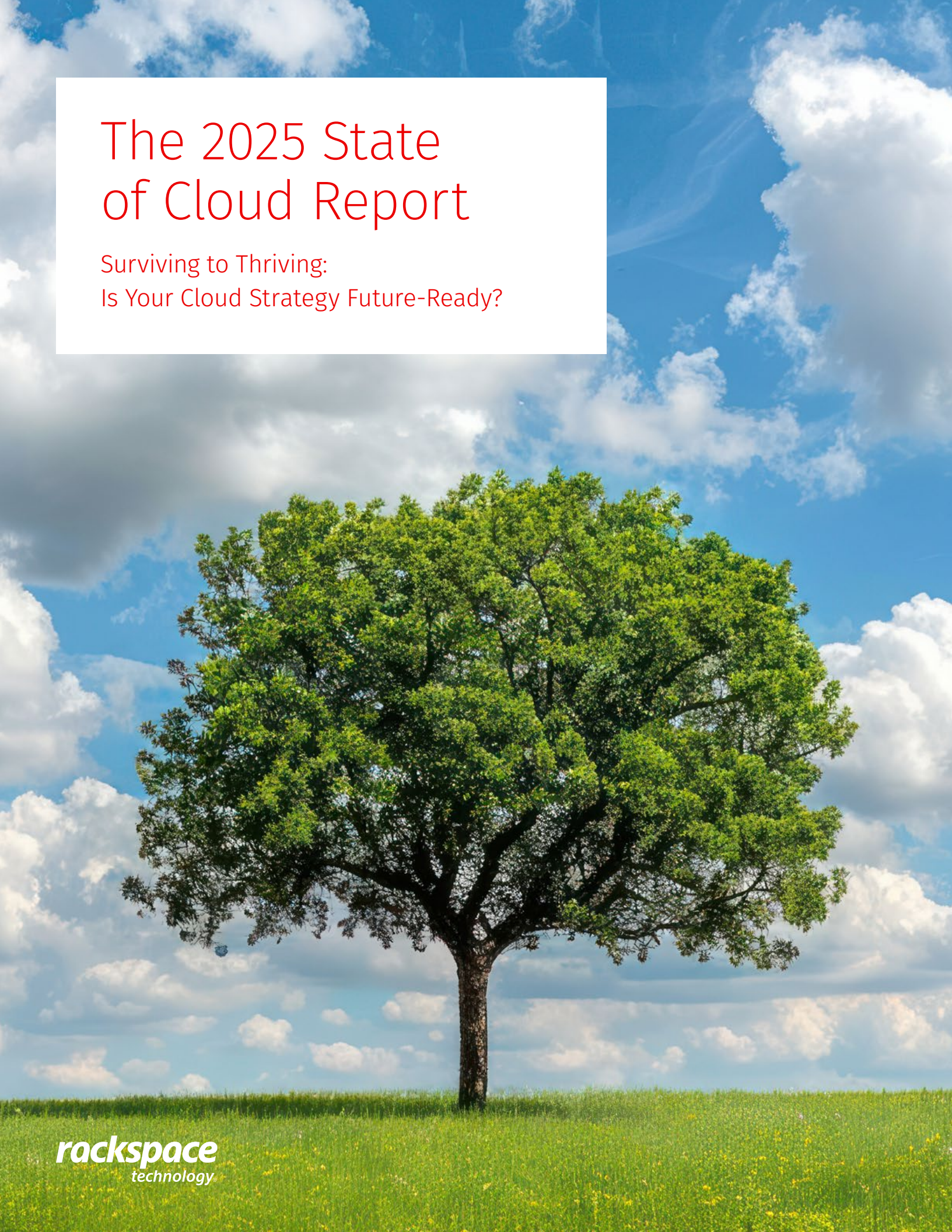
The 2025 State of Cloud Report

Surviving to Thriving: Is Your Cloud Strategy Future-Ready?



rackspace technology®

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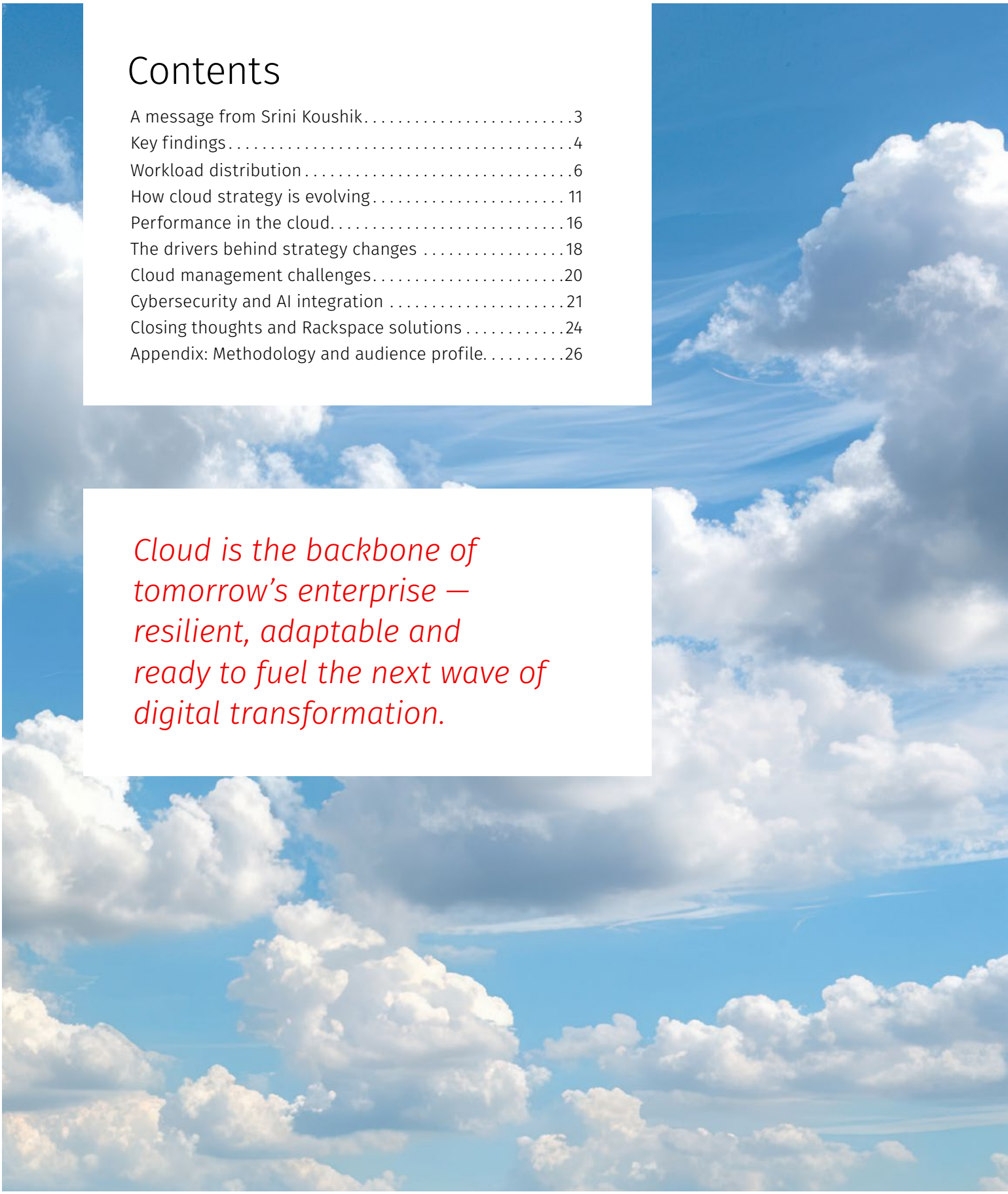


Cloud is the backbone of tomorrow's enterprise — resilient, adaptable and ready to fuel the next wave of digital transformation.

A message from Srini Koushik

President AI, Technology & Sustainability, Rackspace Technology

Embracing Workload-Aware Modernization for a Cloud- and AI-Driven Future

The cloud is entering a new chapter — one defined by the disruptive force of artificial intelligence (AI). AI is reshaping industries, fueling innovation, and redefining how we work and interact. Amid this shift, the role of cloud strategy has become paramount. Organizations are no longer asking whether to modernize but how to do so in a way that balances the pursuit of innovation with operational realities.

This report highlights the transformative power of an AI-driven hybrid cloud strategy, offering a blueprint for organizations to achieve modernization at scale. By adopting a workload-centric approach — tailoring strategies to individual workloads' unique functional and operational needs — businesses can unlock unprecedented agility, optimize performance and ensure the highest security and compliance standards.

Hybrid solutions have emerged as essential tools in this journey. While a primarily public cloud-based strategy holds great promise, many industries, such as banking, healthcare and financial services, depend on private cloud environments to maintain critical workloads. Hybrid strategies empower organizations to seamlessly distribute workloads across public, private and edge environments, delivering flexibility without compromising performance or reliability.

AI only amplifies the importance of an agile cloud strategy. AI drives innovation across every industry by enabling personalized customer experiences, real-time analytics and operational efficiencies. However, achieving these benefits requires a cloud foundation that can support diverse applications, manage complex data environments and scale sustainably.

Organizations must also navigate external challenges, from skill shortages to evolving security threats in regulated industries. Overcoming these complexities demands a forward-thinking, deliberate approach that holistically evaluates workloads, embraces emerging operating models and enhances resilience.

As you explore this report, you'll learn how workload-aware modernization can guide your organization through this transformative era. With the right strategy — and the right partner in AI and hybrid cloud solutions — businesses can thrive in a future defined by resilience, scalability and continuous innovation.

Sincerely,

Srini Koushik
President AI, Technology & Sustainability
Rackspace Technology

Key findings

For IT decision-makers focused on futureproofing their organizations, our 2025 State of Cloud Report highlights how companies are adapting their cloud strategies in response to rapid technological change. Across sectors, organizations are working to accelerate cloud adoption and optimize workloads, with generative AI driving substantial shifts in resilience, efficiency and strategic capabilities.

With accelerating technological change, cloud capacities are evolving too. The complexity of today's work environment, and the new capabilities available through the next generation of cloud technologies, mean that many organizations are retrenching their cloud solutions rather than layering additional compute on top of old infrastructure. To do this, they're embracing multicloud, hybrid and public cloud solutions to maximize flexibility, resilience and cost efficiency. While multicloud and public cloud adoption are advancing rapidly, private cloud and on-premises solutions remain essential for workloads that demand heightened control, strict regulatory compliance or integration with legacy systems.

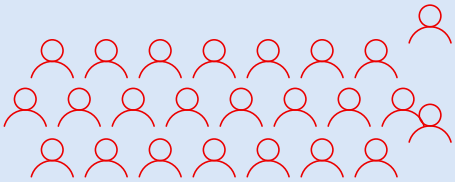
We're seeing that AI is at the heart of this transformation, with 84% of organizations integrating it into their cloud strategy to enhance efficiency, analytics and security. By integrating AI capabilities with cloud technology, businesses can improve threat detection, boost the generation of operational insights and deliver more personalized services.

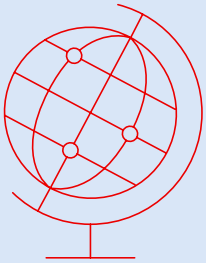
However, challenges persist — cost overruns, integration struggles and talent shortages continue to hinder progress. Despite this, businesses are finding creative solutions: Nearly half are using cloud management platforms, and many are adopting emerging technologies like 5G to enhance connectivity and reduce latency, alongside generative AI to stay ahead of the curve. The cloud landscape is evolving quickly, and those who adapt are positioned to lead the way.

Over the course of October and November 2024, Rackspace Technology® surveyed 1,420 IT professionals across a broad range of industries and regions worldwide. Respondents represented verticals such as financial services, manufacturing, retail, hospitality, government and healthcare, spanning the Americas, Europe, Asia and the Middle East. The survey sheds light on the latest trends, technology focus areas and the critical factors influencing cloud strategies for IT leaders today.

Our survey polled

1,420 tech leaders





Geographic regions that include

The Americas, Europe, Asia and the Middle East

Across a broad range of industries

Financial services

Manufacturing

Retail

Hospitality

Government

Healthcare

Technology

Life sciences and pharma

Media

Energy

Organizations are embracing the diversity of cloud solutions so they can flex to keep pace with future innovations.

The survey results show:

- Organizations are embracing all types of cloud solutions to suit their business needs, with primary cloud strategies split between private cloud (27%), public cloud (19%), hybrid cloud (17%), multicloud (16%) and SaaS (14%). Hybrid is an important connector in the move away from single cloud solutions, with respondents building resilience and flexibility by using multiple vendors.
- Cloud strategies are set to evolve rapidly, with 24% of respondents planning to accelerate public cloud adoption over the next 12-24 months. Hybrid cloud is also growing rapidly, with 22% planning to expand these capabilities, and 20% increasing their private cloud investments.
- AI integration is becoming essential within cloud environments, with 84% of organizations incorporating AI into their strategies. AI is increasingly supporting real-time insights and enhanced security measures, with nearly half of respondents using it to drive operational efficiency (47%) and improve data analytics capabilities (44%).
- Talent shortages remain a critical challenge, with 40% of organizations highlighting the lack of skilled cloud professionals as a constraint on effective cloud management. As the demand for cloud expertise grows, this skills gap could impact some organizations' operational effectiveness — or even which cloud strategies they put in place.
- Among our 1,400+ respondents, 16% have an advanced level of cloud adoption. They describe cloud as fully integrated into their organizational strategy, and aligned with wider business objectives. We call these thriving respondents **'Cloud Leaders'**, and there are interesting differences between many of their responses and those of other IT decision-makers. We notate these differences with this icon throughout the report.
  - Cloud Leaders are more likely to use a particular cloud platform because it's well aligned with their overarching cloud strategy (42%, compared to 33% of other decision-makers).
  - They are leading other IT decision-makers when it comes to integrating AI, with 37% using AI-driven cloud optimization to refine their cloud strategy, compared to 25% of others.
  - Most Cloud Leaders prefer a comprehensive workload-by-workload analysis to decide where to host all of their workloads (54%), compared to 38% of other decision-makers, who are more likely to only analyze where to put critical workloads.

In summary

Our 2025 State of Cloud Report reveals a shift toward diverse, flexible and resilient cloud strategies that blend multicloud, hybrid and public cloud environments. Organizations are prioritizing adaptability and flexibility, with many choosing diversified approaches to help them keep pace with evolving business needs. Organizations' cloud strategies are generally meeting their expectations, and AI is increasingly playing a crucial role in keeping these strategies competitive. However, the tech talent gap remains a significant hurdle that organizations must address in order to fully take advantage of cloud capabilities.

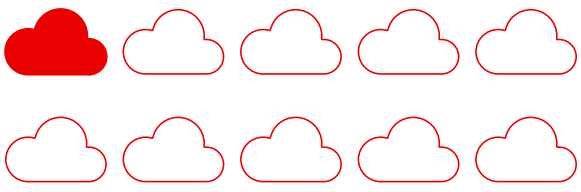
Workload distribution

As technical capabilities become increasingly integral to business operations — especially with the rapid acceleration of generative AI — decision-makers across all major sectors recognize the need to accommodate evolving business demands while maintaining resilience. Our survey results reveal that organizations are adopting a variety of primary cloud strategies, with private cloud (27%) and public cloud (19%) taking a significant share, and multicloud (16%), SaaS (14%), and hybrid cloud (17%) reflecting a diverse ecosystem of cloud solutions. Workload selection plays a critical role in determining the optimal cloud model, as organizations aim to align technical capabilities with the specific demands of their applications and business goals.

Hybrid cloud's role as a connector is critical in this mix. While no single cloud model dominates, hybrid cloud uniquely integrates the different environments, allowing businesses to leverage the scalability and flexibility of public cloud while maintaining the security and control of private cloud.

Additionally, the 16% prioritizing multicloud highlights that organizations are working across multiple cloud providers — a complexity that hybrid cloud simplifies by providing a cohesive framework. With 92% of workloads already on some kind of cloud platform and only 8% remaining on-premises, hybrid cloud is pivotal for bridging legacy systems and modern cloud-first initiatives.

The distribution of tech workloads is expected to keep changing and diversifying, but public hyperscalers and hybrid cloud are leading the way. Over the next 12-24 months, the most common strategy for cloud adoption and integration is to expand the use of public cloud (24%), followed by accelerating hybrid adoption (22%) and investing in private cloud (20%).



Only 10%

plan to **maintain their current cloud** infrastructure for 2 years

Hybrid cloud is emerging as the key enabler of multiple enterprise cloud strategies, uniting fragmented workloads across private, public and multicloud ecosystems. This is reflected in high levels of satisfaction with its efficiency in particular: 82% of IT decision-makers primarily using a hybrid strategy are happy with this, higher than for any other type of cloud.

This mixed strategy suggests there is a growing move away from single solutions, and instead respondents are building resilience, flexibility and avoiding vendor lock-in by using multiple vendors. What's more, cloud adoption and integration is still in a period of rapid change: 9 out of 10 respondents expect changes to their strategy for cloud integration within the next two years.

Hybrid cloud is emerging as the key enabler of multiple enterprise cloud strategies, uniting fragmented workloads across private, public and multicloud ecosystems. This is reflected in high levels of satisfaction with its efficiency in particular: 82% of IT decision-makers primarily using a hybrid strategy are happy with this, higher than for any other type of cloud. Workload selection plays a critical role in determining the optimal cloud model, as organizations aim to align technical capabilities with the specific demands of their applications and business goals.

Its ability to provide flexibility, agility and a unified approach to managing diverse workloads makes it indispensable in addressing the complexities of modern IT environments. As cloud adoption continues to grow, hybrid cloud will remain central to achieving operational excellence and innovation.

Using private cloud is particularly common for organizations in highly regulated industries such as financial services and healthcare, where obligations around privacy, security and data sovereignty mean it can be a more simple way to ensure legal standards are met, whether cloud is providing general compute or powering AI.

Private cloud remains vital to many organizations' strategies. Between hybrid and private solutions

42%

of organizations **plan to include an element of private cloud** in their primary cloud strategy.

Using private cloud is particularly common for organizations in highly regulated industries such as financial services and healthcare, where obligations around privacy, security and data sovereignty mean it can be a more simple way to ensure legal standards are met, whether cloud is providing general compute or powering AI.

And for organizations using a hybrid strategy, they are able to benefit from these private cloud advantages while also accessing the flexibility and scalability of public hyperscalers.

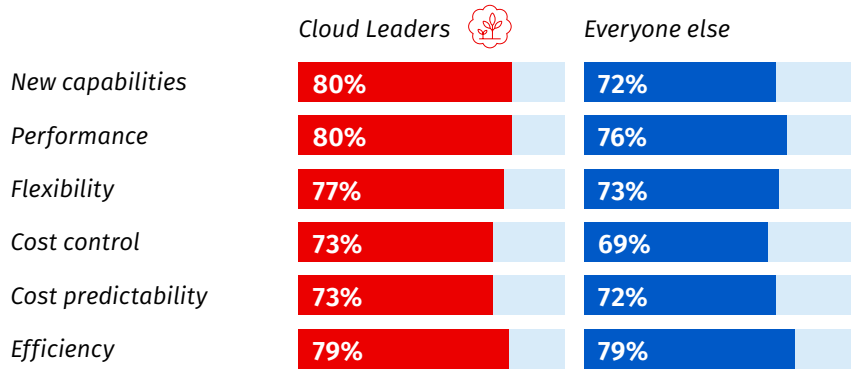
Whichever platforms organizations prioritize in their tech architecture, cloud remains ubiquitous — an essential element of all strategies. But some are using it more effectively than others by having a clear cloud strategy which aligns with their business needs and integrates into the wider IT strategy. For others, gaps in planning and execution means they are not reaping the full benefits.

One group of our respondents is leading the way in making cloud work for them: for 16%, cloud adoption is fully integrated into the organization's business strategy, and aligned with their business objectives.

***Cloud Leaders:** IT decision-makers who have integrated cloud fully into their business strategy and are using their cloud strategy to support their organizational objectives*

These are our 'Cloud Leaders', and they are thriving. When we compare their performance to businesses with less strategic and integrated cloud technology, the advantages are clear. By properly integrating cloud into their business strategy, Cloud Leaders are seeing improved performance across the board, but particularly in their cloud strategy's flexibility, performance, new capabilities and cost control.

Respondents who are satisfied with their organization's cloud structure in these areas



Regardless of the solutions they adopt to meet their business needs, organizations are primarily driven by the need to enhance flexibility, reliability and availability while controlling costs. These factors are the top reasons that organizations give for being drawn to their primary cloud strategy, whether they prioritize hybrid, multicloud, public or private cloud solutions.

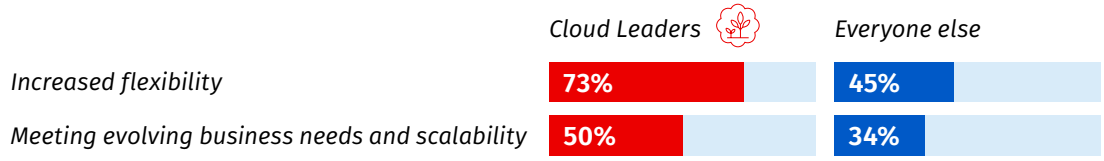
But Cloud Leaders are also planning their cloud strategy and which platforms they use differently — and for different reasons — from other IT decision-makers. Each organization has unique needs and capabilities influenced by factors such as industry, location and existing IT infrastructure, which can mean these same key drivers can lead organizations to choose different solutions.

However there are key criteria that thriving organizations are always focusing on. Resource utilization, flexibility and security are critical areas for success, and they are consistent priorities for Cloud Leaders irrespective of whether they mostly use hybrid, public, private or multicloud as the best solution for their circumstances. When it comes to resource utilization, Cloud Leaders are highly focused on optimizing their resources to achieve better performances and drive efficiency.

Cloud Leaders are much more likely to be using a particular platform because it is well aligned with their overarching cloud strategy, with 42% saying one of their main reasons for using their primary solution is because it aligns with their cloud strategy, compared to 33% when it comes to everyone else.

Multicloud is a strong solution when an organization needs a cloud strategy that prioritizes flexibility and the need to change in order to meet evolving business needs. Cloud Leaders are significantly more likely to use multicloud to increase flexibility than other decision-makers, with 73% saying this is one of their main reasons for using this environment, and 50% saying the same for its ability to help them meet evolving business needs. Other types of cloud environments have different strengths, with Cloud Leaders more likely than other respondents to opt for hybrid to optimize performance and minimize latency, private for improved reliability, and public to align with their cloud strategy.

Primary reasons Cloud Leaders choose their primary cloud environment:



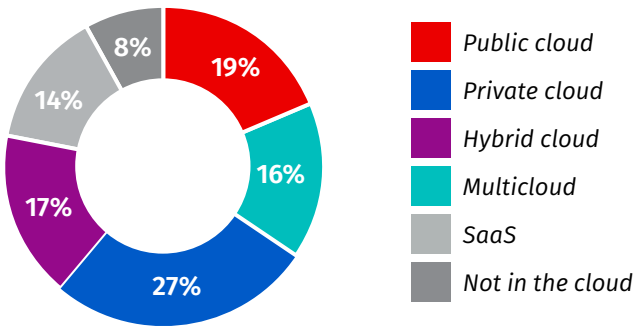
Primary reasons Cloud Leaders choose their primary cloud environment:

Cloud environment	Reason	Cloud Leaders	Everyone else
Multicloud	*Increased flexibility*	73%	45%
	Meeting evolving business needs and scalability	50%	34%
Hybrid	*Optimizing performance and minimizing latency*	52%	36%
Private	*Improved reliability*	69%	52%
Public	*Alignment with their cloud strategy*	50%	37%

> *"Our mix of solutions is about resilience. I want to ensure that different business components would still be able to operate if we lost a cloud provider, a particular data center or a core on-premises data center. I aim to mitigate as much risk and downtime as possible."*
>
> ***CTO — Banking, UK***

Distribution of workloads

In percentage terms, how are your organization's workloads currently distributed?



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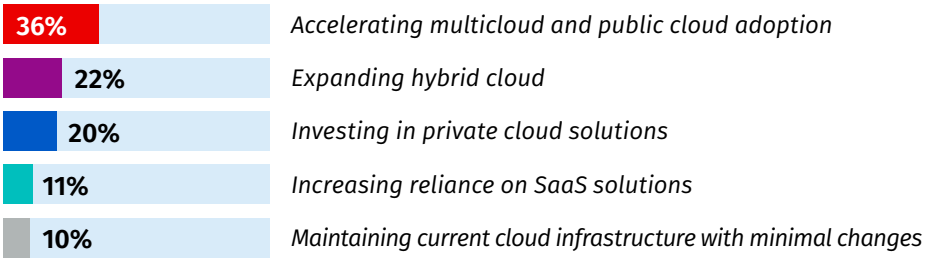
Primary strategy for future workload distribution

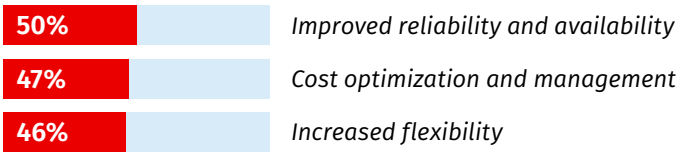
What is your organization's primary strategy for cloud adoption and integration over the next 12-24 months?



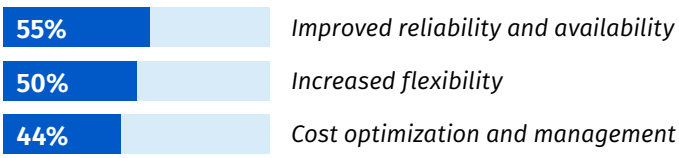
Drivers for choice of cloud environment

What are the main reasons for your organization primarily utilizing your current environment?

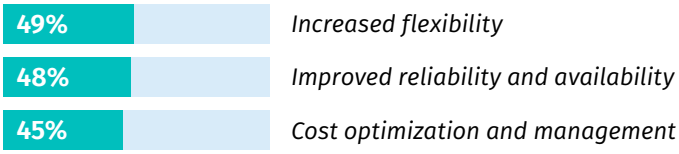
Public cloud



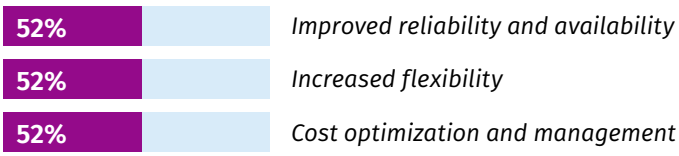
Private cloud



Multicloud



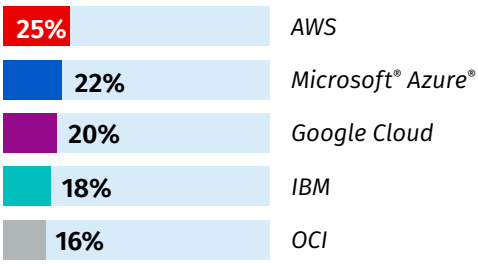
Hybrid cloud



When it comes to which providers businesses are using to host their workloads, AWS is in the lead. Among everyone using hyperscalers as part of their cloud solution mix, AWS has a quarter of the total market share, followed by Microsoft Azure with 22% and Google Cloud at 20%.

Use of cloud service providers

How is your multicloud, public cloud or hybrid cloud environment currently distributed?



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How cloud strategy is evolving

Cloud strategies are evolving — and quickly. As organizations adopt a more diverse range of hosting solutions across platforms, 90% of respondents expect to further revise their cloud strategies over the next two years. In today's fast-moving business environment, key drivers of change are businesses' need to integrate cloud technologies with emerging technologies like AI, and to build greater scalability and flexibility so they can adapt quickly when market conditions change. Cloud Leaders are particularly championing diverse cloud strategies across multiple providers, with 24% intending to explore multiple cloud providers to develop their strategy compared to just 9% of everyone else.

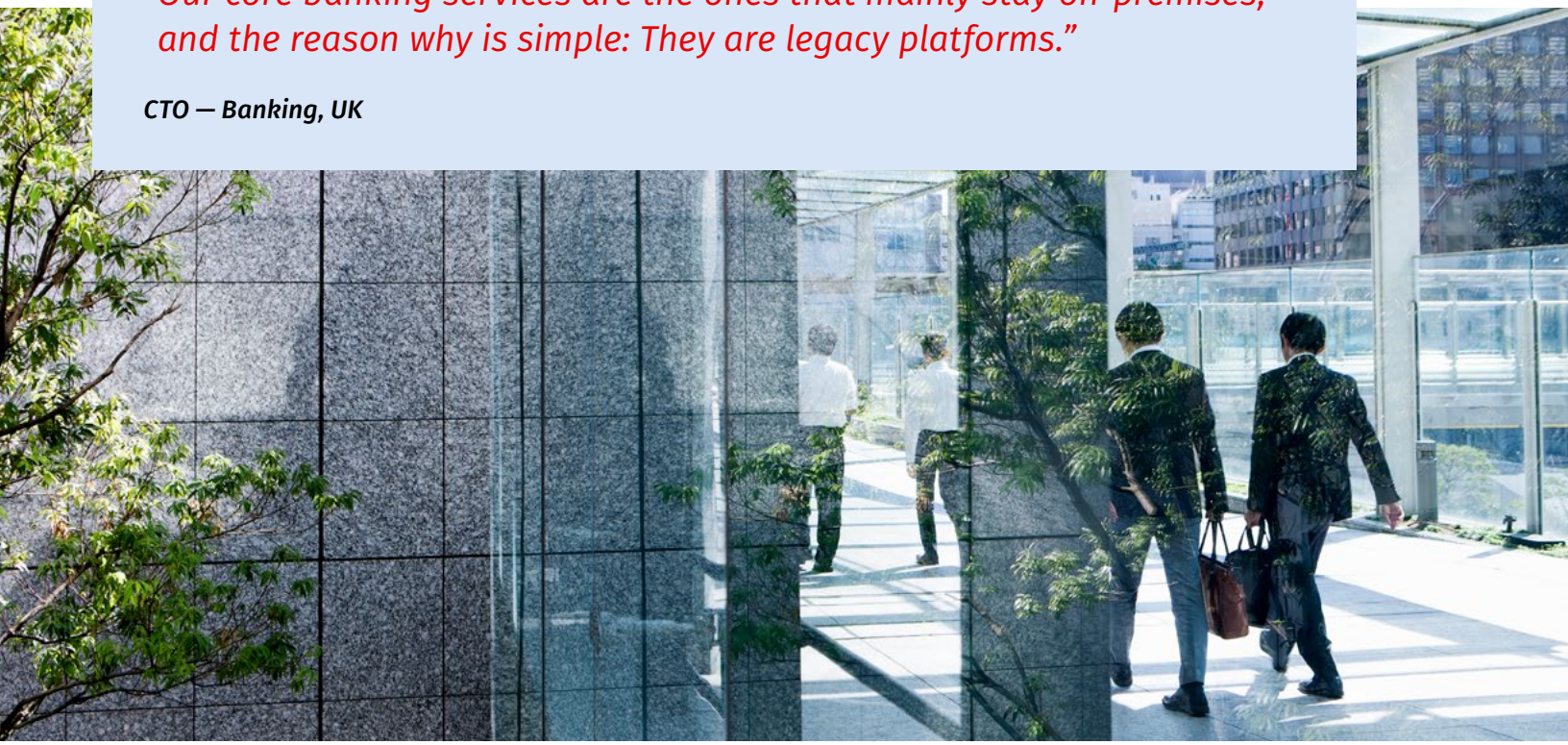
Hybrid cloud is a key component of organizations' cloud strategies: 48% of respondents say that hybrid cloud for multi-environment deployment will be critical to their IT operations over the next 12-24 months. Hybrid and private cloud solutions can play an important role in cloud strategy for businesses that want to increase control over certain workloads or need to meet regulatory requirements for data localization. And for some, on-premises infrastructure remains an important element of their wider portfolio of solutions for similar reasons. Decision-makers who are adopting a hybrid, multicloud model and are placing workloads in the most appropriate places are thriving, and are helping to futureproof themselves by keeping their solutions diverse and flexible.

Critical tools, platforms and methodologies

48%

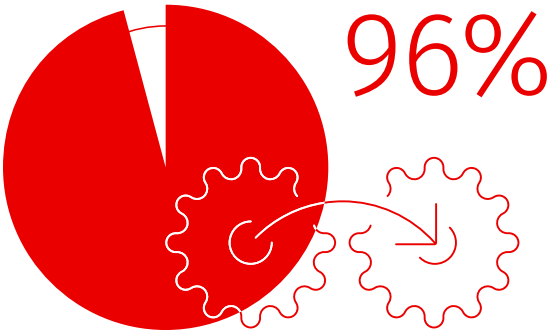
of respondents say that **hybrid cloud** for multi-environment deployment will be **critical to their IT operations** over the next 12-24 months.

> *"Our core banking services are the ones that mainly stay on-premises, and the reason why is simple: They are legacy platforms."*
>
> ***CTO — Banking, UK***



As organizations continue to review and optimize their hosting solutions, over two-thirds (69%) of respondents report they have at least considered repatriating a portion of their workloads from public clouds back to private clouds or on-premises infrastructure, citing data security and compliance requirements (50%), better integration with existing systems (48%), and cost savings (44%) as rationales. This suggests many organizations may have migrated to the cloud without a full understanding of the relationships between applications, causing operational issues or cost challenges, and are considering repatriation as a solution.

For some, on-premises infrastructure remains a core element of their strategy because certain workloads are too complex to move to the cloud due to legacy architectures. However, for those who had recently repatriated workloads, nearly 80% of respondents reported that it had resolved those concerns. Additionally, the FinOps movement has increased the focus on understanding cloud cost complexity, and many are looking to third-party providers to provide expertise and act as a useful check and balance to ensure that cloud infrastructure is financially optimized and efficient.



use **workload-by-workload analysis** or **overarching criteria** to decide which workloads move to the cloud.

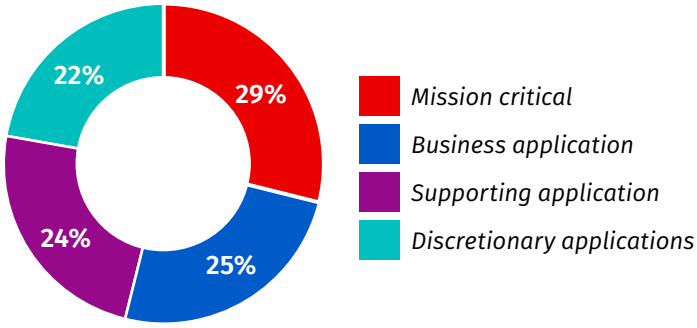
These drivers toward private cloud and on-premises stem from external and internal pressures, not from concerns about hyperscale public clouds. In fact, organizations are increasingly trusting the cloud with their most critical functions: 29% of all workloads moved to the cloud consist of mission-critical functions essential to core operations, while another 25% are business applications vital for day-to-day operations.

The range of applications and workloads that organizations host in the cloud will vary significantly based on their technical needs, existing infrastructure and legacy applications, and regulatory considerations. But almost universally, businesses are thinking about where different workloads are best placed across their mix of hosting solutions.

Almost all decision-makers use some form of process when deciding where to host workloads, but Cloud Leaders are using one solution in particular to help them create a thriving tech architecture. 54% have implemented a comprehensive workload-by-workload analysis system, as compared to 38% of other decision-makers, who are much more likely to only conduct this level of detailed analysis for critical workloads.

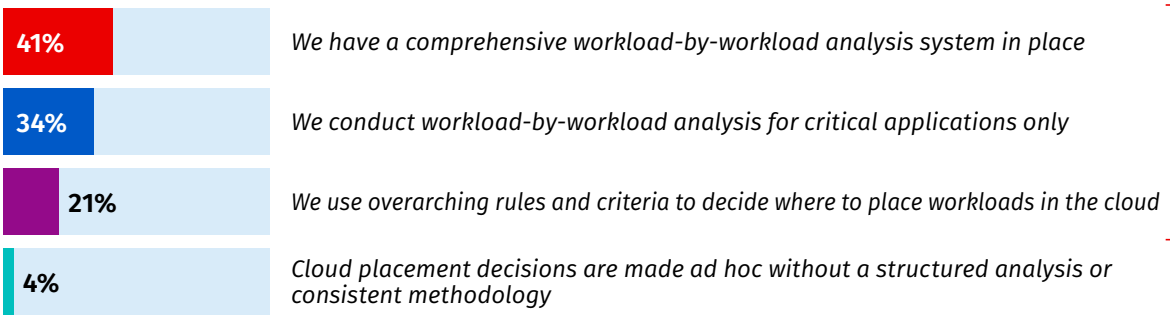
Distribution of workloads moved to the cloud

Of the workloads you have moved to the cloud, please indicate how these are distributed across the following classifications:



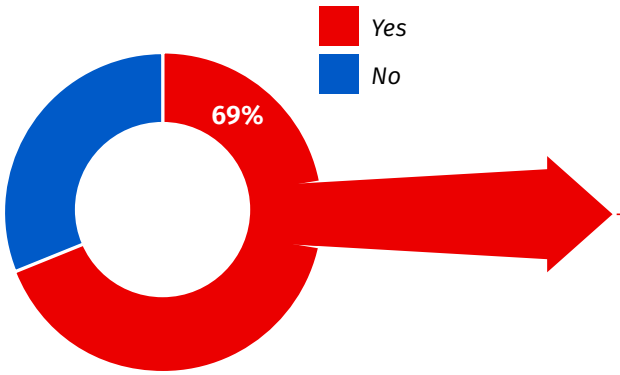
Process for deciding which workloads to move to cloud

How does your organization generally decide which workloads to move to the cloud?



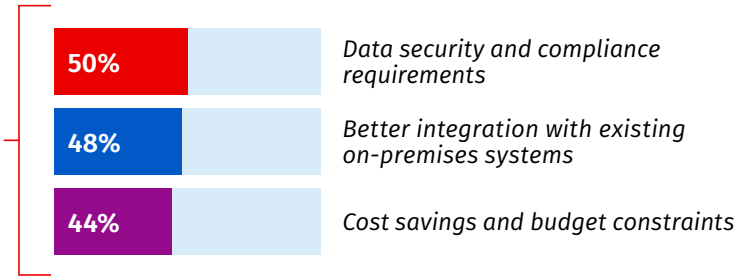
Repatriating workloads

Has your organization ever considered repatriating workloads from the cloud back to private cloud and/or on-premises?



Repatriation drivers

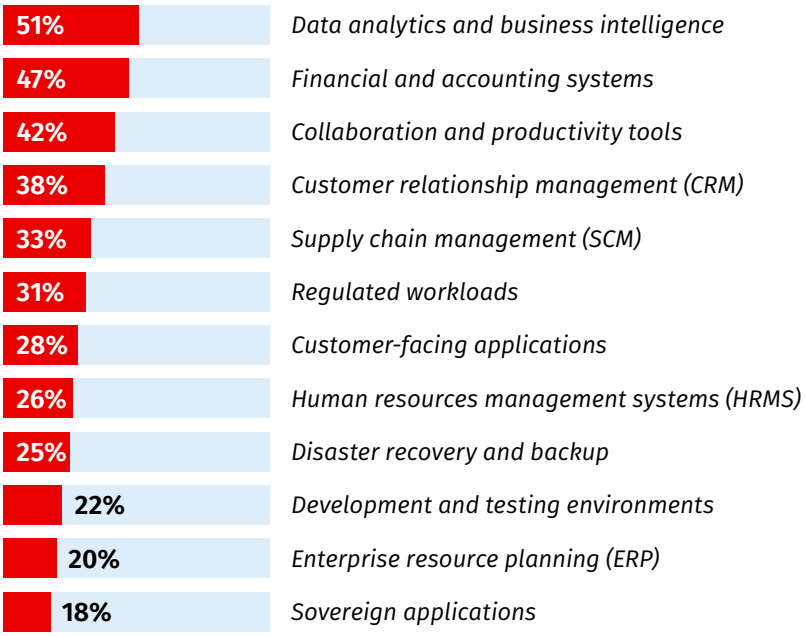
What are the primary reasons (or primary concerns) driving your organization's decision to repatriate workloads from the cloud back to on-premises?



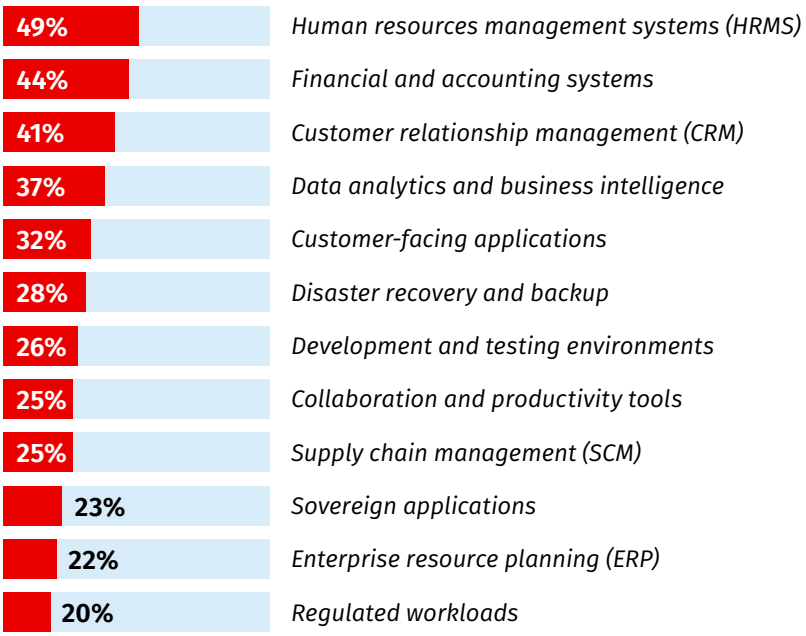
Workloads prioritized for cloud adoption vs. on-premises

What types of workloads has your organization prioritized for cloud adoption, and are there any workloads that your organization would prefer to keep on-premises?

Workloads prioritized for cloud adoption



Workloads preferred to keep on-premises



Once workloads are in the cloud, organizations are employing a range of strategies to manage cloud resources. Nearly half of survey respondents use cloud management platforms, and 45% use cloud cost management tools. And with the shift toward multicloud, more than 4 in 10 organizations are now using multicloud management systems. These services may be helping make a strategy of spreading workloads across a range of solutions more appealing by reducing the cost of migration and helping facilitate a more seamless transfer of workloads between providers.

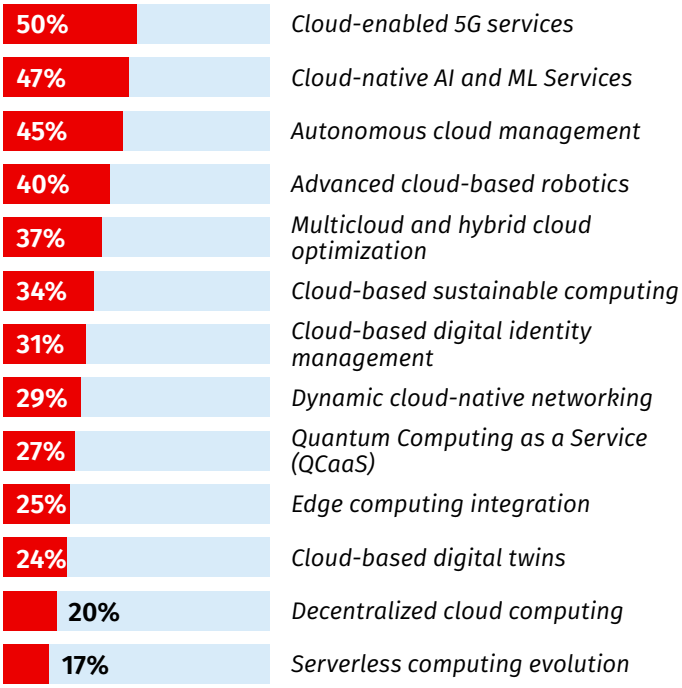
Managing cloud resources

How is your organization managing its cloud resources (e.g., tools, processes)?

Looking to future innovations in the cloud, respondents are focused on finding new speed, productivity and efficiencies. Half say they plan to adopt cloud-enabled 5G services, offering low latency and high speeds to improve the responsiveness of applications, while 47% are looking to the transformative potential of generative AI by planning to adopt cloud-native AI and machine learning services.

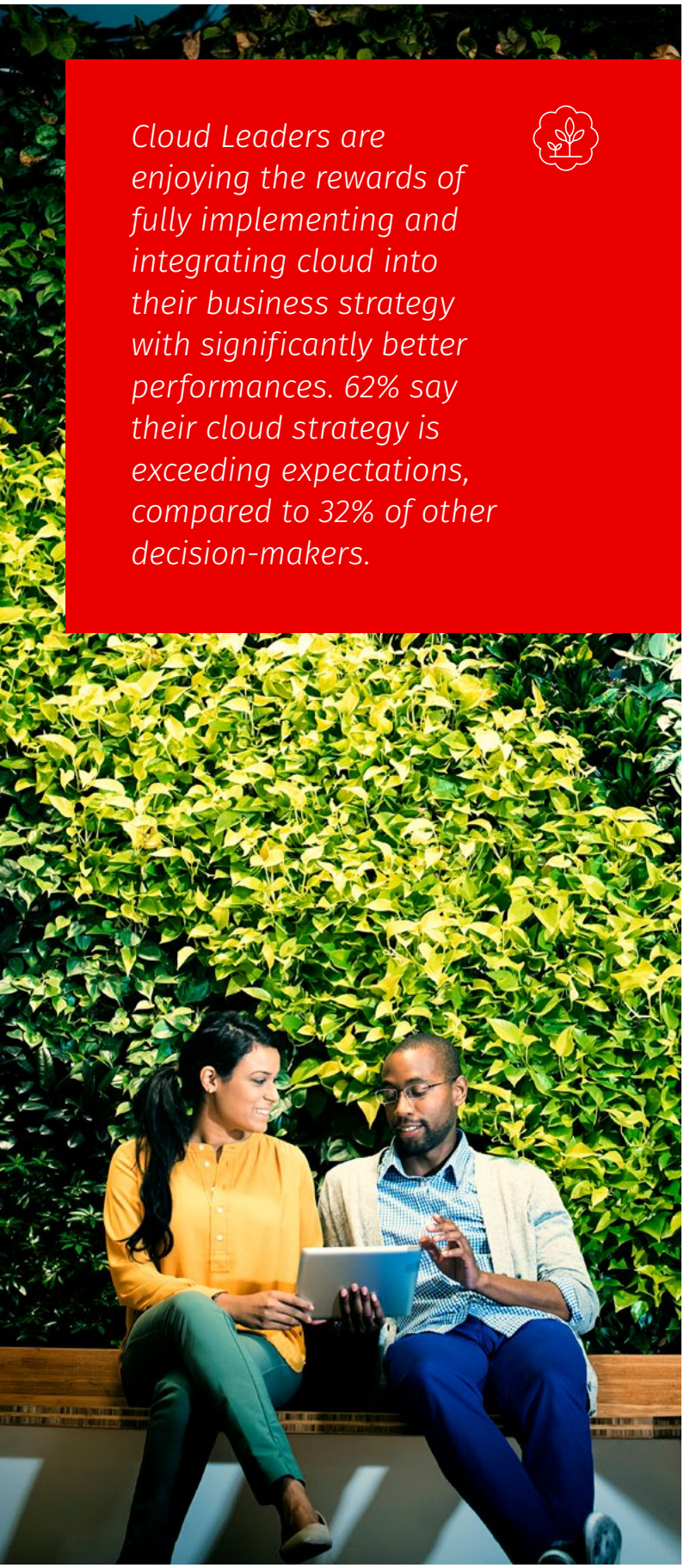
Future innovations to adopt in cloud strategy

Which future innovations, if any, are you planning to adopt in your cloud strategy?



"Looking further into the future, we see generative AI as a transformative technology that can enhance our processes and customer offerings. By integrating generative AI into our systems, we aim to improve decision-making, automate workflows and personalize customer interactions, which can significantly elevate our service delivery."

Head of IT — Healthcare, USA



Cloud Leaders are enjoying the rewards of fully implementing and integrating cloud into their business strategy with significantly better performances. 62% say their cloud strategy is exceeding expectations, compared to 32% of other decision-makers.

Performance in the cloud

For 39% of tech decision-makers, their current cloud environment is performing as expected and meeting the business's strategic expectations. Nearly as many say it is exceeding expectations (37%), but for almost a quarter of respondents (23%), their cloud strategy is falling short of its intended outcomes.

Leaders commonly cite scalability, enhanced performance and security and increased operational efficiencies as reasons that their organization's cloud environment is exceeding expectations. For those whose solutions are not performing as expected, they are typically facing cost overruns, cloud integration issues, and, in many cases, a talent gap accompanied by limited internal expertise.

Cloud environment expectations

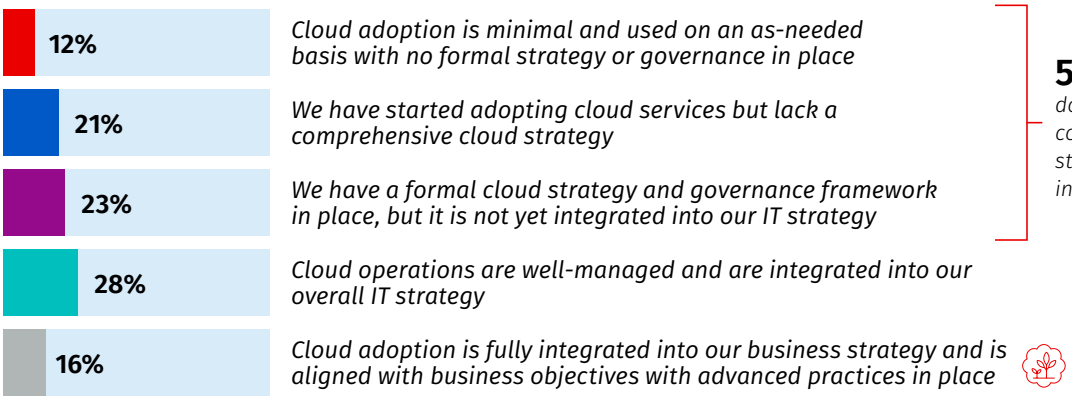
Relative to your business expectations for your cloud strategy, is your cloud environment meeting, exceeding, or falling below your expectations?

- Exceeding expectations.
- Meeting expectations.
- Falling below expectations.

Many organizations whose cloud environments aren't meeting their expectations may need to make changes to their strategy, providers or adopt new cloud management resources. But a significant percentage still have gaps in how they are implementing and integrating cloud. Only 16% describe their cloud adoption as fully integrated into their business strategy and aligned with their objectives, with another 28% describing cloud as well-managed and integrated into their overall IT strategy. The remaining 56% don't have a comprehensive cloud strategy or haven't integrated it yet, which is likely to mean that cloud performance is not as high as it could be.

Maturity level in adopting and managing cloud technologies

How would you describe your organization's current maturity level in adopting and managing cloud technologies?



56%
don't have a comprehensive cloud strategy or haven't integrated it yet

"Our cloud environment has led to significant improvements in performance, reliability and cost savings. One of the biggest wins has been achieving high availability levels at 99.99% uptime, which is better than the 99.95% we initially aimed for. This has helped reduce service disruptions and boosted customer satisfaction."

Director of IT — Technology and software company, Australia

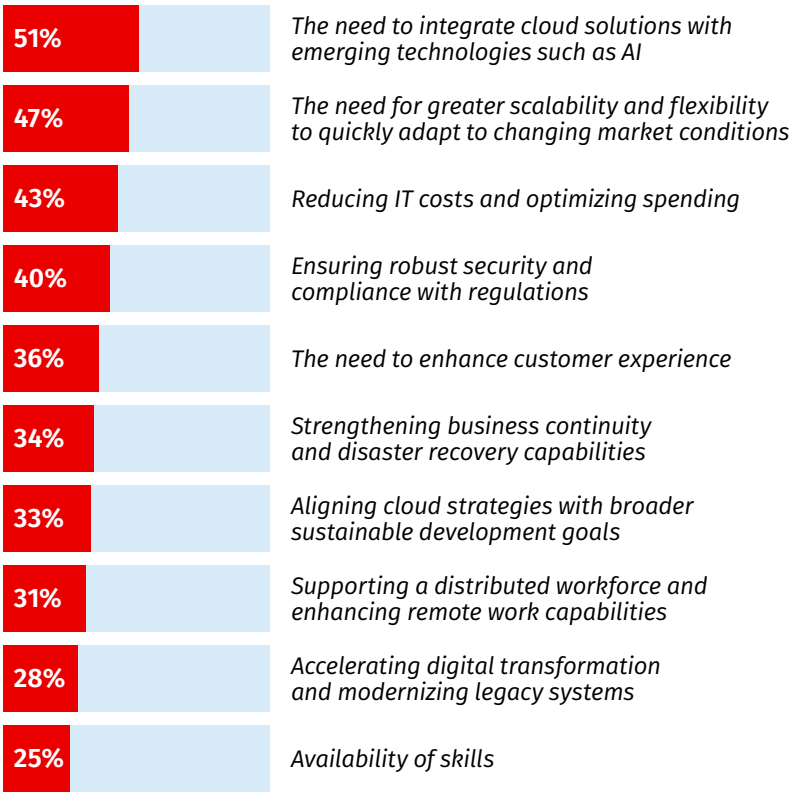
The drivers behind strategy changes

When it comes to what's driving cloud strategy changes, business demands — especially the integration of emerging technologies like AI — are top of mind, with 51% of respondents indicating that these factors will impact their choices around cloud solutions over the next 12-24 months. AI technologies and capabilities are still evolving rapidly, and AI workloads that aren't yet mature and stable could be driving part of the need for greater scalability and flexibility (47%). Indeed, prioritizing scalability to support future growth is the business demand that organizations are most likely to make the top priority (27%), significantly ahead of service improvement initiatives (20%) or immediate revenue-generating opportunities (12%).

The talent gap in advanced technological skills is still looming large, with one quarter of organizations saying they are having to adapt their cloud strategy due to the availability of skills they can access. To operate at their best, many organizations will need to embrace a range of solutions to fill the skills gap, including upskilling existing employees and getting support from external managed services.

Business demands to drive cloud strategy

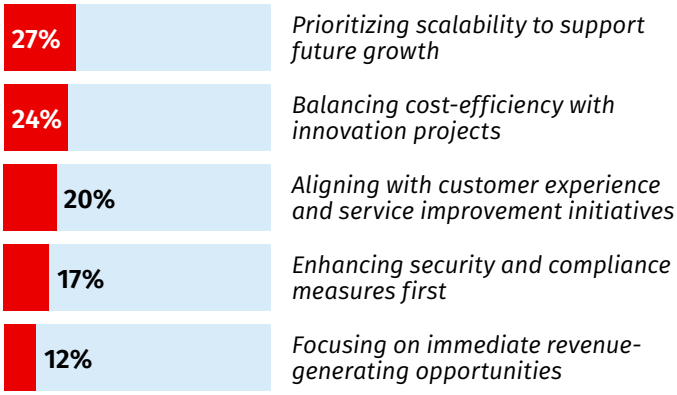
Which of the following business demands is your organization responding to in order to drive its cloud strategy over the next 12-24 months?



1 in 4 organizations are having to change their cloud strategy based on the skills they can access.

Cloud strategy priorities

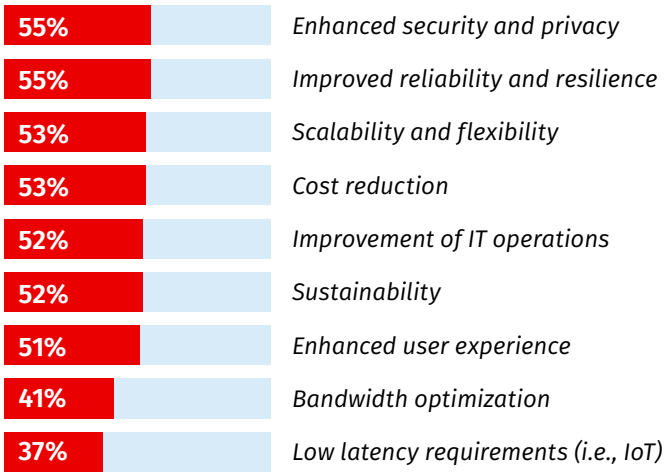
How do you plan to prioritize these business demands in your cloud strategy to maximize their impact?

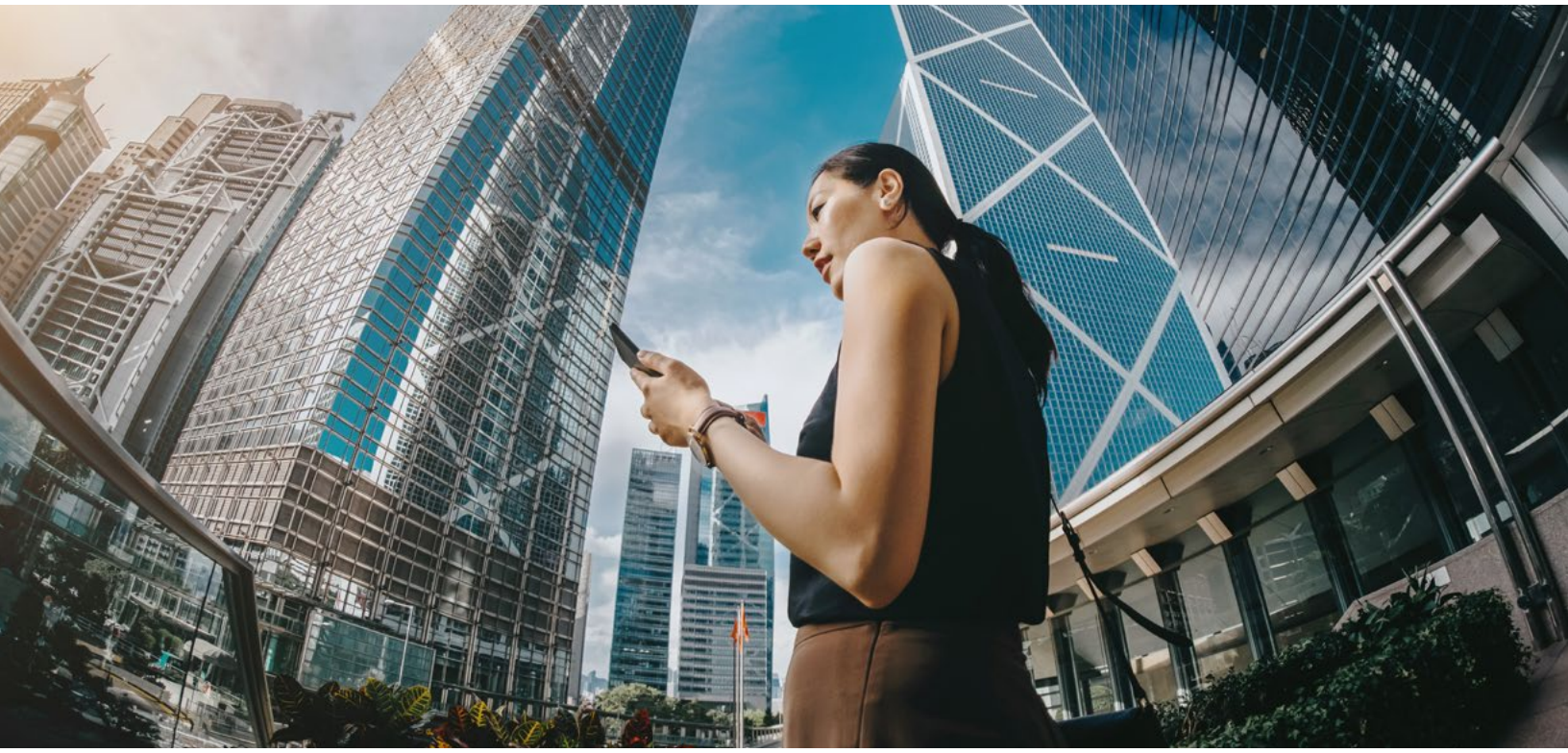


Decision-makers who are adopting edge computing in their organization are driven by many of the same concerns that are prompting the migration of certain workloads to multicloud, hybrid cloud and private cloud. The needs to enhance security and privacy (55%) and improve reliability and resilience (55%) are the top reasons, closely followed by scalability and flexibility (53%), and cost reductions (53%). Perhaps surprisingly, low latency requirements are only an important consideration for 37% of leaders using edge computing.

Edge computing drivers

Whether already underway or intended to start in the next 12-24 months, what are the key drivers for adopting edge computing for distributed applications in your organization?





Cloud management challenges

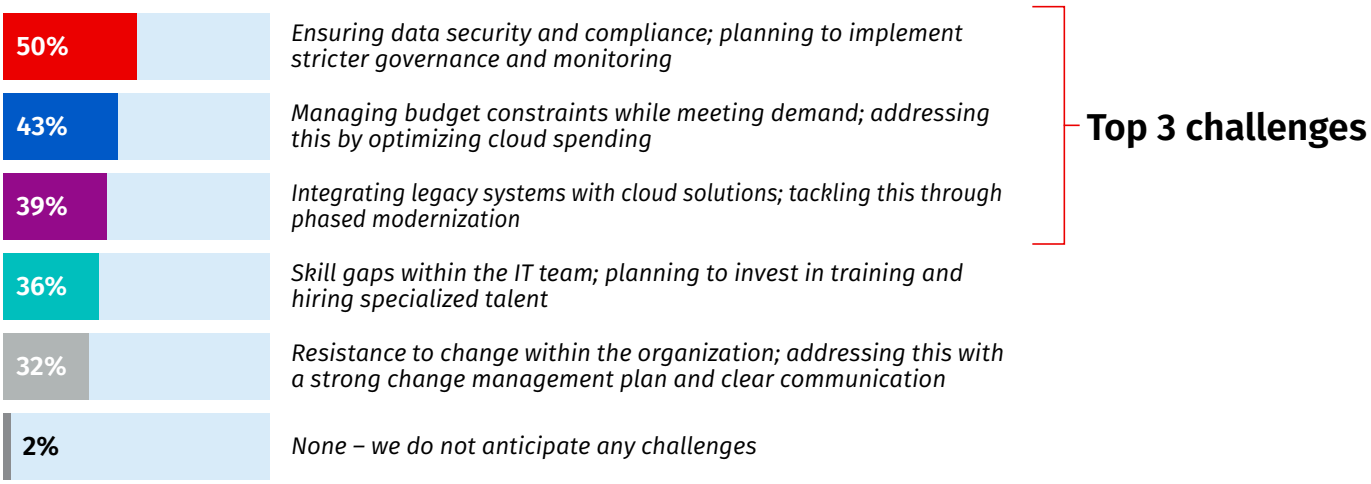
Ensuring data security and compliance is the most commonly cited challenge when aligning cloud strategy with business demands, affecting half of all respondents. Businesses are taking the issue seriously, and intend to implement stricter governance and monitoring procedures. But unfortunately, a need for enhanced security and risk management is a significant resource gap for 42% of organizations.

Shortages of skilled tech experts also pose significant issues, with 4 in 10 saying this is a challenge for them when managing their cloud environment. With talent shortages in cloud posing an enduring problem, decision-makers will benefit from focusing on training to upskill existing staff, and using external support and third party services to help augment internal capacity.

4 in 10 say **lack of skilled personnel** is a challenge for them when **managing their cloud environment.**

Challenges aligning cloud strategy with business demands

What challenges do you anticipate in aligning your cloud strategy with these business demands, and how do you intend to address them?



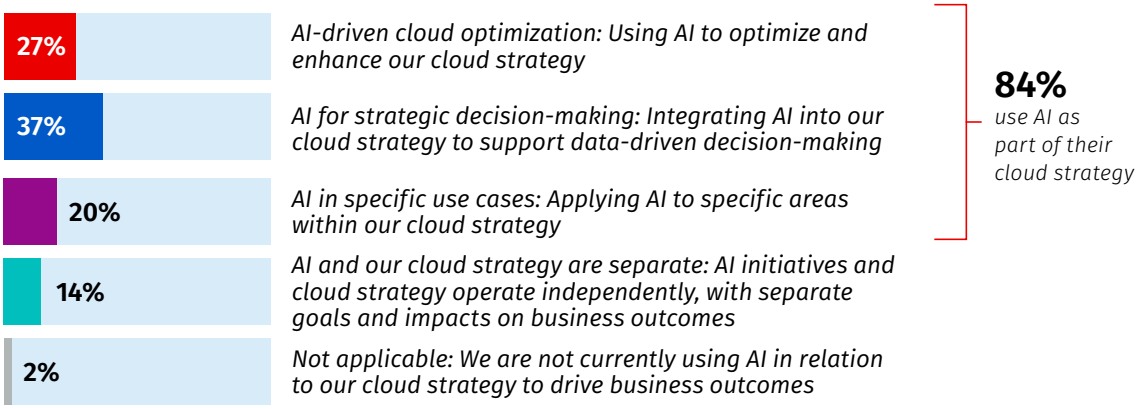
> *"As cloud technologies evolve rapidly, finding talent with the right expertise in areas like Kubernetes, serverless architectures and cloud security has been increasingly difficult. Many organizations are facing a similar issue, as the demand for cloud professionals often outstrips the available supply."*
>
> ***Director of IT — Technology and software company, Australia***

Cybersecurity and AI integration

The rapid evolution of AI technologies is beginning to impact almost every element of business operations, and cloud strategy is no exception. In fact, the impact of AI could be an important factor driving organizations to retrench their cloud architecture and host workloads across multiple platforms. With AI requiring advanced technological capabilities to work effectively, and having the ability to make significant improvements to how business operations run, for many organizations it may be making rapid cloud strategy adaptations necessary. Our survey reveals that 84% of organizations now use AI as part of their cloud strategy, with 14% keeping their cloud strategy and AI initiatives separate and only 2% not using AI as part of their cloud strategy at all.

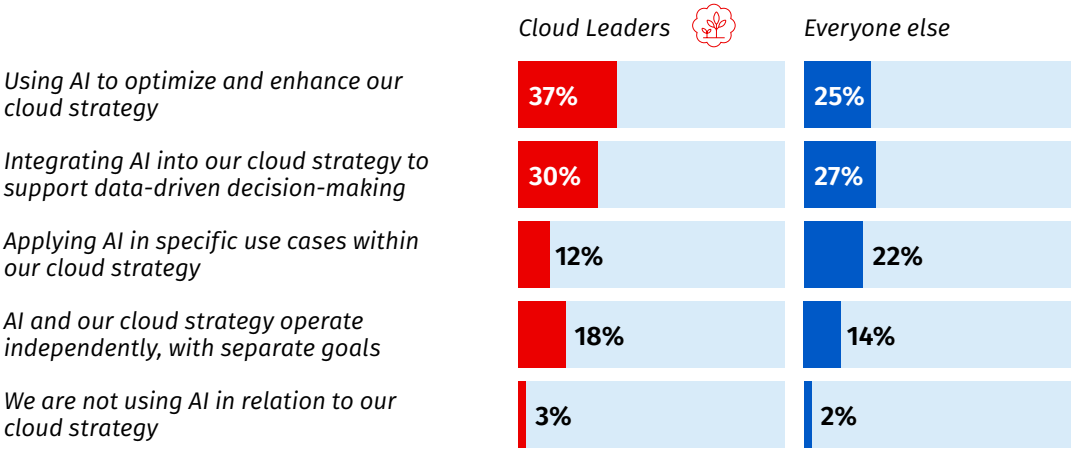
AI driving business outcomes

How is AI being used as part of your organization's cloud strategy to drive business outcomes?



Integrating AI into the cloud is another area where Cloud Leaders are ahead of the curve. Their cloud solutions are likely to be performing well in part because they are using AI to support their strategic planning: 37% use AI-driven cloud optimization to refine their strategy, compared to 25% of other decision-makers.

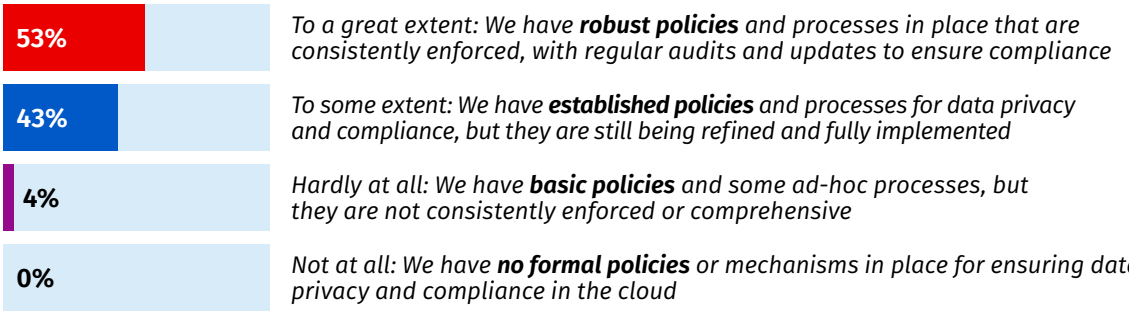
Cloud Leaders' level of integration between AI and cloud strategy



When it comes to keeping workloads in the cloud safe and secure, organizations are taking the issue seriously: 96% have established policies and processes for data privacy and compliance in the cloud environment. The remaining 4% consider their organization's processes basic or ad hoc, but no respondents say their organization is without any formal policies or mechanism to ensure data privacy.

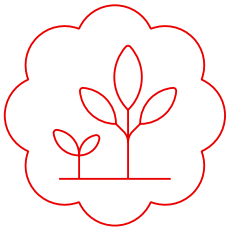
Ensuring data privacy and compliance in the cloud

To what extent does your organization ensure data privacy and compliance in the cloud environment?



96%
have established policies for data privacy and compliance in their cloud environment

The power of AI has the potential to alleviate many of the key challenges that organizations face. Across all respondents, AI is used most often to improve critical business functions: boosting operational efficiency, enhancing data analytics and insights, and providing advanced security and threat detection. Cloud Leaders are particularly likely to be making use of AI's capabilities for advanced threat detection, with over half utilizing it for this (52%), compared to 40% of other respondents.



52%

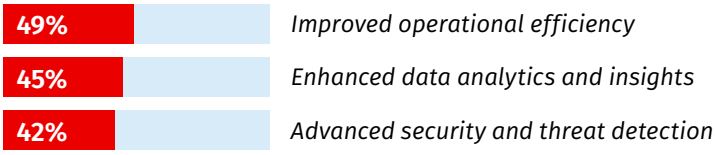
of **Cloud Leaders use AI to improve advanced threat detection.**

Organizations are also finding ways that AI technologies can work for them based on their specific needs. Our results by sector show that significant percentages are using AI to address some of the most vital challenges in their industries: nearly half of media and entertainment companies (47%) are boosting audience engagement through AI, while 40% of financial services institutions are using it to improve their fraud detection and prevention. Healthcare organizations are finding ways that AI can improve patient outcomes, with 38% using it to increase diagnostic accuracy, and 29% to produce personalized treatment plans.

There is a growing imperative for organizations to plan for these kinds of sector-specific AI use cases as they keep working to improve their efficiency, competitiveness and organizational outcomes. Consistent with growing shifts toward using hybrid and multiple cloud platforms, IT decision-makers will be considering the full range of cloud solutions to hone in on the right mix of public hyperscalers and private cloud for their changing needs. Seamless integration of cloud technologies will be vital for helping organizations keep adapting as AI continues to rapidly develop and transform ways of doing business.

AI use cases in the cloud

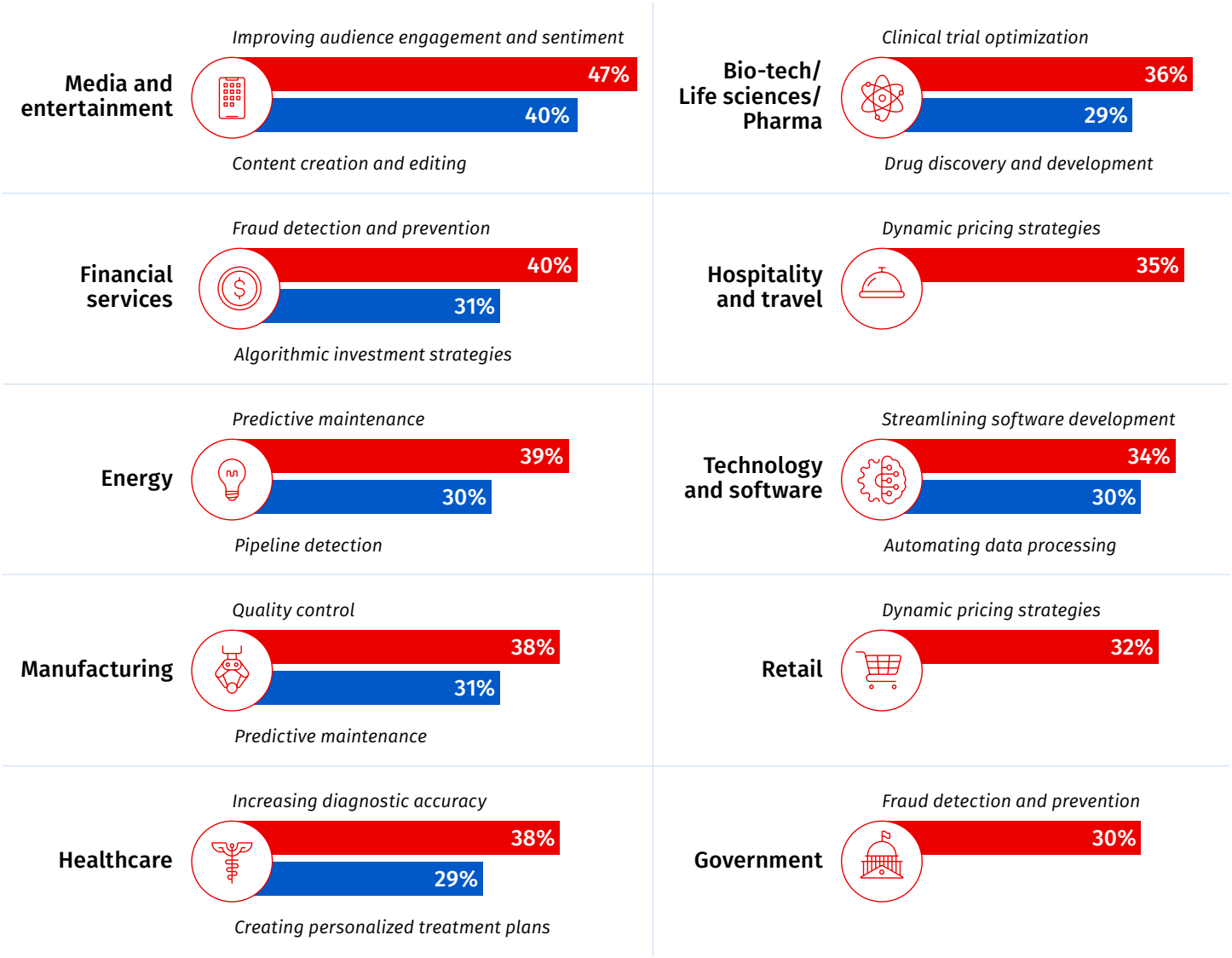
What specific use cases are you leveraging by integrating AI with your cloud strategy?



Other top AI use cases by sector

What specific use cases are you leveraging by integrating AI with your cloud strategy?

Top answers indicated below



Closing thoughts and Rackspace solutions

The state of the cloud moving forward

As this report illustrates, the evolution of cloud strategy is about more than technology — it's about adaptability, innovation and meeting the demands of an AI-powered future. Businesses are navigating a dynamic landscape in which multicloud and hybrid strategies, workload-aware modernization and AI integration are becoming essential for innovation, resilience, security and delivering valuable business outcomes.

Organizations are rapidly adopting public cloud and multicloud solutions. Yet hybrid cloud remains a cornerstone of modern cloud strategies, with 48% of respondents indicating its importance for multi-environment deployment in the next 12-24 months. Hybrid cloud integrates diverse environments, combining the scalability of public cloud with the security and control of private cloud and on-premises infrastructure. It provides the flexibility needed to support predictable workloads, address compliance requirements and seamlessly integrate legacy systems.

Seamless integration between cloud environments will remain a key enabler of flexibility. Many businesses are finding innovative solutions, such as cloud management platforms, multicloud tools and automation technologies, to address challenges like cost overruns and integration struggles. At the same time, AI has emerged as a transformative force in cloud strategies. Today, 84% of organizations are integrating AI into their operations to create efficiencies, improve security and deliver personalized services.

As a cloud pioneer, Rackspace Technology brings 25+ years of experience deploying and optimizing applications and data workloads at scale. Our credentials include:

- ✓ **VMware leadership:** The largest global VMware MSP footprint
- ✓ **Microsoft expertise:** Azure Expert Managed Services Provider for eight consecutive years, six-time Microsoft Partner of the Year, 2,000+ Microsoft certifications worldwide, 700+ Azure certifications, all six Solution Designations and a Copilot Jump-Start 'Ready-Tier' Partner
- ✓ **AWS leadership:** AWS Premier Consulting Partner with 18 AWS Competencies, 2,800+ AWS technical certifications, 3,000+ AWS accreditations, 14 AWS Service Delivery Designations and 14 Partner Programs, including recognition as the 2021 AWS Migration Partner of the Year (U.S. & Canada)
- ✓ **Google Cloud innovation:** 21 Expertise Designations and multiple Partner of the Year awards, including Breakthrough Partner of the Year (2020) and Infrastructure Partner of the Year (2019)
- ✓ **OpenStack co-founders with NASA:** Over 1 billion OpenStack hours served, 350,000 nodes under management, 150 certified OpenStack administrators, 50+ certified Kubernetes administrators and Platinum membership in the Open Infrastructure Foundation
- ✓ **Foundry for AI by Rackspace (FAIR™) launch:** 60+ AI engagements across industries, included in exclusive AWS Generative AI Partner Innovation Alliance

With 11,000 total technical certifications and deep expertise across public, private and hybrid cloud solutions, we are uniquely positioned to help you thrive in this rapidly evolving landscape. What sets us apart:

1. **Hybrid and multicloud expertise with workload-aware modernization (WAM):** With decades of experience and a proven workload-aware modernization approach, we help you optimize your hybrid and multicloud strategies to maximize performance, cost efficiency and scalability. We align each workload with its ideal environment — public cloud for scalability, private cloud for regulatory compliance or on-premises for legacy systems. This strategic alignment allows you to modernize your IT infrastructure without compromising flexibility, ensuring you're prepared to meet evolving business demands.
2. **AI solutions designed for AI at scale:** AI is transforming industries, but moving from proof of concept (PoC) to production requires more than tools — it demands experience. We deliver AI solutions designed to help you scale. Our AI Target Operating Model (ATOM) combines technical expertise with operational best practices to tackle challenges like advanced analytics and enhanced customer experiences. Through our Foundry for AI by Rackspace Technology (FAIR™), we provide innovative capabilities, including our Private AI solution that balances compliance and innovation. Whether building AI-native applications or embedding AI into existing workflows, we equip you to unlock AI's full potential.
3. **Comprehensive managed services to address key challenges:** Managing the complexities of AI, hybrid and multicloud environments requires expertise that goes beyond standard support. We provide comprehensive managed services to help you control costs, bridge skill gaps and secure your infrastructure. With proactive monitoring, optimization and industry-leading security practices, we help your operations remain resilient, scalable and cost-effective. By partnering with us, you gain a trusted team of experts dedicated to advancing your business outcomes.

By combining our expertise in hybrid and multicloud strategies, managed services and AI innovation, we empower your organization to meet today's challenges while positioning it for success tomorrow.

Contact us today at 1-800-961-2888
or visit rackspace.com to learn more.

Appendix: Methodology and audience profile

Our partner, Coleman Parkes Research, conducted the global survey of 1,420 technology decision-makers at companies and organizations in ten sectors and ten countries during October and November 2024.

Country

30%	*USA*
10%	*Germany*
10%	*UK*
10%	*Mexico*
9%	*Netherlands*
8%	*Colombia*
6%	*Middle East (UAE)*
6%	*Singapore*
6%	*Australia*
5%	*Kingdom of Saudi Arabia (KSA)*

Sector

6%	*Bio-tech/Life sciences/Pharma*
6%	*Technology and software*
9%	*Media and entertainment*
9%	*Energy sector (Oil and gas)*
9%	*Government/Public sector*
11%	*Retail*
11%	*Manufacturing/CPG*
11%	*Healthcare (payer/provider)*
11%	*Hospitality and travel*
11%	*Financial services*

Number of employees

7%	*Less than 1,000*
35%	*1,000 – 4,999*
40%	*5,000 – 9,999*
18%	*10,000+*

Job title

9%	*CTO – Chief Technology Officer*
8%	*CIO – Chief Information Officer*
8%	*VP/Director/Head of IT*
8%	*VP/Director/ Head of Business Intelligence*
8%	*CDO – Chief Data Officer*
7%	*CO – Chief Operating Officer*
7%	*CFO – Chief Financial Officer*
7%	*Chief Data Scientist*
7%	*VP/Director/Head of Engineering*
7%	*Head of Infrastructure VP/ Director/Head of Product*
7%	*VP/Director/Head of AI*
7%	*VP/Director/Head of AI Analytics*
6%	*Chief Engineer*
4%	*LoB (Line of Business)*

Level of responsibility

Cloud strategy	AI initiatives	
48%	42%	*Key decision-maker*
26%	34%	*Key influencer*
17%	17%	*Influence part of the process*
9%	7%	*Part of the decision-making team*

Annual revenue in the last financial year

4%	*Between $50 million – $99 million*
11%	*Between $100 million – $249 million*
20%	*Between $250 million – $499 million*
25%	*Between $500 million – $999 million*
25%	*Between $1 billion – $3 billion*
15%	*Between $4 billion – $15 billion*

About Rackspace Technology

Rackspace Technology is a hybrid, multicloud solutions expert. We combine our expertise with the world's leading technologies — across AI, 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 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 Fanatical Experience® — our obsession with customer success that drives us to help each customer work faster, smarter and stay ahead of what's next.

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

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