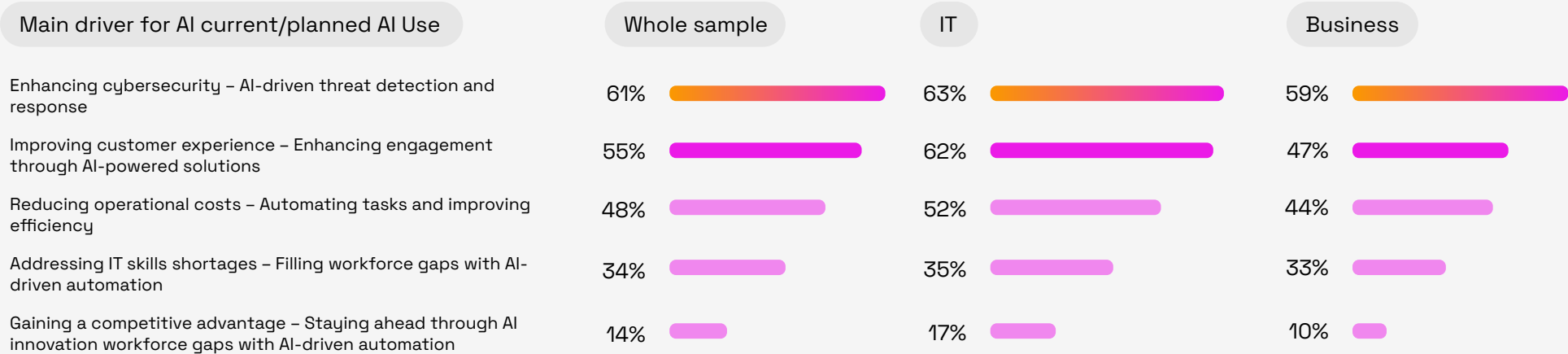
Next comes customer experience (55%) and cost efficiency (48%). These are high-value areas, but here again, we see a familiar divide: 62% of IT leaders see customer experience as a key driver, compared to just 47% of Business leaders.

Most notably, just 14% overall - and only 10% of Business leaders - cite gaining a competitive advantage as a reason to invest in AI. This reveals a striking contradiction: mid-market leaders say growth and market expansion are top strategic priorities, yet they’re not positioning AI as a growth enabler. In many cases, AI is still seen as an operational tool, not a lever for innovation or differentiation.

**While mid-market organisations face significant challenges in adopting AI, a thoughtful and strategic approach can help overcome these obstacles. By prioritising data quality, demonstrating clear ROI, and investing in education, businesses can unlock the full potential of AI and drive meaningful improvements.**

Julian Boneham | Technology & Innovation Director Data

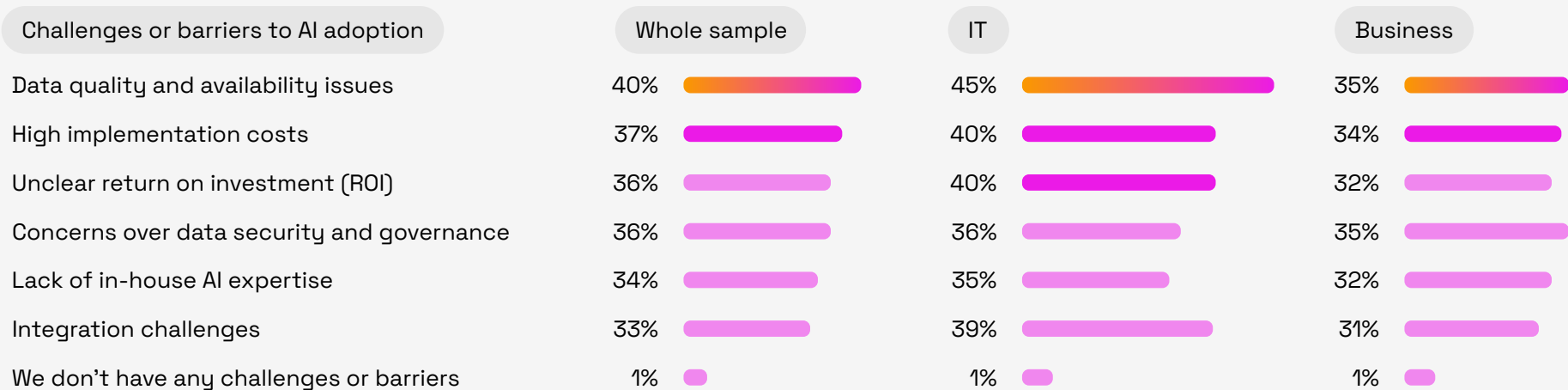
If your organisation invests in AI, what are the main drivers behind this decision? (Select up to 3)





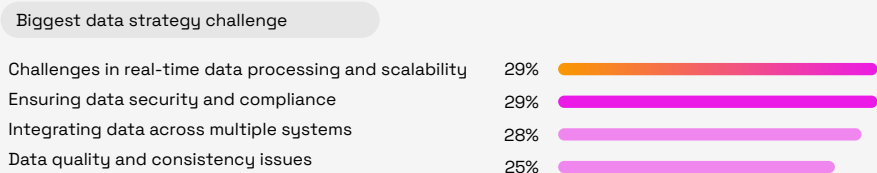
## How are mid-market organisations using AI and Automation?

### What are the biggest challenges or barriers to AI adoption in your organisation? (Select up to 3)



Mid-market organisations cite data quality and availability issues (40%), high implementation costs (37%) and unclear return on investment (36%) as the three biggest barriers to AI adoption. These closely align with some of the most significant data strategy challenges outlined earlier in this chapter:

### What, if any, are the biggest challenges in your organisation's data strategy? (Select up to 3)



This reinforces a fundamental truth: you can't scale intelligent systems on broken data foundations. Integration, governance, and real-time access remain persistent challenges - and until they're resolved, AI outcomes will fall short of expectations.

### ROI: The barrier that shouldn't exist

Unclear ROI is reported as one of the top barriers to AI adoption. It's cited by 36% of respondents and 40% of IT leaders. But this challenge is less about numbers and more about narrative.

In our experience, the real issue isn't that AI can't deliver ROI. It's that many mid-market leaders are looking for it in the wrong places. Business leaders often view AI through a transactional lens. They see it as a tool to reduce costs or justify the license fee for a Copilot or chatbot. But that misses the bigger picture. AI's most valuable returns come when it enables strategic gains. These include faster decision-making, improved CX, higher productivity, and competitive differentiation. These are harder to quantify in isolation but far more meaningful to long-term growth and success.

The disconnect becomes clearer when we look at the IT side. IT leaders typically understand where and how AI delivers impact. But they struggle to translate that value into the language of business outcomes. As a result, they're left trying to justify AI investments without the ability to tie them directly to top-line KPIs.

In short, the ROI is real, but it's misunderstood, miscommunicated, or misaligned with how business leaders measure success.

This is why so many AI initiatives stall at the pilot stage. Until mid-market organisations develop a shared understanding of how to define, measure, and attribute ROI, they'll continue to invest cautiously, often in the areas of least resistance, like cybersecurity or automation, rather than the ones with the greatest growth potential.

# Building the dream team: The focus on balancing In-House Talent with Outsourced Expertise

Part Seven



# In-house skills, outsourcing and managed services

## Skills shortages and workforce challenges

Is your organisation currently experiencing an IT skills shortage?

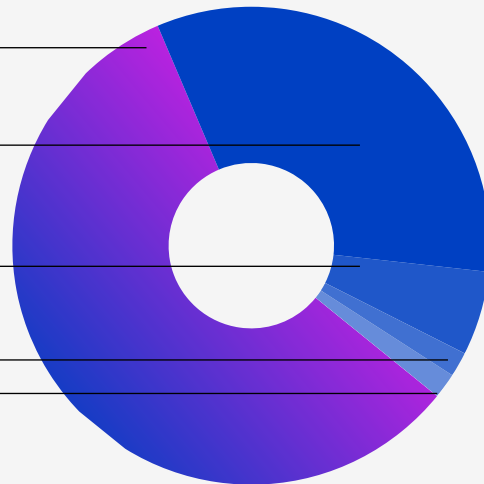
**56%** Yes, we are significantly impacted

**37%** Yes, but only in certain areas

**5%** No, but we anticipate challenges in the near future

**1%** We are not experiencing an IT skill shortage nor do we expect to in the future

**1%** Don't know



### Quantifying the mid-market's skill shortage

93% of mid-market organisations told us they are experiencing an IT skills shortage - and that over half (56%) are significantly impacted. The need to address this issue goes to the centre of IT and Business leader policy, strategy and priority.

Looking back to the first chapter of this report, almost one-third of mid-market leaders said that skills shortages have the biggest external influence on their organisation's IT strategy. Proving that in a world where AI dominates the headlines, human skills, potential, and capabilities are still fundamental to the mid-market's success and growth ambitions. Indeed, 34% of mid-market leaders tell us that a lack of in-house expertise is the biggest barrier to AI adoption within their organisation.

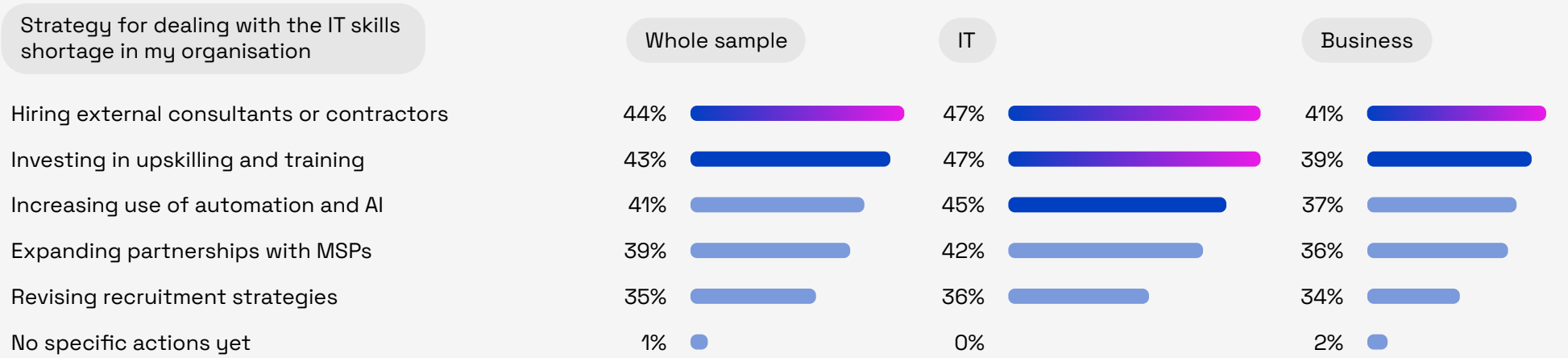
As such, it's reassuring to know that 78% are taking steps to address the issue, and a similar number expect to see progress in the next 12 months. But, as we'll discuss later in this chapter, this is one area where the mid-market may genuinely be at the mercy of external influence. On this occasion, it's a perfect storm of UK government policy and international macroeconomic influences.

***Developing a clear pipeline and plan for talent growth is essential. Mid-market organisations should consider implementing apprentice and graduate schemes to recruit, develop, and harness the talent of tomorrow. Address skill shortages, retention challenges, and difficulties in finding the right skills by proactively planning and preparing. Understand your needs, the required skills, and how to maintain your talent pipeline.***

**Ian Thomas** | Chief Operations Officer

We asked those organisations experiencing an IT skills shortage how they planned to address the issue. These are the approaches they’re adopting:

How, if at all, is your organisation addressing the IT skills shortage? (Select all that apply)



Most organisations intend to hire contractors or consultants to address IT skills shortages. We believe this is a short-term fix to help with - or while - upskilling employees and/or getting to grips with using AI and automation.

Almost 40% of mid-market companies also intend to expand partnerships with Managed Services Providers. In most cases, this will mean handing over some (or all) day-to-day IT department responsibilities to an MSP with dedicated IT service expertise and resources. MSPs specialise in delivering IT services. As such, they can provide at a more cost-effective price and with 24/7 coverage, delivered by a full complement of skilled IT professionals.

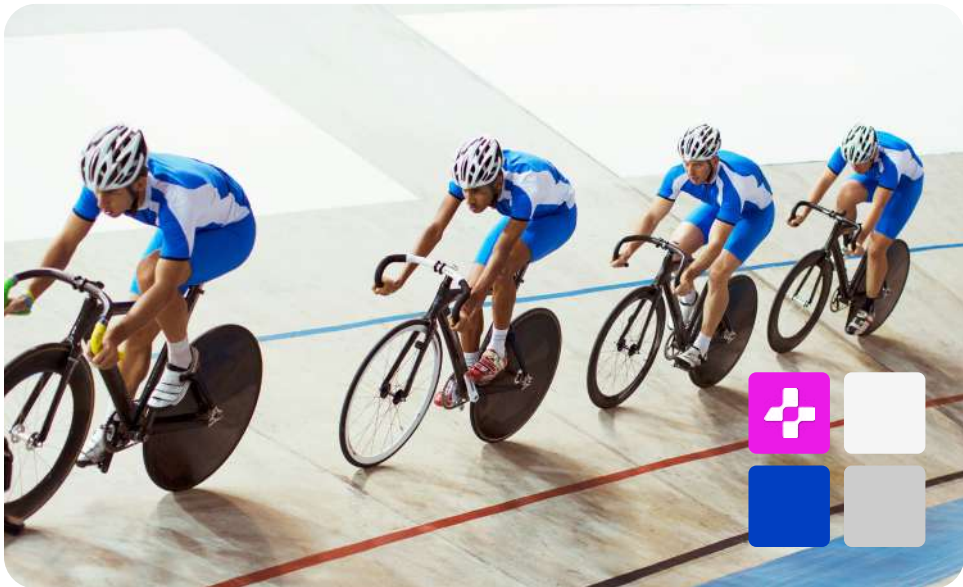
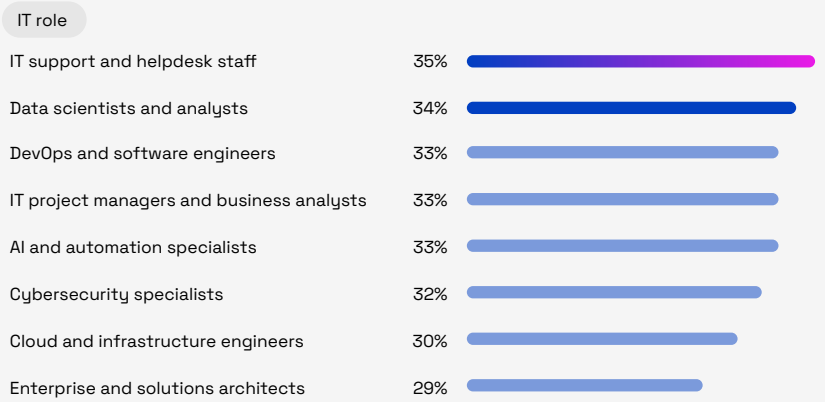
This will provide short-term support while organisations look to fill individual IT roles and plug skills gaps. However, even after a successful recruitment drive, MSPs will continue to play a critical role in delivering out-of-hours IT support and assisting newly recruited skilled employees, often providing the capability to relieve the challenges of operational availability.

***By outsourcing IT, clients don’t need to worry about managing people, dealing with leave, or recruitment issues. They are simply buying a service. This model ensures they receive reliable IT support and focus on their primary business objectives.***

**Ian Thomas** | Chief Operations Officer

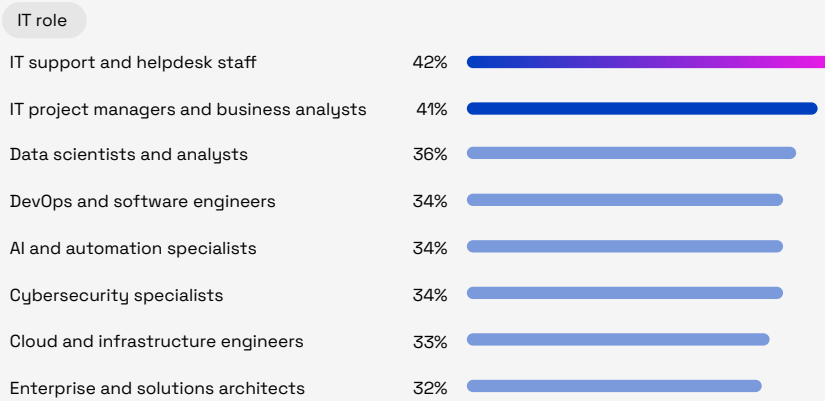
Which IT roles do mid-market organisations find most challenging to recruit and retain?

Which IT roles are most difficult to hire or retain in your organisation? (Select up to 5)

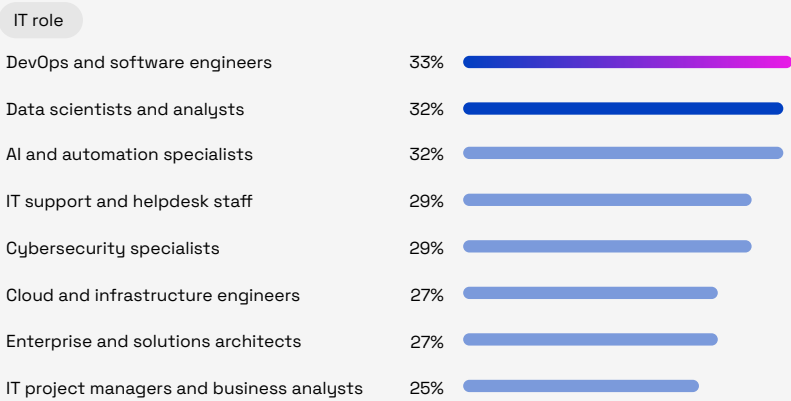


How does this differ between IT and Business leaders?

Which IT roles are most difficult to hire or retain in your organisation? (Select up to 5)



Which IT roles are most difficult to hire or retain in your organisation? (Select up to 5)





## IT support and helpdesk staff

Our findings show that hiring and retaining staff is equally tough across all IT roles. However, our respondents pinpoint recruiting IT support and helpdesk staff as the most difficult. IT leaders experience this issue directly; consequently, they're far more aware of it (ranked first, with 42%) than Business leaders (ranked fourth, with 29%).

We've already seen that mid-market leaders plan to use automation and AI to solve skills shortages and that over a quarter intend to improve workforce productivity by introducing AI-enhanced customer service. Given that IT support and helpdesk roles are so challenging to fill and retain, we believe this will be one of the first areas of implementation. This would also be a good use case for testing the technology in a relatively controlled environment before rolling it out to external customer-facing applications.

But it's also a core area of expertise for many MSPs, so they can provide a solution. IT and helpdesk support roles are challenging to fill because the work is intense and often goes unrecognised. They're expected to provide 98% network uptime and be available 24/7 on the other end of a phone or Teams chat. That kind of pressure makes IT and helpdesk support a very transient role. MSPs lift that burden, support IT and helpdesk colleagues with round-the-clock network monitoring and first-line helpdesk support.

## It's not just about skills shortages; it's about accessing the skills when you need them the most

When mid-market leaders talk about a skills shortage, it's usually regarding recruitment issues for specific roles. It's rare for them to discuss the breadth of cover.

Hiring one Cisco-qualified or Microsoft-certified engineer might seem like a big win after an eight-month vacancy on the IT team, but is that employee available at 2 AM when there's a critical outage? How does that hire address the out-of-hours availability of those skills?

Enterprise-level organisations tend to have large IT teams with comprehensive skills that can deliver 24/7 in-house support. But this isn't true for most mid-market organisations - and the costs would be prohibitively expensive.

It's more cost-effective for these organisations to outsource their service desk to a managed services provider and let them take the strain, enabling the organisation to focus on its core competencies.

The UK's education system, particularly at university level, prioritises courses in AI, data science, coding, and other emerging tech fields - and students are flocking to take them.

Of course, these skills are essential to businesses seeking growth and productivity gains. But there's a real danger that students no longer arrive at their first employer with aspirations to gain help desk skills and other foundational, more traditional, IT knowledge. This knowledge is still essential to IT career growth, and, where they are lacking within mid-market organisations, managed services providers can play a critical role in providing that expertise.



**In IT's race, helpdesk roles are key but hardest to find and retain talent.**

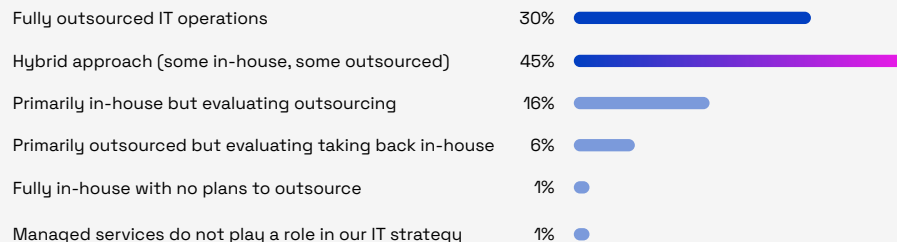
# The evolving role of managed services in the mid-market

We asked those organisations experiencing an IT skills shortage how they planned to address the issue - 39% of mid-market leaders intend to expand their partnerships with managed services providers. This breaks down to 42% of IT leaders and 36% of Business leaders. But what role do managed services actually play in supporting mid-market organisations? Here's what our respondents told us:

## What role do managed services play in your IT strategy?

If your organisation invests in AI, what are the main drivers behind this decision? (Select up to 3)

### Role of managed services in my organisation



## Taking a hybrid approach

Most mid-market organisations (45%) adopt a hybrid approach to managed service. This is likely to fall into one of two categories:

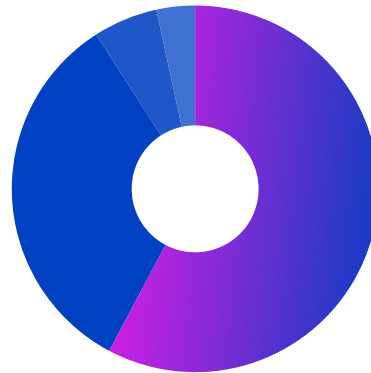
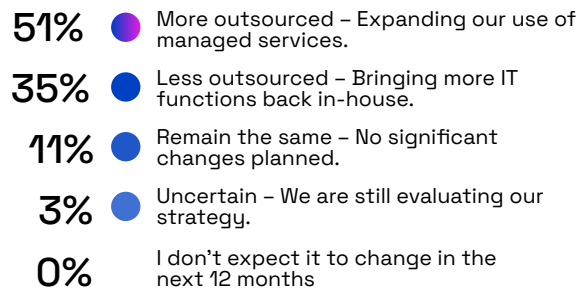
- **Managed Service:** A hybrid approach where mid-market organisations buy networks and hardware from an MSP and then opt for ongoing support and maintenance.
- **Managed IT:** Also a hybrid approach, but delivered to organisations with internal IT departments or those working with other providers. MSPs might manage specific aspects like laptops, mobile phones, VPNs, and Office 365. This tends to be a suite of services rather than a service wrap around individual products.

Meanwhile, 30% fully outsource their IT operations. In these instances, they will take over – and effectively become – that organisation's IT department.

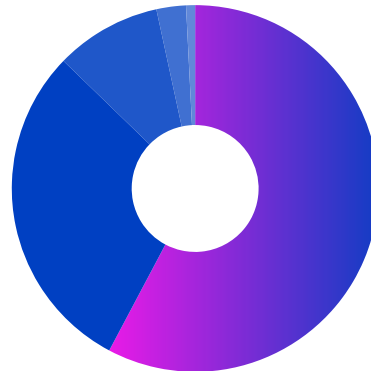
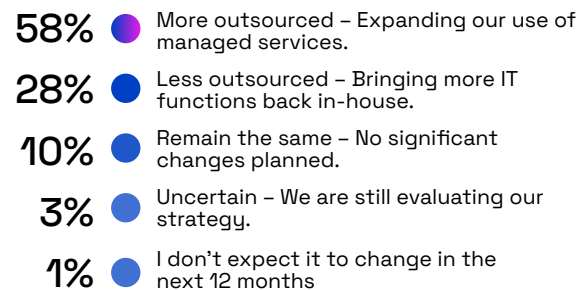
At the other end of the scale, just 6% intend to revert to an in-house strategy. Outsourcing tends to be cyclical - one CIO favours it, while another prefers complete control - so we expect to see some organisations planning this course of action. However, 6% is a relatively low number. In this instance, we believe the decision is driven by high costs or service-level concerns with specific partners rather than indicating a wider mid-market trend.

We asked respondents who said managed services play a role in their IT strategy to tell us how they think their approach might change in the next 12 months. Here's what they think:

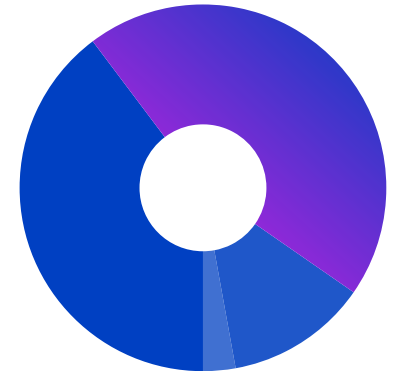
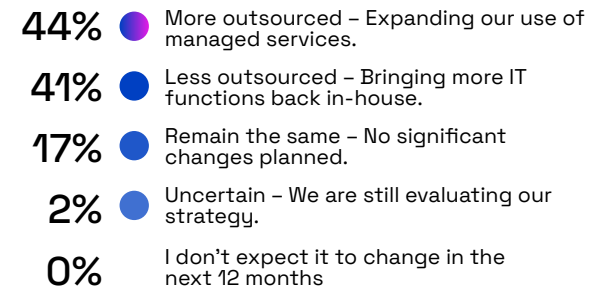
#### Whole Sample



#### IT



#### Business



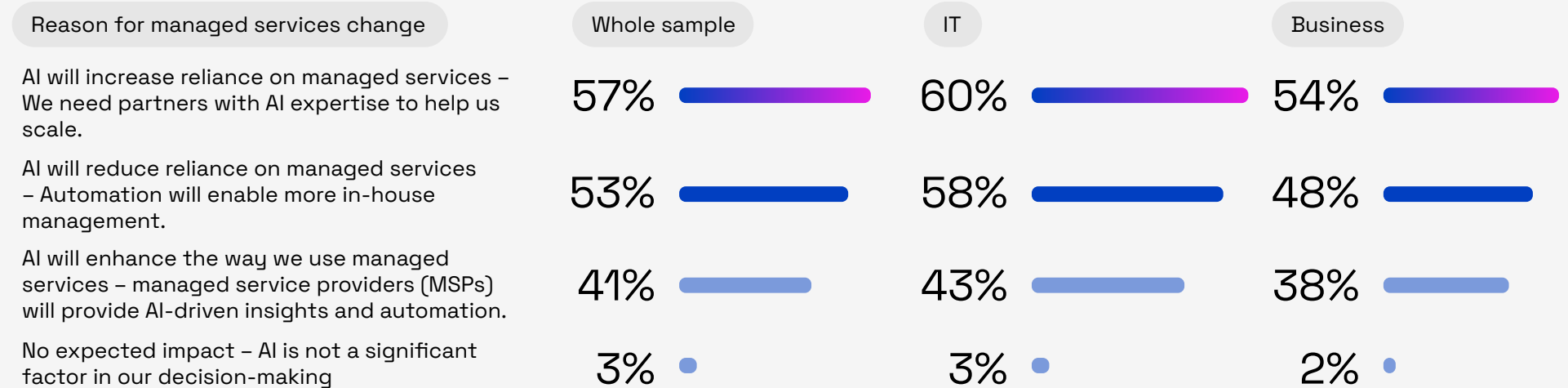
Nearly two-thirds of mid-market organisations plan to either maintain or expand their use of managed services. This trend is most likely to occur in the retail sector (71%) and least likely in the professional sector (48%). The increased use of managed services is directly linked to the skills shortages outlined earlier in this section. It also ties back to:

- The need for expert skills to support difficult-to-recruit areas such as data management, AI, and cybersecurity.
- The desire for cost reduction, operational efficiencies, and plans to reduce IT staff.

Mid-market organisations are doubling down on their strengths while seeking assistance to identify skills gaps. This is particularly true when these gaps intersect with unrealistic expectations from the wider business, such as safeguarding against cyber threats and implementing AI.

## What impact will AI have on mid-market managed services consumption?

What impact do you think AI will have on driving this change? (Select all that apply)



The need for AI expertise is the primary driver for increased reliance on managed services deployment (57%), but only just. A similar number (53%) said that AI will reduce their reliance on managed services because of its potential to automate processes. These findings might seem contradictory, but they demonstrate that the need and scope for managed services change depending on AI adoption and implementation maturity.

More automation and AI support in some areas will mean less use of managed services in others - for example, around user onboarding. This shows that organisations are turning up the dial on MSP services where they're required and turning them down when that need has passed. One thing is sure: AI will massively disrupt how managed services are consumed across the mid-market.

## Macroeconomic conditions and IT outsourcing

International macroeconomic conditions and UK government policy significantly impact mid-market organisations. Changes to National Insurance, first unveiled after the change in government, had a major impact on recruitment and staff retention policies. This unexpected cost, which had not been anticipated in the last financial year, impacted not just the profits but the ultimate survival of many organisations in this sector.

Mid-market organisations are particularly vulnerable to these challenges. Unlike enterprises that can handle the costs or SMBs that can halt activities, mid-market companies must find ways to continue operations despite contractual obligations and expectations from large clients.

The immediate response is to find ways to deliver better, more, or the same for less. For mid-market leaders, IT outsourcing becomes a viable option, especially when IT isn't their core business. Running an IT department incurs substantial costs, including maintaining a service desk.

Instead of paying for multiple full-time employees and associated costs, mid-market organisations get access to a team of service desk agents working across multiple businesses, which allows for shared service costs. This helps mitigate the impact of macroeconomic headwinds, enabling organisations to focus on their core activities and push for growth.

***Outsourcing IT services mitigates a significant proportion of these costs, enabling mid-market organisations to grow even in challenging economic conditions.***

**Ian Thomas** | Chief Operations Officer

The UK mid-market has been dealing with a skills gap for many years. But we're on the cusp of an entirely new deficit that centres around the ability to adopt, implement and interpret AI.

There are questions to be answered about whether our education system provides the right courses to equip people with these skills - we believe it does not. There is also a very strong chance that the UK will haemorrhage these skills - alongside other key IT abilities - because the country is not sufficiently competitive or attractive enough to retain them.

The government has it in its gift to offer incentives to attract and retain those with the necessary skills to set up life (and businesses) in the UK. This includes tax breaks, visas, investment in apprenticeships, and even lowering National Insurance or finding ways to reduce utility bills for mid-market organisations.

These things would reduce the cost of doing business and bring much-needed capital into the country to feed mid-market growth. In the meantime, businesses like Node4 continue to provide the support, skills, and technology that the mid-market needs to grow and reach its full potential.



# Unlocking Growth in the Mid-Market - Conclusions

## Strategic alignment and economic resilience

Our report set out to understand and analyse the productivity gap in mid-market companies, the largest single economic segment in the British economy, and one that does not always have a representative voice in public discussions or public policy decisions.

The report repeatedly discusses the alignment (and lack thereof) between IT and Business leaders. Indeed, we often find ourselves describing two parallel views of the same organisation. It's true that these worlds are united in making business expansion and market growth their top priority for the next 12 months. But they differ in how they intend to stimulate that growth through IT and wider organisational investments.

This is most apparent in the higher priority that IT leaders give to AI investments intended to improve productivity and efficiency. But you can see it in our sections on public cloud, cybersecurity, workplace applications, skills shortages and managed services. At its core, the business fails to understand the power of technology and vice versa. This misalignment is one of the key reasons for sub-optimal IT and technology deployments – and it explains why mid-market organisations continue to perpetuate the productivity gap.

## An inflection point for the mid-market?

From our data analysis, it's clear that the mid-market is in flux. That might be because of shifting cloud consumption models, a reassessment of legacy business applications, or the growing realisation about AI's potential for transformative business growth.

We have uncovered many positives and much potential. There is a desire for improvement, growth, and expansion – and a belief that technology is a key enabler for each. But we have seen areas of overconfidence, complacency, and lack of vision that inhibit the potential of new and existing technology to support these ambitions. This also feeds the productivity gap – a precarious situation in such uncertain economic conditions.

## The era of pragmatic cloud adoption and a desire for more control

Our data shows mid-market organisations are choosing the cloud solution that works for their organisation and using it to establish foundations for growth. In practical terms, that means a significant shift towards hybrid infrastructure and a more nuanced approach to cloud strategy – optimising for performance, compliance, and control.

Control does seem to be a key influencer, more so than cost. We see this when it comes to cybersecurity consumption in public cloud environments. Despite the availability of advanced, automated functionality, mid-market leaders are more confident about their security when using on-premises infrastructure.

While many mid-market organisations are repatriating certain workloads from the public cloud to private or hybrid environments for reasons of control or performance, the trend for modern, cloud-native business applications is moving firmly in the opposite direction: into the cloud. This reinforces that the hybrid story is not just about infrastructure decisions, but about creating the right application mix to drive flexibility and future-readiness.

**94% of organisations running primarily on-premises say they're confident in their ability to prevent and respond to cyberattacks.**

**That number falls to 78% for fully cloud-based organisations.**

**9% of fully cloud-based respondents say they're not confident at all, compared to just 1% of on-prem leaders.**

## Hybrid working, skills shortages and managed services deployment

Hybrid working has become the dominant model for mid-market organisations. But it presents ongoing challenges in collaboration, security, and maintaining company culture. The ability to attract and retain talent is closely linked to how well organisations can support hybrid work models. This is important as the mid-market is facing significant IT skills shortages.

Addressing these challenges is essential for sustaining productivity and engagement in a competitive talent market. Managed services will play a vital role here. They will also provide mid-market organisations with the expertise and support needed to navigate complex IT landscapes.

**93% of organisations experiencing challenges in hiring and retaining talent.**

**67% of mid-market organisations favour some form of hybrid work setup, with a significant portion planning to expand remote work options. However, around the same number have yet to resolve fundamental hybrid working challenges.**

**39% of mid-market leaders plan to expand their partnerships with managed services providers.**

## Cybersecurity in the mid-market: A dangerous combination of over-confidence and complacency?

Cybersecurity remains a top priority. It's about building a complete, integrated posture, rather than fixing point problems. But many Business leaders still see it as IT's responsibility, not a shared organisational risk.

**92% of mid-market leaders confident in their ability to prevent and respond to cyber-attacks.**

Cybersecurity remains a top priority. It's about building a complete, integrated posture, rather than fixing point problems. But many Business leaders still see it as IT's responsibility, not a shared organisational risk.

Nearly all mid-market organisations claim to be confident in their ability to prevent and respond to cyber-attacks. But we are concerned that some of this confidence might be misplaced. For example, almost three-quarters of mid-market leaders think secure remote and hybrid work is a critical or high priority. However, only around a third have fully resolved data security risks associated with remote work. That being the case, where else could there be gaps and vulnerabilities?

AI is forming part of the solution, with similar numbers of IT and Business leaders planning to use the technology to enhance their cybersecurity posture.

## Data, AI, and automation

AI's potential is not being fully exploited for growth. Organisations claim to be data-driven and data-enabled but have not taken significant steps to realise the full value surrounding automation, customer service, and other use cases. IT leadership is ahead, while Business leadership is lagging behind.

A positive note is that Business and IT leadership agree on the importance of gaining actionable insights from data. Could this be the catalyst that encourages them to use AI more effectively?

The mid-market is not thinking bravely enough about AI, so it's not yet seen as adding some differentiation - look at how respondents judge and measure ROI on AI. Mid-market organisations hesitate because they fail to see AI as a transformative force. Leadership must champion a culture where AI is integral to strategy, not just a tool. Without this mindset shift, they'll remain perpetually on the sidelines.

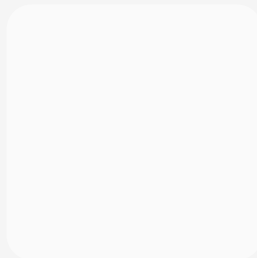
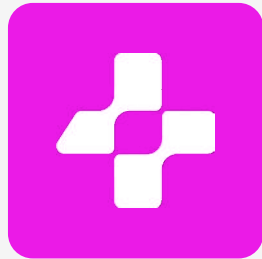
**Only 36% of mid-market leaders have fully resolved data security risks associated with remote work.**

**Just over 30% of IT and Business leaders are either currently or are planning to use AI and automation to enhance their cyber security posture.**

**Roughly a quarter of IT and Business leaders say gaining actionable insights from data is their biggest data strategy challenge.**

**Unclear ROI is reported as one of the top barriers to AI adoption. It's cited by 36% of respondents and 40% of IT leaders.**

**Just 14% of mid-market leaders (10% Business, 17% IT) cite gaining a competitive advantage as a reason to invest in AI.**



# Final Thoughts

Our report demonstrates the resilience and adaptability of the UK's mid-market. By aligning technology investments with strategic priorities, mid-market organisations can navigate economic uncertainties, drive growth, and achieve competitive advantage. The insights from our respondents, alongside our data analysis, provide a roadmap for Business and IT leaders to collaborate effectively, deploy emerging technologies, and build a prosperous future with the potential to power the UK economy and significantly contribute to the country's GDP.

## Methodology

Censuswide conducted this research for Node4 among 601 IT and Business leaders in the finance, private healthcare, retail, manufacturing, professional, and construction sectors. The sample comprised Heads of IT, IT Directors, IT Managers, CIOs, CTOs, CEOs, CFOs, MDs, and Finance Directors.

Respondents were selected from organisations with 500 to 5,000 employees and annual revenue between £100 million and £1 billion. Data for this report was collected between March 13th and 25th, 2025.

Censuswide abides by and employs members of the Market Research Society, follows the MRS code of conduct and ESOMAR principles, and is also a member of the British Polling Council.

**NODE4**

## About Node4

Node4 exists to simplify the complex and deliver exceptional outcomes for its clients. By aligning technology with business ambition, Node4's experts design and deliver trusted solutions - spanning application modernisation, hybrid cloud, and the infrastructure that powers them - enabling organisations to move faster, scale smarter, and achieve more.

Node4 combines its own investments in platforms and infrastructure with deep relationships across the technology ecosystem. As a strategic Microsoft partner for 20 years, the company holds all six Microsoft Solution Designations, 10 advanced specialisations, Azure Expert MSP status, and has been recognised with Microsoft Inner Circle status for five consecutive years.

Recognised as one of the UK's Best Workplaces™ for three years running, Node4's culture is built on passion, innovation and trust. This values-driven approach underpins the company's commitment to Exceptional Service as a Standard - a promise that keeps clients coming back.

Node4. Made for More. [www.node4.co.uk](http://www.node4.co.uk)