White paper

The 2024 IT Outlook Report

Insights and predictions for AI, IT strategy, hiring and sustainability.

Solve

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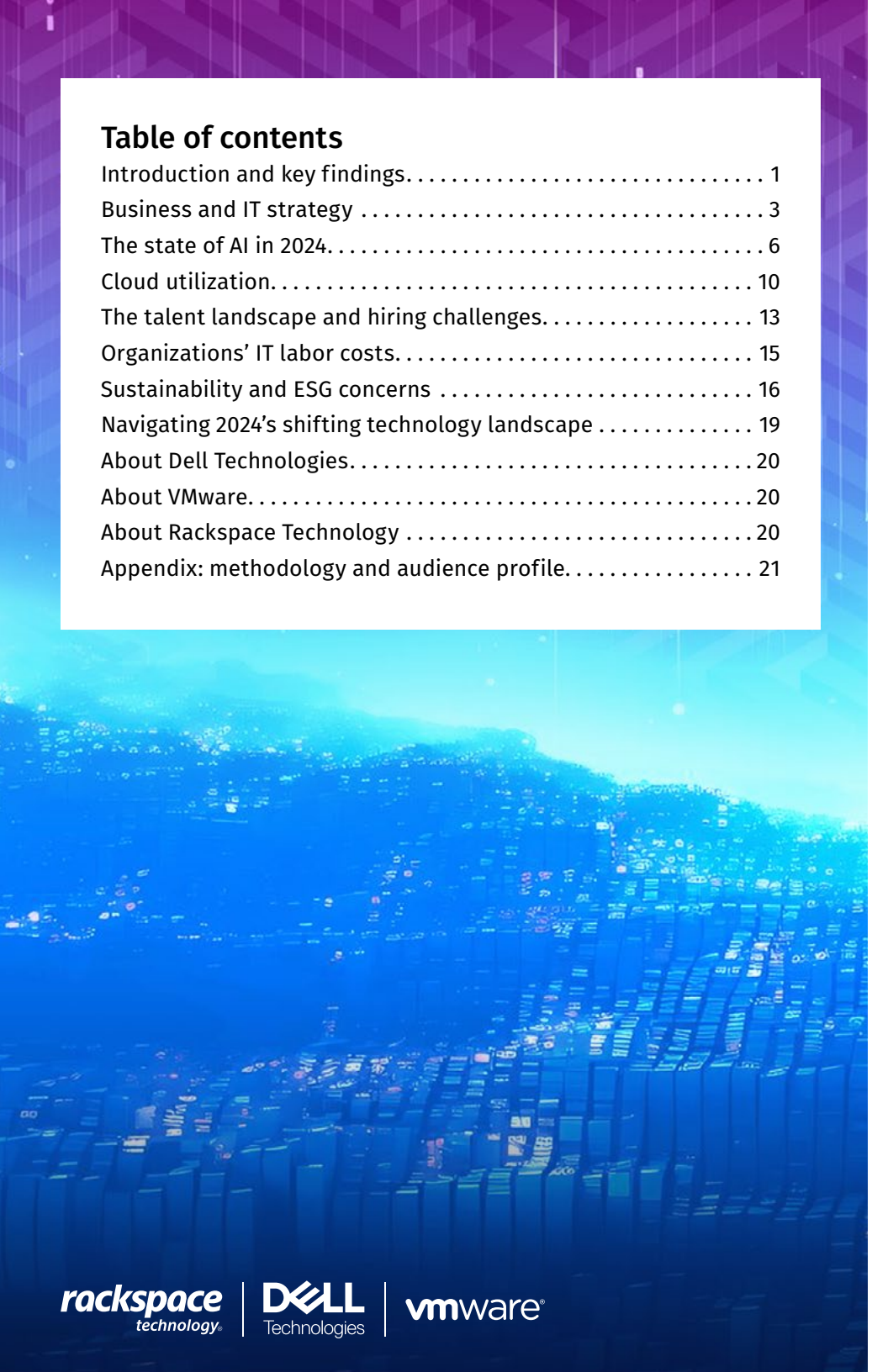

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Introduction and key findings

As we approach 2024, it's clear that the IT landscape is being reshaped by internal and external forces that include artificial intelligence (AI), strategies, investment trends, hiring challenges and commitments to sustainability. To provide an analytical overview of these evolving IT trends, Rackspace Technology® commissioned The 2024 IT Outlook Report in partnership with Dell Technologies® and VMware®. In this report, we share the findings from our polling of 1,420 IT professionals worldwide and across multiple industry verticals.

Respondents to our survey work in a diverse range of industry verticals, including financial services, pharmaceuticals, manufacturing, retail, entertainment, hospitality, travel, government and healthcare in the Americas, Europe and Asia. By seeking input from such a diverse swath of the IT world, we aim to provide a clear projection of the next wave of technological innovation and its impact on business strategy. Grounded in the latest research and expert analysis, this report is an essential guide for leaders and organizations aiming to stay ahead in a future increasingly defined by IT.

Our survey data shows the growing optimism for and reliance on AI. Diving deeper into investment trends, we observe that companies are recalibrating their investment portfolios and prioritizing edge computing and public and private clouds. Notably, companies are refocusing their budgets on application modernization and cloud migration, while curtailing investments in infrastructure hardware and servers.

In 2024, expectations and reality are converging for AI. While AI has significantly accelerated innovation and enhanced decision-making processes, the anticipated productivity gains and sales increases have not always materialized. Our research explores AI use case traction, challenges in measuring the return on investment (ROI), and the nascent but critical AI governance domain.

In cloud utilization, a shift toward private cloud infrastructure is unmistakable, while organizations grapple with cloud migration complexities, limited resources and security concerns. A comparative analysis of the ROI from private versus public clouds reveals a growing inclination toward hybrid cloud solutions. They combine the scalability and cost-effectiveness of public clouds with the enhanced security and control of private clouds, offering a flexible and optimized approach for meeting diverse business needs.

The talent gap presents its own set of challenges, particularly in the AI and technology sectors. Organizations are wrestling with the difficulties of recruiting skilled professionals in a market where demand outpaces expertise. This report explores strategies to address these gaps, emphasizing the importance of upskilling and smart technology options for broadening the talent pool.

Finally, we look at the intersection of IT and Environmental, Social and Governance (ESG) concerns. The technology sector's role in achieving sustainability goals is under scrutiny, with a focus on the importance of integrating sustainable practices into the core of IT strategies, rather than viewing them as mere compliance obligations.

The 2024 IT Outlook Report aims to serve as a compass for helping you navigate the trends and technologies that are likely to impact IT organizations in the coming months.

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Business and IT strategy

According to the global IT decision-makers we polled, the most impactful positive changes in the next 12 months are likely to be the growth of AI, increased regulation and talent acquisition. While AI, and in particular generative AI, has garnered a lot of buzz, so too have concerns related to its ethical use, specifically when it comes to intellectual property, data and privacy. Thorough and clear regulation could provide the guardrails to help guide AI going forward.

Impact of overall business landscape/market environment (part 1)

What major business trend in the next year will most positively impact you?

Conversely, the most impactful negative changes expected over the next 12 months include economic uncertainty, job displacement and political polarization. Given the global landscape, marked by multiple conflicts and the aftermath of pandemic disruptions, it's understandable that there's a general feeling of economic uncertainty in many industries.

Impact of overall business landscape/market environment (part 2)

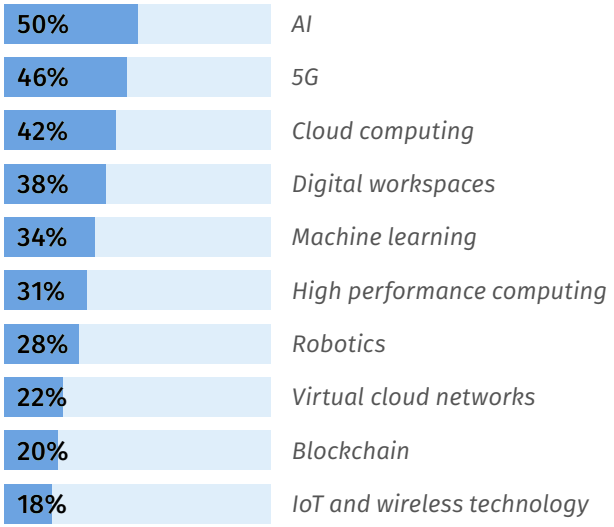
What major business trend in the next year will most negatively impact you?

There will be continued focus on technology investments

Despite the perceived landscape challenges, organizations still place a high value on technology, with 50% saying AI will be important over the next 12 months.

Technologies of importance to organization over next year

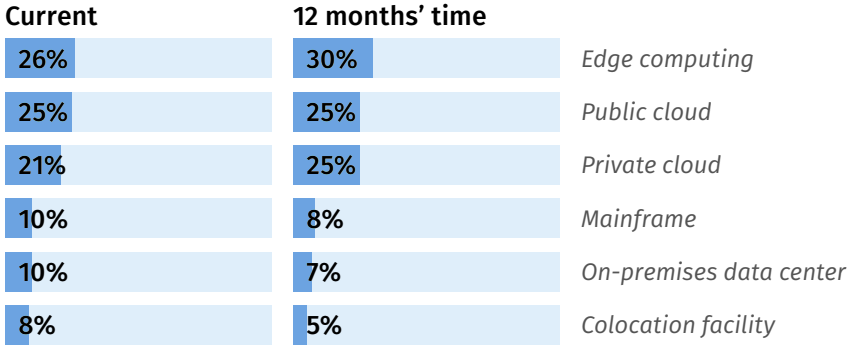
Which technologies will your firm prioritize in the next 12 months?



Looking at the survey data, companies plan to prioritize investments in private cloud and edge computing over the next 12 months. This move to edge computing is not surprising, since processing data near the source enables AI and machine learning for tasks such as preventative maintenance. This powerful benefit will likely continue driving investments in edge computing.

IT infrastructure currently and in 12 months' time

How is your IT infrastructure currently structured, and what changes do you expect in the next 12 months?

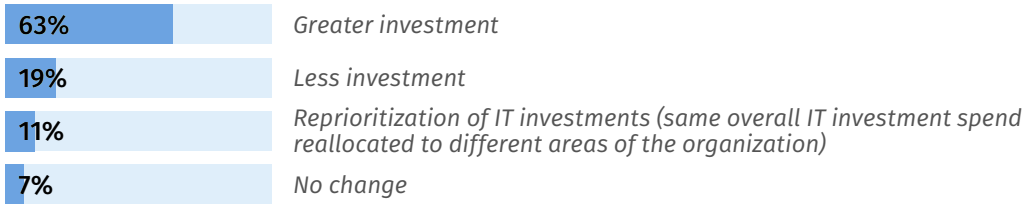


The economic climate leads to a refocus on investments

Survey results show that, despite current economic uncertainties, 63% of respondents are planning to prioritize their investment in IT. We view this as more of a reallocation of funds than a net increase in spending, because IT used to be a cost center and now is a solution for savings. Shifting an IT budget during economic downturns can help reduce costs, improve scalability, inform decisions, manage risks and build resilience. This forward-thinking approach plants seeds for future success, even when current conditions are challenging.

Impact of the current economic climate on IT investments

In the next 12 months, how will the current economic climate affect your IT investments?



Going into 2024, investments in infrastructure hardware and servers will see some of the biggest cuts, as companies do more in the cloud.

IT budget now and expectations over the next 12 months

What was your initial IT budget? How do you foresee it changing in the next 12 months?

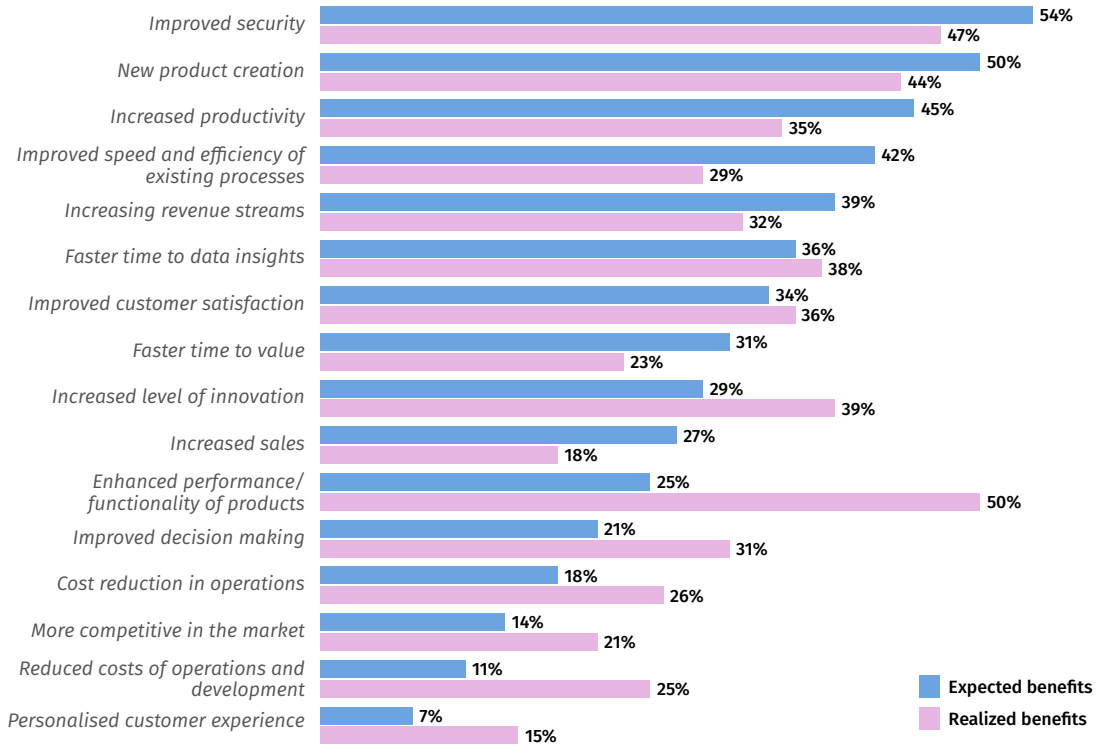
Original IT budget allocation	New IT budget	
14%	17%	*Application modernization*
10%	12%	*Digital transformation projects*
10%	8%	*Infrastructure hardware*
10%	12%	*Security*
10%	7%	*Servers*
10%	9%	*Data projects*
10%	11%	*Moving from the cloud*
9%	11%	*Moving to the cloud*
9%	7%	*AI and RPA*
8%	7%	*Automation*

The state of AI in 2024

Expected vs. actual benefits of AI implementation

According to respondents, AI's contributions to innovation, product enhancement and decision-making are exceeding expectations. Meanwhile, its contributions to productivity, process improvements and increased sales are underperforming.

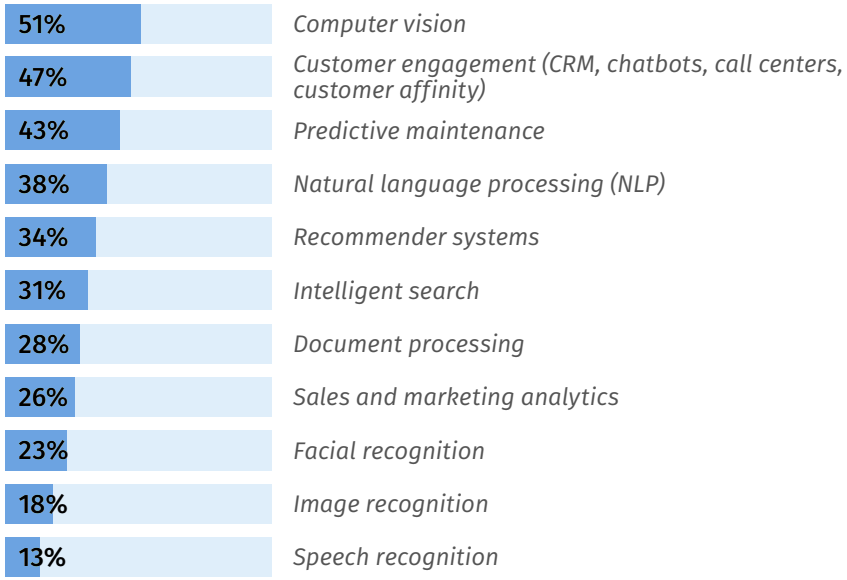
What were the anticipated benefits of implementing AI initiatives, and what actual benefits have you seen?



We are also seeing an expansion in AI use cases as companies explore higher-end functions, such as computer vision (51%). Meanwhile, more traditional AI use cases, like sales and marketing analytics, seem to be less of an initiative priority (26%). This is probably an indication that capabilities, such as forecasting, are already baked into existing sales and marketing products.

Use cases gaining the most traction in terms of AI initiatives

Which AI use cases are most popular in your organization?



Top challenges experienced in implementing AI

Given how recently generative AI moved into the business mainstream, 42% of respondents report difficulties in assessing its business value. Establishing a concrete business case poses a challenge, particularly in demonstrating ROI. This is due in part to the time it takes to accurately measure AI-driven productivity gains. While buy-in rates are high (only 4% cited lack of senior management commitment), the ability to quantify benefits remains a challenge.

What are the top 3 challenges you have faced implementing AI? (Select up to 3 answer options)

Use of generative AI within organizations

The embrace of generative AI is nearly universal, with 99% engagement among respondents. While 37% are interested in the technology and plan to start the ideation phase of its use, 29% are already crafting use cases, 21% have completed prototypes and 12% already have use cases in production.

Which of the following statements best describes the stage your organization is currently at with generative AI?

37%	*We are interested and will begin ideation for use of generative AI*
29%	*We are ideating on use cases and will have prototypes for use of generative AI*
21%	*We have completed prototypes for use of generative AI and plan on taking a few use cases to production*
12%	*We have already put generative AI use cases in production and plan on expanding use*
1%	*We are not planning to use generative AI*

Regarding the level of AI use over the next 12 months, about two-thirds of respondents are expecting to use more generative AI. Further, 32% anticipate at least sporadic use and 45% aim to integrate it into some processes. Surprisingly, due to its recent introduction into business processes, as many as 21% of respondents hope to integrate generative AI into all their processes.

Level of generative AI use expected within the next 12 months

What level of generative AI usage do you anticipate in 12 months' time?

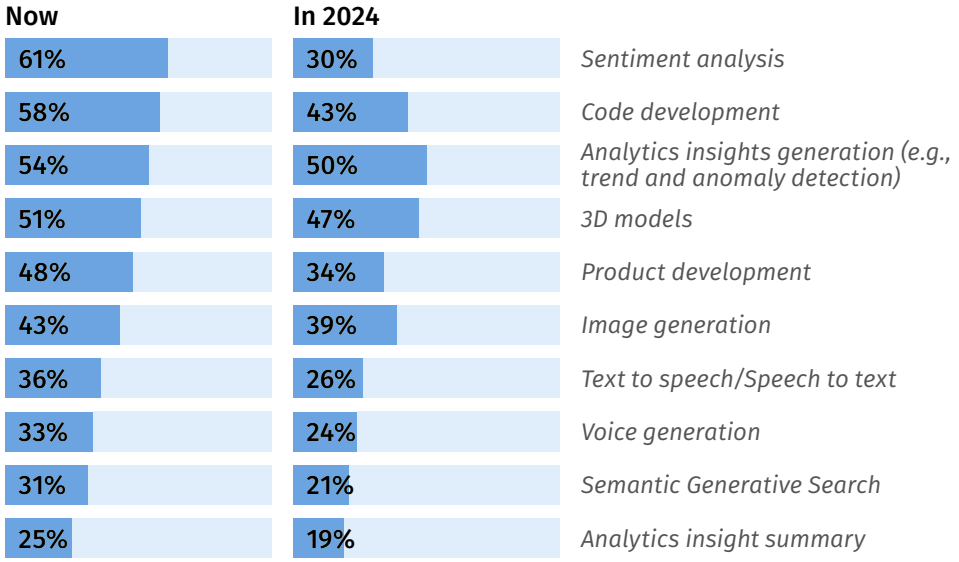
21%	*Generative AI will be fully integrated within all processes*
45%	*Generative AI will be integrated within some processes*
32%	*Generative AI will be used sporadically by some individuals*
2%	*Generative AI won't be used at all*

Use cases considered the most useful for generative AI

Speaking again to maturation in the AI space, in 2024, sentiment analysis, an entry-level generative AI use case, is dropping by half compared to other use cases. This suggests that organizations are shifting their focus to more advanced and impactful AI applications, especially those that deliver tangible business benefits.

In 2024, there will be a decreasing emphasis on code development for generative AI. However, despite this decline, the overall focus on the technology remains strong. This suggests that many early use cases in generative AI were aimed at improving productivity.

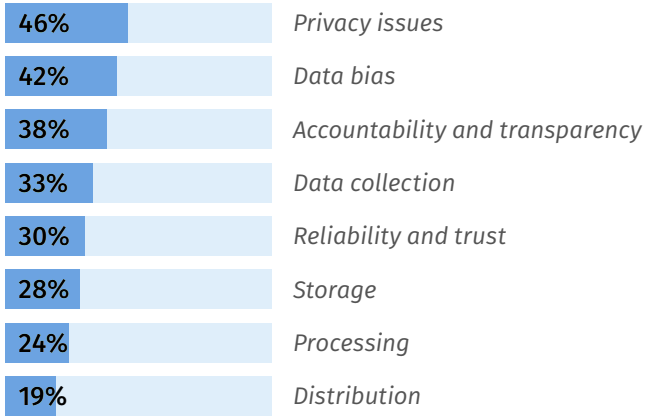
Which of these use cases do you consider most useful in terms of generative AI initiatives — now and in 2024?



Data governance policies/strategies to cover AI use

Organizations continue to grapple with data governance policies and strategies in response to AI. Less than half (46%) of organizations have policies or strategies in place to address privacy concerns, and only 42% say they have addressed data bias. As AI advances and use cases increase, companies may fall behind on the governance front. For example, recent government regulations, like the Executive Order on Safe, Secure and Trustworthy Artificial Intelligence, are indicators that organizations will face pressure to get governance policies and processes in place for the responsible adoption of AI.

Do you have any data governance policies and/or strategies in place to cover any areas listed below in response to AI?

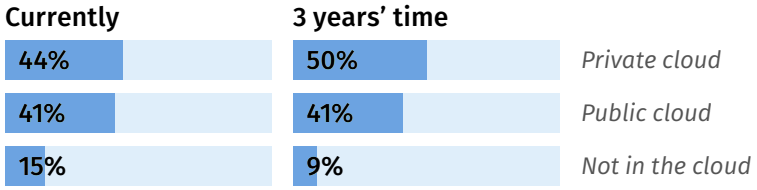


Cloud utilization

Comparing the proportion of workloads in the cloud now and in three years' time

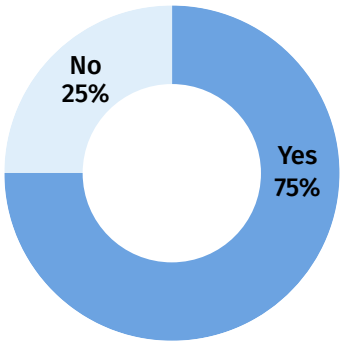
Here we see companies getting more strategic in their cloud usage. The easy, day-to-day workloads have already been moved to public cloud. The last mile of cloud transformation is happening now in private cloud as organizations see the benefits play out.

What percentage of your workload is now in public and private cloud? What percentage do you expect in 3 years?



Hybrid cloud approach

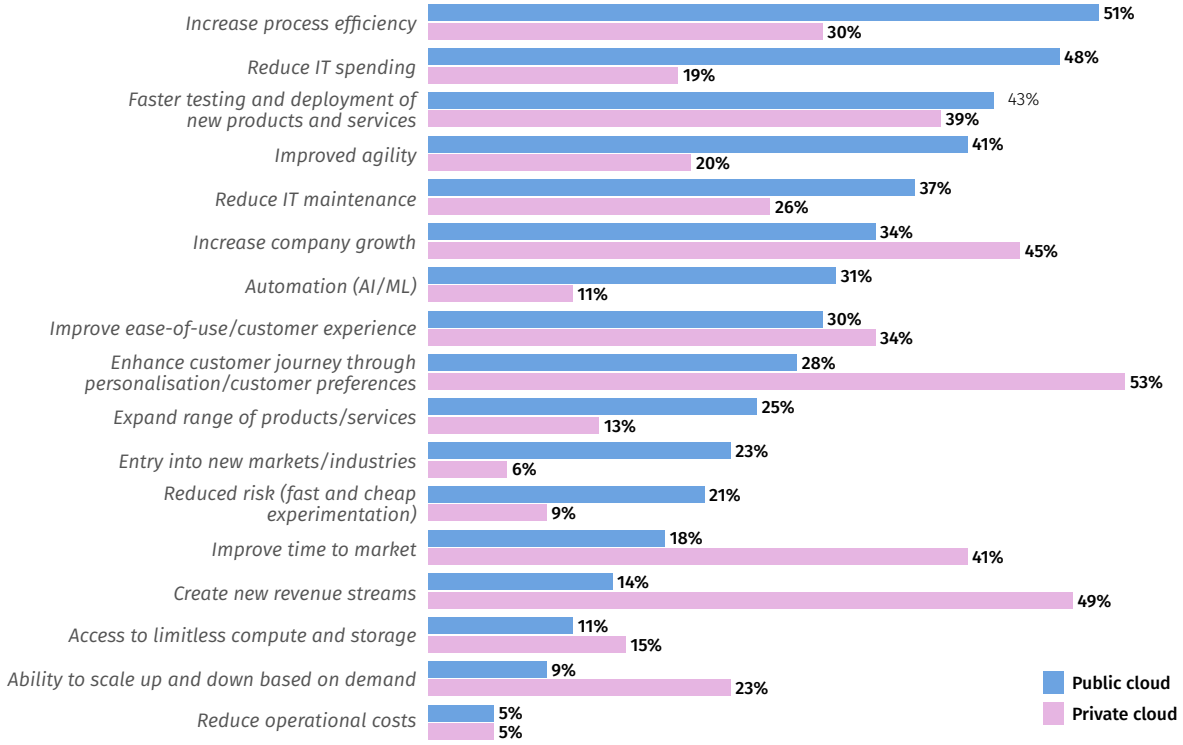
Does your organization have a hybrid cloud approach?



Features of cloud-based services having the most business value

Currently, 75% of respondents say they operate in a hybrid cloud environment. When they ranked the value of cloud features and functionality, they rated private cloud more highly for creating new revenue streams and customer experiences, while giving the nod to public cloud for process efficiency and reduced IT maintenance. Their decision to operate in a hybrid environment delivers the best of both worlds.

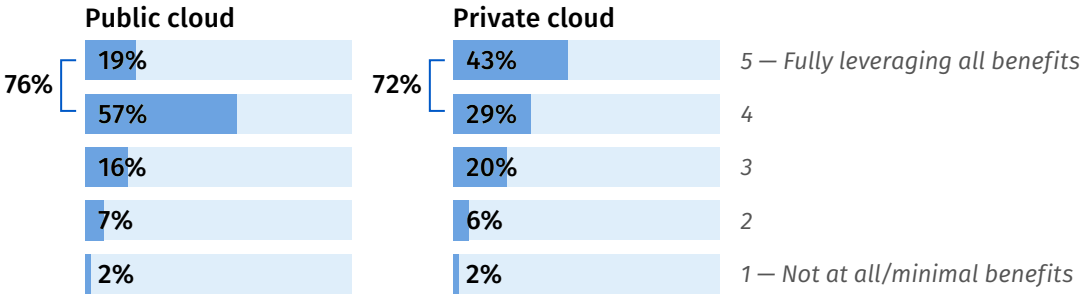
What are the most valuable features and functions of cloud-based services for your organization?



Views on organization getting all the benefits from cloud

How much do you think your organization is benefiting from its cloud initiatives?

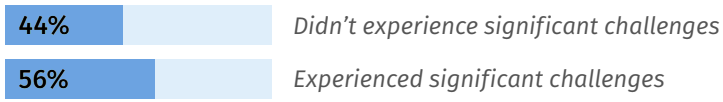
Rate on a scale from 1 (not at all/minimal benefits) to 5 (fully leveraging all benefits)



Success when moving workloads to the cloud

Over half of the organizations that moved workloads to the cloud faced significant challenges, which is not surprising considering the high levels of difficulty and risk inherent in a move, including the unknown and unique roadblocks that can surface.

Out of the workloads moved to the cloud, what percentage went smoothly and what percent encountered significant obstacles?



The most significant challenges faced when moving to the cloud

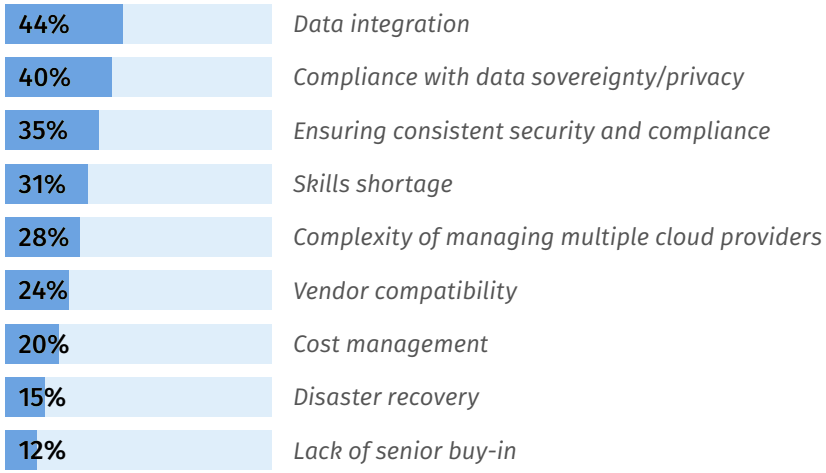
When surveyed about potentially transitioning to the cloud, respondents reported their top challenges were: resource scarcity, security, cost overruns, and resistance to change. Companies can address these barriers by cultivating a culture open to change and aligning technology decisions with strategic business objectives. As organizations seek to modernize their infrastructure, reduce technical debt, and streamline software updates, the preference for private cloud solutions is growing despite the elasticity and scaling challenges they present.

What were the most significant challenges you faced on those projects? (Select up to 3 answer options)

Greatest operational challenges with adopting hybrid cloud

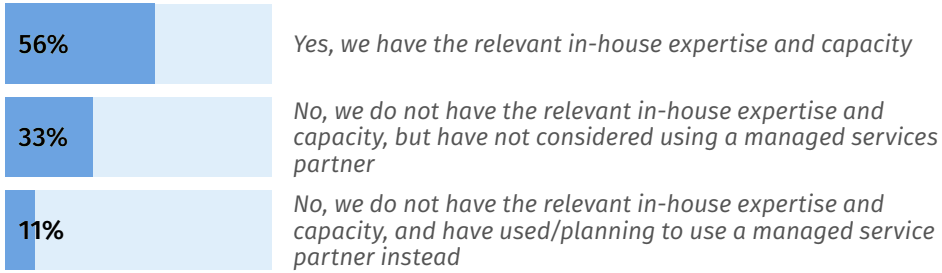
The top hybrid cloud challenges, according to our survey participants, are integrating data (44%), data sovereignty compliance (40%) and security (35%). The IT skills shortage follows closely behind at 31%. The IT talent gap might be exasperated by the difficulty of finding talent that can manage security through a hybrid cloud lens.

What are the biggest operational challenges you face in adopting a hybrid cloud model?



In-house expertise/capacity to execute cloud modernization

Do you have in-house expertise and resources to conduct the cloud modernization process, or are you considering/have a managed services provider?

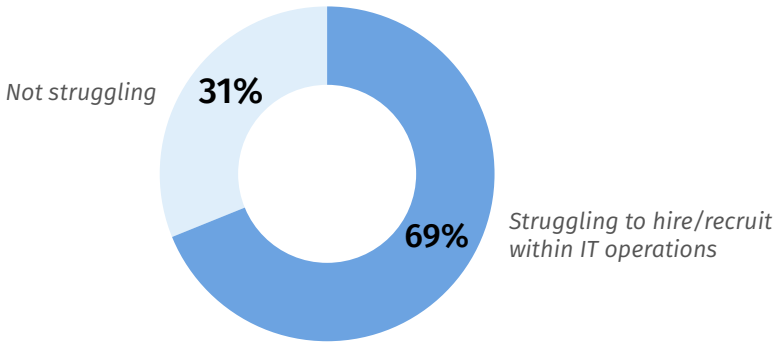


The talent landscape and hiring challenges

Navigating the talent landscape will present one of the most complex challenges for the IT sector in 2024. With 69% of companies struggling to recruit for roles that did not exist a few years ago, the race to onboard individuals skilled in emerging technologies, like AI and 5G, is intense. The need for seasoned professionals in nascent technology fields is prompting organizations to rethink their talent acquisition strategies.

Skills gaps within IT operations

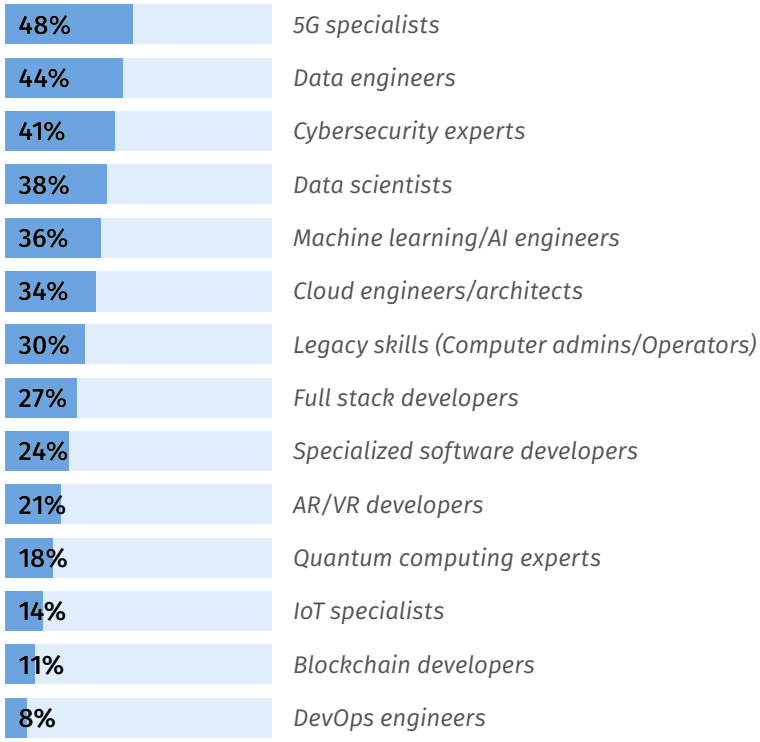
Are you seeing skills gaps within your IT operations?



Struggling to hire/recruit for key roles within IT operations

After 5G specialists (48%), data engineers (44%), cybersecurity specialists (41%) and data scientists (38%) are the most difficult positions to fill, according to respondents.

What key IT roles is your organization struggling to hire?



Addressing the challenge of filling key IT talent vacancies

To address the shortage of IT talent, nearly half of organizations (48%) are taking a multifaceted approach focused on creating a positive work environment. Specifically, they are working to promote work-life balance and build a supportive culture to attract and retain IT employees.

To further enhance their appeal to prospective employees and simultaneously retain existing staff members, many companies (44%) are also investing in professional development and career advancement opportunities for workers. This is a smart decision because it's far less expensive to upskill existing talent than it is to find and hire new skilled employees.

Another avenue for bridging the talent gap could be an investment in low-code platforms. These allow organizations to tap into a broader labor pool, including recruits who do not possess advanced degrees, but are capable of contributing to technology initiatives.

How are you filling key IT talent vacancies?

48%	*Ensuring a positive working environment (i.e., healthy work-life balance, collaborative, supportive management, rewarding achievements)*
44%	*Providing opportunities for professional development (i.e., continuous learning and upskilling)*
38%	*Building a strong brand to attract prospective employees, one that demonstrates a commitment to cybersecurity*
32%	*Ensuring career development/career advancement pathways*
30%	*Collaborating with educational institutions to offer mentorship/partnership schemes*
25%	*Offering competitive salary/benefits packages*
21%	*Working with a managed services partner*

Organizations' IT labor costs

Only 16% of organizations are seeing labor costs decrease. This is a logical outcome, because as technology solutions expand within organizations, the demand for experienced talent to work with them increases as well.

What pattern are you seeing with your organization's IT labor costs?

47%	*Increasing*
37%	*Staying the same*
16%	*Decreasing*

Reasons organizations are experiencing an increase in IT labor costs

What are the main reasons for this upward trend?

50%	*Advancements in technology*
46%	*High demand, low or limited supply of talent*
42%	*Remote working*
38%	*Cloud adoption*
33%	*Digital transformation*
28%	*Geographical variation*
24%	*Economic factors*
21%	*Increased demand for IT services/support*
18%	*Education/training*
14%	*Aging infrastructure*
11%	*Vendor relationships*
8%	*Workload complexity*

Sustainability and ESG concerns

As we move into 2024, the importance of sustainability for both organizations and public perception is undeniable. However, it's essential to view sustainability not just as a regulatory obligation, but also as a core component of a long-term organizational strategy. True sustainability transcends environmental concerns, embodying a holistic approach that integrates the economic, social and environmental elements of a resilient and successful IT operation.

Sustainability strategy

To what extent does your sustainability strategy focus on the following elements?

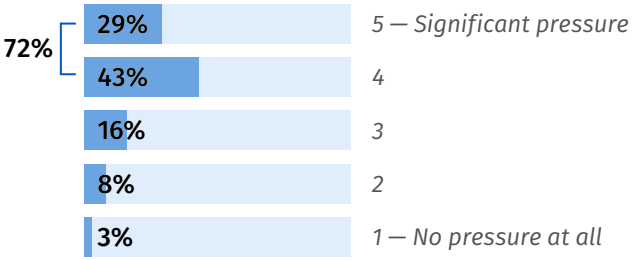
Pressures on the IT function to become more sustainable

Our survey indicates that 72% of companies are placing pressure on IT to focus on supporting sustainability. Many respondents see IT teams as large contributors to the overall ESG effort. This makes sense because IT has a major influence on sustainability in various areas:

- IT can affect greenhouse gases through energy consumption and enable remote workforces
- IT also has an effect on the environment through circular device lifecycle management, and plays a crucial role in ESG data collection and reporting
- IT must always take into account data security and privacy as well as specific IT workforce skills

How much pressure is the IT function facing to support your organization's overall sustainability strategy?

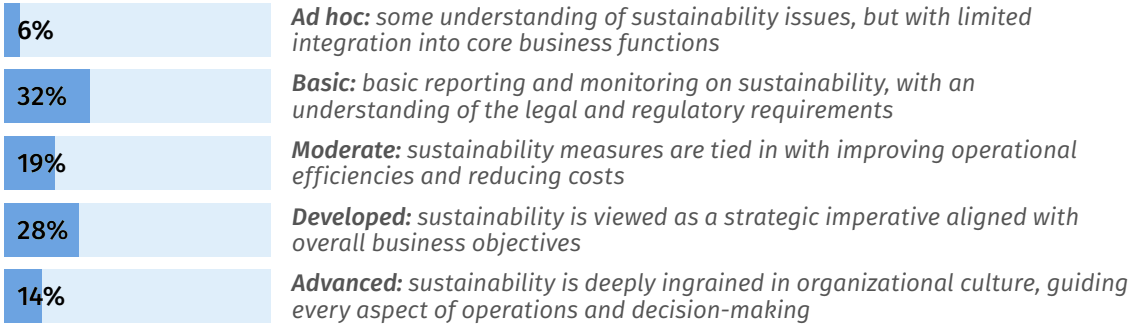
Rate on a scale of 1 (no pressure at all) to 5 (significant pressure)



Organization's sustainability/corporate responsibility strategy

Few respondents seem to have a good handle on their sustainability strategy. Nearly one-third (32%) say they have a basic strategy that includes essential reporting and monitoring. In contrast, some 28% have a well-developed strategy in which sustainability is viewed as a strategic imperative aligned with overall business objectives.

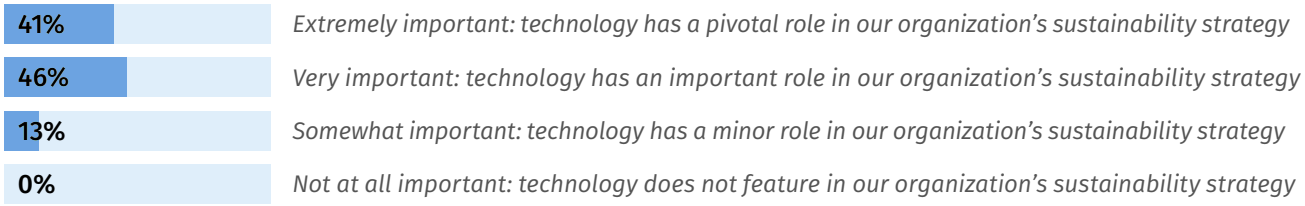
Which of the following best describes your sustainability or corporate responsibility strategy?



The importance of technology in a sustainability strategy

All respondents believe that technology plays an important role in supporting their sustainability strategy. Overall, 87% said technology played a very important or extremely important role. The remaining 13% said technology is only somewhat important. Given the increasing sustainability regulatory environment and increasing digitization of enterprises, we would expect these numbers to shift left to incorporate sustainability earlier in IT processes.

How important is technology to your strategy for becoming a sustainable business?



Impact of current economic climate on sustainability goals

Because sustainability is often focused on reducing waste, it can play a large role in controlling costs, if it's factored in from the beginning. However, sustainability programs implemented after the fact can increase costs. This can make many companies reconsider their sustainability efforts if they don't want to pass on these costs on to their customers, especially during uncertain economic times.

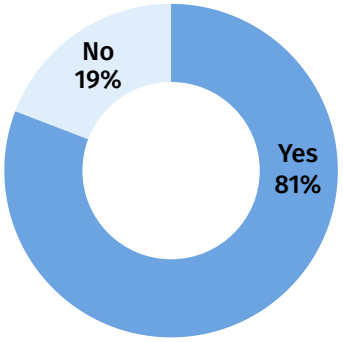
Half of the respondents feel pressure to create greater operational efficiencies due to the current economic climate. Passing sustainability costs on to consumers is out of the question for 47% of respondents due to concerns for consumer price sensitivity, or the degree to which demand changes when the cost of a product or service changes. It's not surprising then that 43% of respondents say they might not take on sustainability initiatives due to financial resources and budgetary cuts.

How has the current economic climate affected your sustainability goals, if at all?

Requirement of IT partners to share sustainability goals

From finding that 81% of respondents require external partners to support their sustainability goals, we see how important it is for vendors to embrace the sustainable practices of their customers. Doing so can help ensure they remain relevant and competitive in a world that increasingly values environmental and social responsibility.

Do you require external IT partners and vendors to share the same sustainability goals?

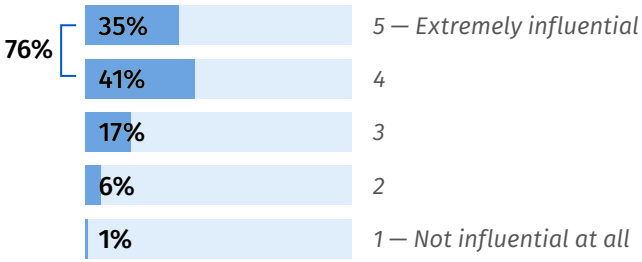


Influence of sustainability on IT procurement decisions

When it comes to sustainability, 76% of respondents rate it as a top influence for their IT procurement decisions. Only 1% feel it has no influence at all.

How influential is sustainability to your IT procurement decisions?

Rate on a scale of 1 (not influential at all) to 5 (extremely influential)



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Navigating 2024's shifting technology landscape

The 2024 IT Outlook Report reveals a technology landscape in flux, underpinned by the dynamic interplay between ambitious AI integration and the cautious pragmatism dictated by global uncertainties. The report highlights a strategic shift toward edge computing and cloud technologies as organizations recalibrate their IT investments, leaning into application modernization and cloud migration amid budgetary restraints.

The dual narrative of AI's potential — marked by innovative leaps, and the reality of underperformance of certain expectations — underscores the need for measurable ROI and governance frameworks that keep pace with technological advances. Finally, three additional areas form the cornerstone of a successful 2024 IT strategy:

- An evolving preference for hybrid and private cloud infrastructures
- Bridging the talent gap in a rapidly advancing technology sector
- An imperative for embedding sustainability into IT strategies

We hope these findings give you a valuable glimpse into how to best navigate the challenges of our ever-changing technology landscape and help equip you to proactively address the evolving demands — in business, AI, cloud computing and sustainable IT practices.

Rackspace Technology is here to help you work faster and smarter and stay ahead of what's next. To help make that happen, we come alongside and get to know your business challenges. And then we design and build scalable technology solutions to solve the challenges you're facing today, as well as tomorrow — with ongoing management and optimization so you can focus on building new revenue streams, increasing efficiency and creating incredible customer experiences.

About Dell Technologies

Dell Technologies helps organizations and individuals build their digital future and transform how they work, live and play. The company provides customers with the industry's broadest and most innovative technology and services portfolio for the data era.

About VMware

VMware is a leading provider of multi-cloud services for all applications, enabling digital innovation with enterprise control. As a trusted foundation to accelerate innovation, VMware software gives businesses the flexibility and choice they need to build the future. Headquartered in Palo Alto, California, VMware is committed to building a better future through the company's 2030 Agenda. For more information, please visit www.vmware.com/company.

About Rackspace Technology

Rackspace Technology is a hybrid, multicloud solutions expert. We combine our expertise with the world's leading technologies — across applications, data and security — to deliver end-to-end solutions. We have a proven record of advising customers based on their business challenges, designing solutions that scale, building and managing those solutions, and optimizing returns into the future.

As a global hybrid, multicloud technology services pioneer, we deliver innovative capabilities of the cloud to help customers build new revenue streams, increase efficiency and create incredible experiences. Named a best place to work, year after year according to Fortune, Forbes, and Glassdoor, we attract and develop world-class talent to deliver the best expertise to our customers. Everything we do is wrapped in our obsession with our customers' success — our Fanatical Experience® — so they can work faster, smarter and stay ahead of what's next.

Learn more at www.rackspace.com or call 1-800-961-2888.

Capitalize on the power of AI, quickly and responsibly

Foundry for AI by Rackspace (FAIR™) offers a roadmap to responsible AI adoption through three solutions: Ideate, Incubate and Industrialize. With FAIR, your organization can quickly tap into the transformative potential of AI to help unlock enhanced creativity, minimize errors, amplify productivity and achieve new levels of cost efficiency.

Learn more at: fair.rackspace.com

FAIR

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Appendix: methodology and audience profile

Our partner Coleman Parkes Research conducted the global survey of 1,420 IT decision-makers at companies and organizations in nine sectors and ten countries during October – November 2023. Total respondents: (1,420).

Country

15%	USA
11%	Australia
11%	India
11%	UK
11%	Germany
10%	Mexico
10%	Colombia
8%	Singapore
8%	Netherlands
7%	UAE

Sector

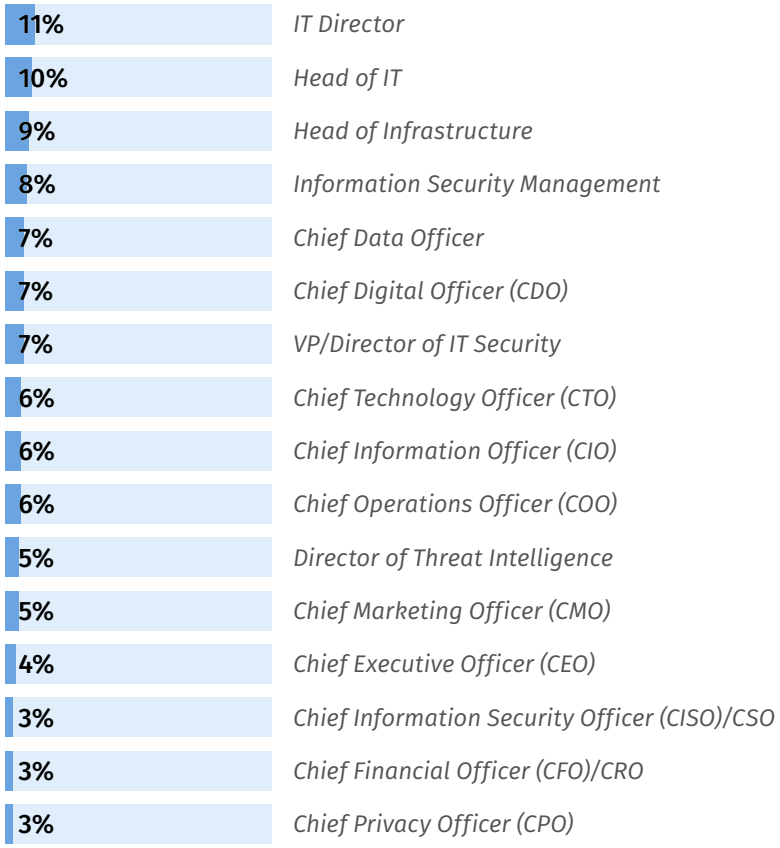
11%	Retail
11%	Manufacturing
11%	Government/Public sector
11%	Healthcare (PayerCare Provider)
11%	Bio-tech/Life Sciences
11%	Entertainment
11%	Hospitality and Travel
11%	Pharmaceutical
11%	Financial services

43%	Banking
33%	Asset management
24%	Insurance

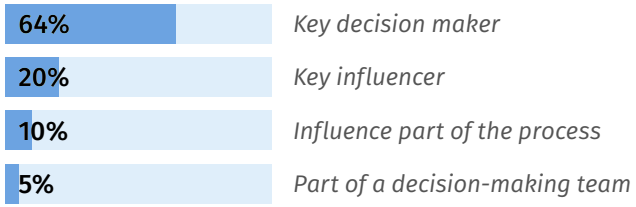
Total: 157

Appendix: Methodology and audience profile (continued)

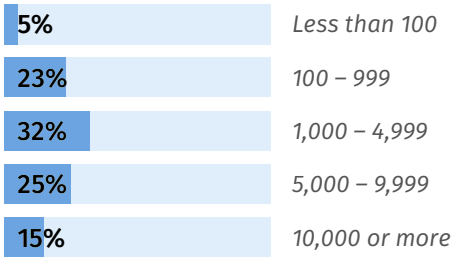
Job title



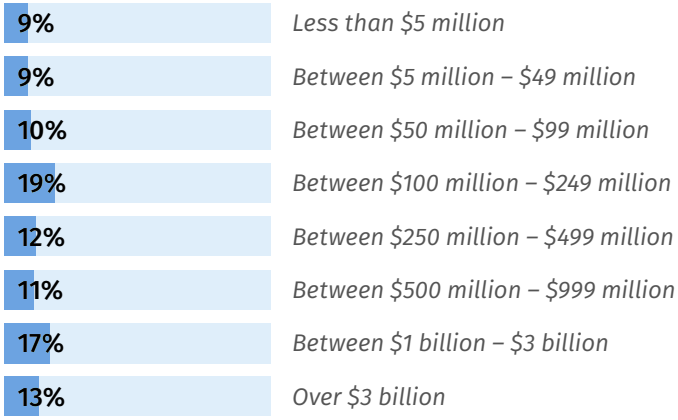
Responsibility



Number of employees



Annual revenue for the last financial year



Average IT budget: 8% of annual revenue