AlixPartners

STATE OF ENTERPRISE TECHNOLOGY

From tech debt to AI adoption, our experts survey the key topics on business and technology leaders' minds in H2 2025 and beyond

Foreword

The technological landscape in 2025 is defined by two opposing forces: unprecedented promise and unrelenting pressure. AI and Generative AI (GenAI) have captured global attention, promising to transform how we work, communicate, and compete. Yet, beneath this wave of innovation lies an equally significant narrative – one of cost scrutiny, technical debt, and the hard realities of enterprise modernization, particularly with new challenges from tariffs and rising uncertainty.

Paul Kelly

Chris Rollo

Gökhan Öztürk

Oli Freestone, Ph.D.

In this report, we gather together insights from more than 20 AlixPartners Technology experts who work closely with clients across a wide range of technology domains and key industry verticals. Their perspectives provide an inside view on how companies are balancing ambitious transformation efforts with pragmatic decision-making.

Encouragingly, most leaders see disruption as a catalyst for growth: business executives are four times more likely to view it as a significant revenue opportunity than a threat, according to our latest Digital Disruption Survey. But excitement and optimism for some spells unease for others: while

68% of executives see GenAI as the biggest disruptive opportunity

63% of CEOs also worry that their companies can't keep pace with the change.

Source: AlixPartners' Disruption Index 2025

AI is the headline story, of course, but it is not the only one. We also see the vital role that technology continues to play in driving business performance – whether that's in supporting growth, or in delivering productivity and efficiency gains through a wide range of technologies, from agentic AI and robotics to operational tech. And that means confronting slow-burning, long-term issues that can no longer be ignored.

Business and technology leaders are grappling with the cost of cloud, compute and storage. They are managing sprawling application stacks and planning ERP overhauls that will define their next decade, while in parallel juggling significant demand for a new breed of AI-enabled workloads.

And in the face of all this, they're under pressure to do even more with less. Every tech dollar now comes with an ROI expectation, particularly as boards are increasingly interested in technology as a key factor in driving growth. Every initiative must show its value – fast.

The insights in this report present a clear-eyed view of the state of play in 2025: a time of profound change, grounded by practical decision-making. We hope this collection of expert perspectives can inform your own strategic thinking.

We thank our expert panel for their candor and contributions. Their voices bring these key topics to life – and offer a glimpse of what's ahead.

1 THE MATURING AI ADOPTION CURVE

In 2025, AI has shifted from side experiment to core technology. Sparked by the generative AI boom, its role has evolved – no longer a novelty, but a tool embedded across business functions, from product development to customer service. Strikingly, business performance and innovation ambition go hand in hand here: companies outperforming their peers on revenue growth are more than twice as likely to view AI as a core strategic driver, according to our latest Digital Disruption Survey — highlighting a widening optimism gap between growth leaders and the rest.

But if the excitement remains, expectations have changed. Executives are now asking the harder questions: Where is AI delivering real impact? What are the trade-offs? Do we need different skillsets? Fewer people? More investment? And how do we scale responsibly? With tighter budgets and macroeconomic pressures, AI must prove not just that it works – but that it works better, faster and smarter than the alternatives.

As our experts emphasize, the opportunity is real – but so are the challenges. Data quality, cost management, and governance will now define the path from AI ambition to execution.

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1.1 From hype to practical implementation

AI isn't new. For decades, it's been embedded in many forms of analysis and business processing – from credit scoring and fraud detection to speech recognition. But the rise of generative AI (GenAI) in the past two years has fundamentally altered the landscape. What was once the domain of data scientists is now a boardroom imperative, demanding clear strategy, governance, and returns.

So the real story of 2025 is that AI is growing up. The experimentation era is drawing to a close, to be replaced by a more sober, results-driven mindset. "We've moved past the stage where AI is the shiny new object," says Stefan Stroh. "Now, it's about **real-world application and measurable value.** The focus is no longer on asking, 'Can we use AI?' – but rather, 'Should we use AI, and how will it make a difference?'"

Across sector after sector, **businesses are shifting from moonshot pilots to pragmatic, precision-driven deployments.** "Companies now demand immediate value from AI," says Paul Kelly. "If a project can't demonstrate measurable impact within months, funding dries up quickly."

This has led to a new approach: embedding AI seamlessly into workflows rather than treating it as a bolt-on. "Successful organizations don't treat AI as separate," says Clive De Silva. "They integrate it into the operational fabric, creating value without disruption." But the gap between ambition and execution is still wide: while 59% of executives are investing in GenAI, according to our latest Digital Disruption Survey, only 28% say it's fully embedded across workflows.

As adoption matures, the bar for value is rising. "If AI projects show no visible return within a quarter or two, they don't survive the CFO's desk," says De Silva. Stefan Stroh agrees: "We're seeing fewer moonshots and more surgical use cases. In this phase, AI is about solving real problems."

Listen to our EMEA AI Lead Catherine Brien and Mike Pitts, Technology Partner and Managing Director, discuss how businesses can move beyond the hype cycle to harness its potential and drive business benefits as part our Tech 10 video series:

AI – firm foundations

Tech 10
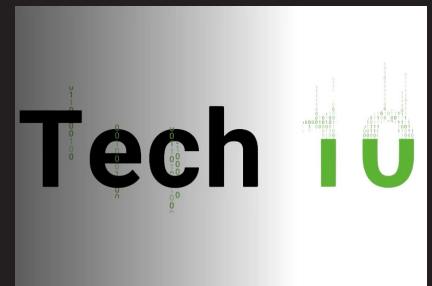
In short, the narrative has shifted.

AI is moving from hype to hygiene

becoming an embedded, often invisible, part of how companies operate and compete. The trajectory now seems set – and it feels familiar. As Stefan Stroh puts it:

"This is like the early days of the internet. We're overestimating the short-term impact, but probably underestimating the long-term transformation."

SUPERCHARGING SALES AT A BIG-BOX RETAILER WITH TARGETED AI

How generative AI and Bayesian optimization techniques improved customer engagement

A major retailer with over 300 brick-and-mortar stores and a strong digital operation faced major growth challenges in spite of their well-rounded in-person and online presence. Sales and marketing teams were looking to use AI to supplement limited resources and develop new strategies that could unlock stronger sales.

AlixPartners was brought in to overhaul business as usual, putting in motion a suite of customized AI solutions that personalized the customer experience.

Our experts solved the seemingly unsolvable over a 10-week sprint. We swiftly developed proprietary AI models to estimate customer lifetime value; built response propensity models to identify which customers were most likely to reply to sales team contact; created micro-segmentation models to hone marketing messages to specific sub-groups; and used generative AI and Bayesian optimization techniques to test dozens of messaging strategies and optimize each one per micro-segment.

Each AI solution helped executives make confident, calculated moves – and unlock big gains. The retailer quickly saw an increase in sales, as the AI models predicted.

Revenue improved by

47%
among customers who were contacted using our campaign, compared to customers served by the company model.

The marketing team integrated AI with a test-and-learn strategy, discovering messages with 40 to 50% higher click rates versus alternatives. The difference? Setting up GenAI to create hyper-personalized marketing collateral with an automated test-and-learn loop, rather than relying on one-shot blanket-target marketing content that has been manually drummed up by staff.

Ultimately, our team delivered the vision and know-how to deploy AI solutions with 25% higher revenue outcomes than the retailer's incumbent methodology.

1.2 Enterprise AI use cases and challenges

Across sectors and industries, businesses are harnessing AI to drive automation, unlock customer insights, boost productivity, and drive operational efficiency. One of AI's most immediate and widely recognized benefits is its ability to handle repetitive, time-consuming tasks –

freeing up humans to focus on higher-value strategic activities.

"AI is not about replacing jobs," says Thomas Trevesaigues. "It's about empowering people to do their jobs more efficiently and with more accountability over the activities where they really add value." Paul Kelly adds: "The excitement isn't just about automation – it's about augmentation. We're not replacing the workforce; we're giving them better tools."

Real-world use cases are diverse and impactful. Financial companies utilize AI for real-time portfolio management, fraud detection and real-time risk management. In retail, AI is powering hyper-personalization, dynamic pricing, and smarter supply chains. Customer service is a hotbed of adoption too: GenAI is powering smarter chatbots, improving first-call resolution, and triaging issues faster.

In software development, AI copilots are speeding up and improving the quality of code reviews, testing, and refactoring – dramatically shortening development cycles. "AI in coding is like having a thousand interns instantly available to handle the tedious aspects of development," says Mike Crisanti. "This allows engineers to concentrate on solving complex problems."

For a strategic framework to interrogate and determine the cost-performance and viability of AI activity, see

Questioning AI costs for executive decision-making

AI IMPACT – AI TOOLS ARE IMPROVING PERFORMANCE ACROSS THE SOFTWARE DEVELOPMENT LIFECYCLE

SDLC STAGE	USE CASE	DESCRIPTION	EXAMPLE TOOLS	EXAMPLE PERFORMANCE IMPROVEMENT METRICS
Requirements Engineering	Analysis	Analyze and refine requirements by identifying inconsistencies and potential improvements, ensuring they are complete and feasible	ClickUp, Visure, Jama	20-50% reduction in requirements gathering and analysis timeframes
	Elicitation	Automate the elicitation of requirements and user stories. Also potential to reduce documentation time and capture more requirements accurately	GeniePM, Jasper AI, Modern Requirements (Copilot4DevOps)	25-45% improvement in requirement completeness ~50% reduction in UAT efforts 30-50% reduction in rework due to missed requirements ~40% reduction in compliance reporting efforts
	Prioritization	Prioritize software requirements by analyzing data from various sources, helping organizations make better decisions and optimize resource allocation	Aqua, Jama	10-25% faster backlog triage 40-60% drop in review-meeting hours 2x more requirements verified on high-traceability projects
Design	Ui/UX Design Generation	Automate design tasks, enhancing productivity and streamlining workflows by providing automated prototyping and user experience design	FigJam AI, Uizard, Master Go, UX Pilot, Adobe Firefly, Beautiful AI, Figma Magician	Up to 35% improvement in the efficiency of the design process
	Design Collaboration	Facilitate real-time collaboration and communication among design teams, streamlining workflows and reducing time-to-market	Miro AI, Figma Branching + AI summaries, Microsoft Designer Copilot	20-35% drop in design hand-off questions
Development	Code Generation	Provide real-time code suggestions and completions, enhancing code quality and reducing development time	Cursor, Windsurf, Github Copilot, Replit Amazon CodeWhisperer, Tabnine, Lovable	40-70% increase in developer productivity Up to 55% faster coding, 88% suggestion retention 30-60% reduction in common coding errors
	Code Optimization	Optimizes code by analyzing data patterns and providing refactoring suggestions, improving code quality	DeepCode, Tabnine, IBM Watsonx	25-45% improvement in code quality metrics
	Code Review	Automated code reviews, identifying syntax errors and potential security risks, reducing review times	SonarSource, GitHub PR-AI, Amazon CodeGuru Reviewer	Reduce review times by up to 30%

SDLC STAGE	USE CASE	DESCRIPTION	EXAMPLE TOOLS	EXAMPLE PERFORMANCE IMPROVEMENT METRICS
Testing	Bug Detection	Enhance bug detection efficiency and generate comprehensive test cases, improving software quality	TestSigma, Sofy AI, Mabl	25-50% increase in defect detection rate
	Test Coverage	Dynamically generate test cases and prioritize them based on potential failure risks, ensuring comprehensive coverage	LambdaTest, Testim, Applito, QA Wolf	40-65% reduction in test creation time 30-55% improvement in test coverage 5x more releases with 9h/week saved per engineer
	Test Automation	Automate test case generation and execution, reducing manual efforts and enhancing test precision	Functionize, QASource, BugRaptors, Indium Software, Webomates, Amazon Bedrock, Synthetic USers	20-45% faster regression testing
Deployment	Automated Deployment	Streamline deployment strategies, manage complex pipelines, and minimize human error	Harness, LaunchDarkly	Up to 20% reduction in failed deployments, 40% decrease in preparation time
	Deployment Efficiency	Real-time issue detection, reducing downtime	InTech, Spot	30-55% reduction in rollback incidents 15-35% improvement in resource utilization
	DevOps	Continuous integration and deployment, automate testing, and provide real-time monitoring to detect and address anomalies proactively	CodeGuru, Datadog, Sysdig, CircleCI	50% drop in CPU usage and latency 50% build time reduction 80% reduction in Mean Time to Repair

Source: AlixPartners Research

Case study
CONSUMER BROADCAST COMPANY

Using AI to improve customer satisfaction, reduce churn, and improve costs in a tech-modernization success story

A leading $30 billion direct broadcast satellite and streaming video service provider company was experiencing declining subscriptions and revenues, with an urgent need for modernization amid market and customer shifts. The company faced heavy competition and was lagging others in terms of offerings and digital capabilities.

After a private equity firm acquired an ownership stake, the company was being carved out from its parent company. The goal was a three-year, whole-company transformation that would allow the business to re-emerge more profitable, streamlined, and agile.

AlixPartners knew exactly where to start. We began by assessing the company's organizational challenges and identifying pain points that AI and digital solutions could solve, taking into account underperforming satellite and TV programs.

Over the span of 10 months, our experts implemented various AI-related initiatives to improve customer satisfaction, reduce churn, and improve costs. The initiatives specifically included lead management for scoring and prioritization, shifting acquisition marketing from volume to lifetime value, as well as the diagnosis and identification of price sensitivity by package. By merging large transactional datasets using AI, we identified segments which were bleeding customers and driving churn.

Modernization efforts included enhanced customer analytics, customer digital self-service, guided sales experiences/digital front door, call center/IVR improvements, organic traffic solutions, and omni-channel solutions.

The engagement delivered a 3-year,

$3.5 billion
improvement program, with $1 billion in cost optimization, and $2.5 billion in growth.

More than 150 initiatives across 50 workstreams were identified across all functions with workplans and cost to achieve, a new governance function was stood-up, and a global business process outsourcing (BPO) rationalization function was established.

AlixPartners helped establish the company transformation office, and transitioned the governance to ensure continued execution and results with accountability. At the end, the signal was stronger than ever. A private equity operating partner commented: "AlixPartners hands down did some of the best consulting work I've seen in my career."

1.3 Adoption pains

Despite all the momentum, challenges remain. Enterprises still wrestle with **data quality, explainability, integration complexity, and soaring costs.**

Nikhil Suri highlights the challenge of operationalizing AI within existing tech stacks. "Many businesses find that introducing AI into legacy systems creates unforeseen friction," he says. "Without robust integration, even sophisticated AI tools can fail to deliver the promised value."

As for data quality – "Garbage in, garbage out is still the biggest blocker," says Sanjay Verma. "AI models are only as good as the data they learn from, and many organizations are realizing how fragmented or unclean their data is."

Paul Kelly expands on this: "The problem is that enterprise data often lives in silos, with inconsistent formats, incomplete records, or duplicated inputs across systems. You can't train a performance model if you don't trust the underlying data." This becomes even more problematic in regulated industries like healthcare or financial services, where traceability, lineage, and accuracy are non-negotiable.

Another issue is data timeliness. "Many businesses are trying to do real-time AI with yesterday's data," says Mike Crisanti. "If your pipelines aren't delivering fresh, relevant inputs, your models are flying blind." Investments in AI must therefore be matched by parallel investments in data engineering, orchestration, and observability — to ensure that the right data is being delivered to the right systems at the right time.

Metadata and labelling are also often overlooked. "Unstructured data like documents, images, or audio can contain huge value," says Jochen Gottshalk, "but unless it's well-labeled and annotated, it's just noise to a model. The labor of preparing data is still very human – and very underestimated."
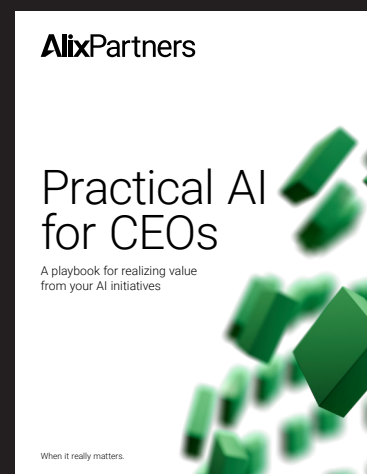
Cost management has become a significant issue, particularly with large-scale GenAI models that require expensive computational resources. Sanjay Verma notes: "Training a single AI model can cost millions. That's acceptable if it's core to your competitive advantage, but for most organizations, these costs quickly spiral out of control." Olivier Abtan concurs, emphasizing a measured approach: "AI doesn't just save money – it moves costs around. The key is ensuring that the benefits clearly outweigh the investment."

Beyond infrastructure, cost and data quality, governance is emerging as a critical priority. "We need managed innovation," says Nikhil Suri. "It's too easy for everyone in the business to spin up their own AI project. That's how costs explode and value gets lost." And then there's explainability. As Jochen Gottshalk puts it: "We're letting machines make decisions, but we don't always know how they made them. That's a trust problem."

To address these challenges, organizations are increasingly adopting **clear governance frameworks, structured processes, and disciplined financial oversight.** As Thomas Trevesaigues concludes, "The companies that succeed will be those that thoughtfully manage AI adoption – ensuring projects align closely with clear, measurable business outcomes rather than speculative innovation."

For more on the strategic solutions to these challenges, see our playbook:

AlixPartners

Practical AI for CEOs

A playbook for realizing value from your AI initiatives

When it really matters.

DEEPSEEK AND THE NEW ECONOMICS OF AI

Highlights from Narry Singh's article on this topic

In early 2025, a quiet revolution reshaped AI investment logic. When the Chinese-born DeepSeek r1 model hit the App Store, it briefly knocked ChatGPT from the top spot and sent Nvidia's market cap tumbling by $600 billion. The shock wasn't about market share —

it was about the underlying economics.

DeepSeek's r1 model performed on par with, and in some cases better than, models from OpenAI, Anthropic, and Google — but at a fraction of the cost. Early reports estimate the total training investment at just $6 million over roughly two months. Crucially, it was developed without US chips, without hyperscale infrastructure, and without access to the massive compute resources typically seen as a prerequisite for leading-edge models.

The lesson? Better AI may come not just from more power — but from smarter power. DeepSeek's success reflects a new paradigm: algorithmic efficiency plus domain-specific tuning can outperform brute-force scale. It has shown that innovation in architecture and training methodology can break through traditional barriers to entry.

This reframes AI economics for everyone. For large incumbents, it signals the need to evolve beyond GPU-heavy arms races. 'Cloud-scale' may be giving way to 'compute-smart' — with hybrid approaches, intelligent scaling, and targeted monetization strategies emerging as the new playbook.

For firms that had been priced out of advanced AI, this is a game-changer. Models that cost $25 million to train just a year ago may now be viable at half — or even a fifth — of the cost. One consumer goods company recently revised its LLM deployment costs down by 80% following DeepSeek's release. Projects once shelved for cost reasons are suddenly viable.

This surge in efficiency won't curb demand. In fact, the opposite may be true. As with the Jevons Paradox in energy economics, lower AI costs will likely drive more widespread and intensive use. Cheaper models mean more business cases cross the ROI threshold, more use cases become scalable, and more teams get greenlit to experiment.

But there's a catch. Early research suggests that DeepSeek's approach may come at a security cost. Tests indicate the r1 model is vulnerable to adversarial attacks and fails basic robustness tests — a serious red flag for any enterprise deploying AI in regulated or sensitive domains.

The path forward is clear: organizations must weigh opportunity against risk. DeepSeek represents a dramatic leap in cost-efficiency, but not a universal solution. The companies that benefit most will be those that treat it as a catalyst — not a shortcut — and build frameworks that balance innovation with resilience.
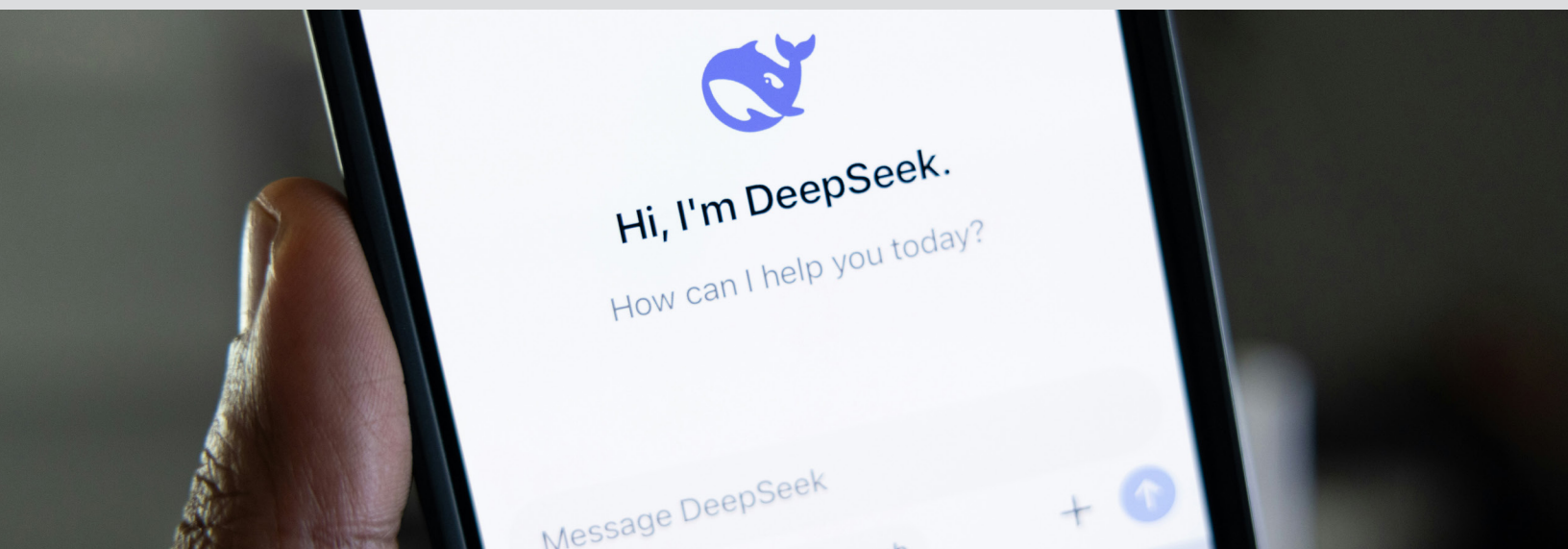
2 TECH SPEND SQUEEZE AND ROI PRESSURE

After years of bold tech investment, 2025 has brought a reset. Geopolitical volatility, tariff fluctuations and a new trading environment have shifted the focus from rapid growth to financial discipline. CIOs and CTOs are now under mounting pressure to prove ROI, cut costs, and prioritize only the most value-generating initiatives. IT leaders are under intense scrutiny to deliver clear ROI, rein in costs, and prove the value of every dollar spent.

As our experts emphasize, this isn't just a financial story – it's a strategic one. Cost optimization has moved from a supporting task to a front-line priority, reshaping how technology decisions are made. In PE – always a bellwether for other verticals – firms are now heavily scrutinising portfolios as their hold periods extend – weeding out zombie portcos, and looking for where they can drive better business performance and efficiencies (see case study on next page).

Tech, AI and automation are all part of that story.

Case study
PE: A NEW ERA OF VALUE-LED REALISM

In a climate defined by rising interest rates, tighter capital markets, and increased scrutiny from investors, private equity firms are **doubling down on operational efficiency and portfolio resilience.** The era of 'growth at any cost' is over. What matters now is sustainable value creation – and AI is quickly becoming one of the most powerful tools in the playbook.

"The focus has shifted," says Clive De Silva. "PE firms are no longer just chasing growth. They're asking, 'Where are the inefficiencies? How can we use data and AI to scale profitably?'"

This new focus is driving a broader digital transformation agenda across portfolios. PE-backed businesses are being pushed to modernize legacy tech, adopt AI, and streamline their operating models – all while showing measurable ROI in tighter timeframes.

AI as a lever for portfolio value creation

AI is playing a pivotal role across the investment lifecycle. During acquisition, it's **enhancing due diligence by uncovering hidden risks and value levers** faster than traditional methods. "AI gives investors better foresight," says Clive De Silva. "It helps us model scenarios and understand what we're really buying into."

Post-acquisition, AI is increasingly being used to improve operations across portfolio companies. **From automating manual workflows and optimizing pricing to improving procurement and forecasting,** AI is driving efficiencies that directly boost EBITDA.

Crucially, PE firms are pushing their companies to **integrate AI into core processes,** not just isolated pilots. "This isn't about innovation theatre," De Silva explains. "It's about real-world value. If AI can **reduce cost-to-serve or improve customer retention,** it goes straight to the bottom line."

Legacy modernization is a major area of focus too. Outdated systems are seen as blockers to scalability – and as interest rates rise, they're becoming liabilities. PE firms are accelerating investments in **ERP upgrades, cloud migrations, and AI-enhanced data platforms** to build more agile and scalable businesses.

Building AI capability across portfolios

To support this shift, many PE firms are launching **AI and digital enablement programs** to educate leadership teams across their portfolios. The goal isn't just to adopt AI – but to do so in a way that's aligned to strategic priorities and measurable outcomes.

"Digital literacy is now part of the value-creation strategy," says De Silva. "We're working with CEOs and CFOs to help them understand how AI can drive better decisions – not just automate tasks."

There's also a cultural shift under way. Rather than relying solely on external consultants or vendors, portfolio companies are being encouraged to **build in-house capabilities – creating lean, cross-functional teams** that blend operational knowledge with technical skill.

In some cases, PE firms are deploying central AI teams to work across multiple holdings, building **shared platforms and capabilities that can scale across the portfolio** – especially in areas like finance, compliance, and supply chain.

AI and the competitive edge in capital deployment

As capital becomes more selective, AI is emerging as a differentiator in deal sourcing, underwriting, and post-deal optimization. Firms that embrace data-driven decision-making are better positioned to identify opportunities others miss – and avoid the ones that don't deliver.

"AI helps us see patterns that would take weeks to uncover manually," says De Silva. "That's a competitive advantage, not just operationally, but strategically."

Looking ahead, firms that successfully embed AI into both the operations and governance of their portfolios are expected to outperform their peers – not through flashy innovation, but through disciplined, measurable value creation.

2.1 The shift from growth at any cost to spend discipline

Across industries, companies are pivoting away from expansive, loosely governed transformation programs. The new mandate is precision: targeted investment, faster payback, and strict performance metrics. AI, cloud, and ERP programs are all being judged by outcomes, not just ambition.

"The mindset has flipped – gone are the days when companies threw money at transformation projects without a second thought," says Jason Miller. "It's no longer about scaling at any cost; it's about making every dollar work harder."

Executives are reevaluating their tech portfolio with fresh urgency

– **cutting redundant tools, halting speculative projects, and focusing on ROI-generating use cases.** "The days of unchecked tech spending are over," adds Clive De Silva. "Every AI project – every tech project – now comes with an ROI question attached."

This spending discipline isn't just driven by CFOs – it's also fueled by the harsh economics of AI and cloud. "Economic uncertainty and interest rates have made companies more cautious," says Jochen Gottshalk. "Even large-scale ERP transformations are getting second looks."

Private equity is pushing for the same: sharper cost controls and better asset performance. As Pierre Bedarida puts it, "Shadow IT, bloated stacks, and inefficient tooling are now unacceptable. Consolidation is the new mandate."

Paul Kelly adds, "Investment management is becoming an enterprise capability. The best-performing companies make tech decisions based on business outcomes, not hype."

Even long-planned ERP and data programs are under fresh scrutiny. "Economic uncertainty has made everyone more cautious," says Jochen Gottshalk.

"If there's no fast path to value, it's getting cut."

Jochen Gottshalk

2.2 Cloud costs and hybrid challenges

Cloud remains foundational to digital transformation, but its cost profile is under growing scrutiny. What once felt like a cure-all is now being re-evaluated under stricter financial and operational lenses.

"Many companies have complex multi-cloud environments, making management challenging," says Christoph Steiger. "Standardization, application rationalization, and modern data center strategies are crucial for handling this complexity."

The challenge is no longer just about migrating to the cloud, it's about crowd sprawl – managing the cost, performance, and security of cloud operations in real time. AI workloads have only intensified the issue. As Sanjay Verma points out, "AI models rely on token-based pricing and GPU-hungry compute, which makes costs both unpredictable and very hard to govern."

Mike Pitts puts it bluntly: "Cloud made it easy to build and scale – but it also made it easy to overspend. If you're not managing usage daily, your budget can spiral out of control."
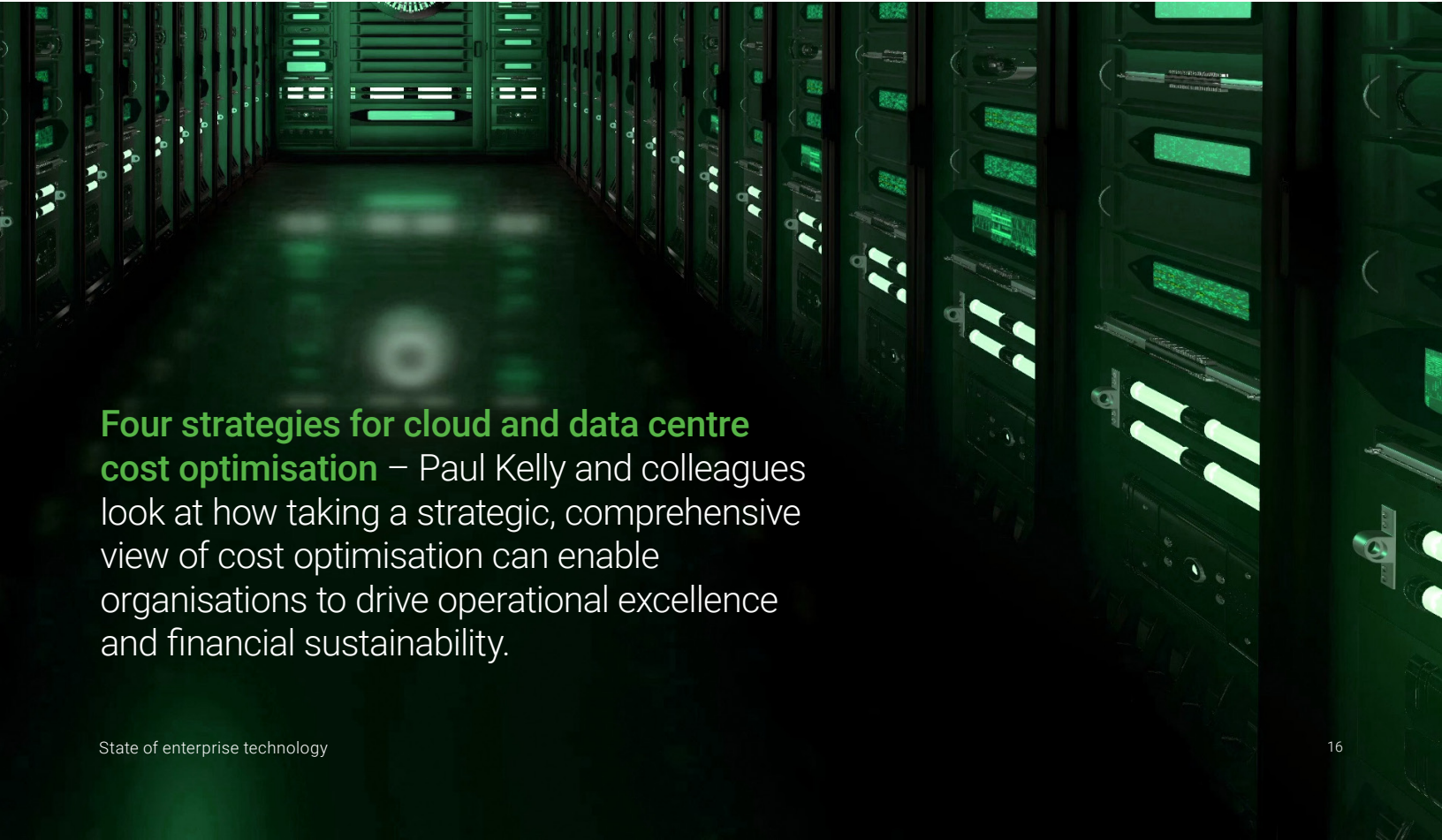
This has sparked a renewed interest in hybrid strategies. Stable, predictable workloads are increasingly moving back on-premises, while cloud is reserved for elastic or burstable compute needs. "We're moving from 'cloud-first' to 'cloud-smart'," says Jason Miller. "Just because something is in the cloud doesn't mean it's the best place for it."

As a result, many firms are adopting a 'cloud-smart' mindset – deploying hybrid models that keep stable workloads on-prem while using cloud for elastic needs.

FinOps principles – bringing financial accountability to engineering and operations – are now getting embedded into daily decision-making. And in regulated industries, compliance is further accelerating hybrid adoption. Healthcare, finance, and defense firms are leaning into private or hybrid clouds to meet jurisdictional and security mandates.

"The days of limitless cloud spending are over," says Clive De Silva. "Every workload, every instance – everything must now be justified."

Four strategies for cloud and data centre cost optimisation – Paul Kelly and colleagues look at how taking a strategic, comprehensive view of cost optimisation can enable organisations to drive operational excellence and financial sustainability.

2.3 AI as a cost-saving tool

While AI is often celebrated for its innovation potential, some of its most immediate and compelling value lies in cost savings and operational efficiency.

"The best AI investments aren't flashy," says Mike Crisanti. "They're the ones that make the business run smoother and cheaper."

In IT, AI is powering intelligent observability, predictive alerting, and automated remediation, so reducing outages and support tickets. In HR, AI assistants are handling employee queries, automating onboarding, and simplifying benefits management. In finance, algorithms are optimizing cash flow, detecting anomalies, and improving forecast accuracy in real time.

"We're seeing companies use AI to catch cost leakage that would have slipped through the cracks just a few years ago," says Sanjay Verma. "It might not sound revolutionary, but the impact adds up fast."

The next frontier is self-optimizing systems – platforms that don't just automate tasks, but learn and improve continuously. "If AI can identify inefficiencies and fix them without human intervention, that's a game-changer," says Crisanti. "It's about doing things smarter, not just faster."

Agentic AI is here

Agentic AI is seen as the next era of business process improvement, and could reshape how organisations structure themselves. AI agents act autonomously to pursue goals, making decisions and interacting with other systems autonomously on behalf of the user. This might be to book travel, onboard an employee, or make a payment. Previous eras of automation were rigid and brittle – they didn't cope well with ambiguity. In agentic AI, the agents – or robots – understand context and nuance, and so don't fall over when a process is not well-defined. They can 'think', handle unstructured data, and try multiple routes to deliver an outcome. We will increasingly see tasks outsourced to agents, or networks of agents

In an era of mounting budget pressure, AI is emerging not only as a growth enabler – but as a cost multiplier. The companies that see AI as a strategic lever for efficiency will be best positioned to outperform.

For more on how CHROs can leverage AI to enhance recruitment, employee engagement, and strategic workforce planning, see our playbook:

Practical AI
for CHROs

Case study

CONSUMER GOODS GIANT

Cutting through data complexity to expand capabilities

A multi-billion-dollar global storage and tools manufacturer was sitting on a trove of data assets with no plan to unlock its potential. Without access to these insights, the team couldn't hit target fill rates and other customer service level agreements – which impacted their ability to grow. The company needed help setting an AI vision and putting it to use.

AlixPartners was brought in to establish an enterprise-wide Center of Excellence (CoE) that could leverage AI and data analytics to drive

$600 million

in bottom-line benefits in five areas:

1   on-time in-full (OTIF) improvement,

2   direct-to-consumer,

3   inventory reduction,

4   pricing improvement, and

5   marketing effectiveness.

Our AI strategy included three key elements:

DIGITAL BUSINESS MODEL

Business case development; opportunity identification and prioritization; KPIs, targets, timing, and resource requirements; process changes and change management.

VENDOR OVERSIGHT

Strategy and development of vendor SOWs; proposal evaluation and selection; execution of agile development process; and integration across multiple vendor initiatives.

TECHNOLOGY ADVISORY

Data strategy and governance; technical, enterprise-wide architecture design at scale; data engineering and data science validation.

Each component helped us target growth drivers, market potential, and future strategies for long-term results.

AlixPartners also partnered with executives to set the digital transformation vision, and to help the C-suite introduce new processes to the frontline. This included maintaining the functional ownership of six prioritized minimum viable products (MVPs), which provided specific line of sight into $15-30 million in bottom-line benefits.

With a roadmap to scale MVPs and capture full value, we helped the team establish functional, technical, and resource scaling for the right mix of tools, governance, and internal and external resources. Value drivers included revenue growth, pricing improvements, digital marketing spend optimization, and rebate management across the business—drivers which continue to generate long-term, ongoing results.
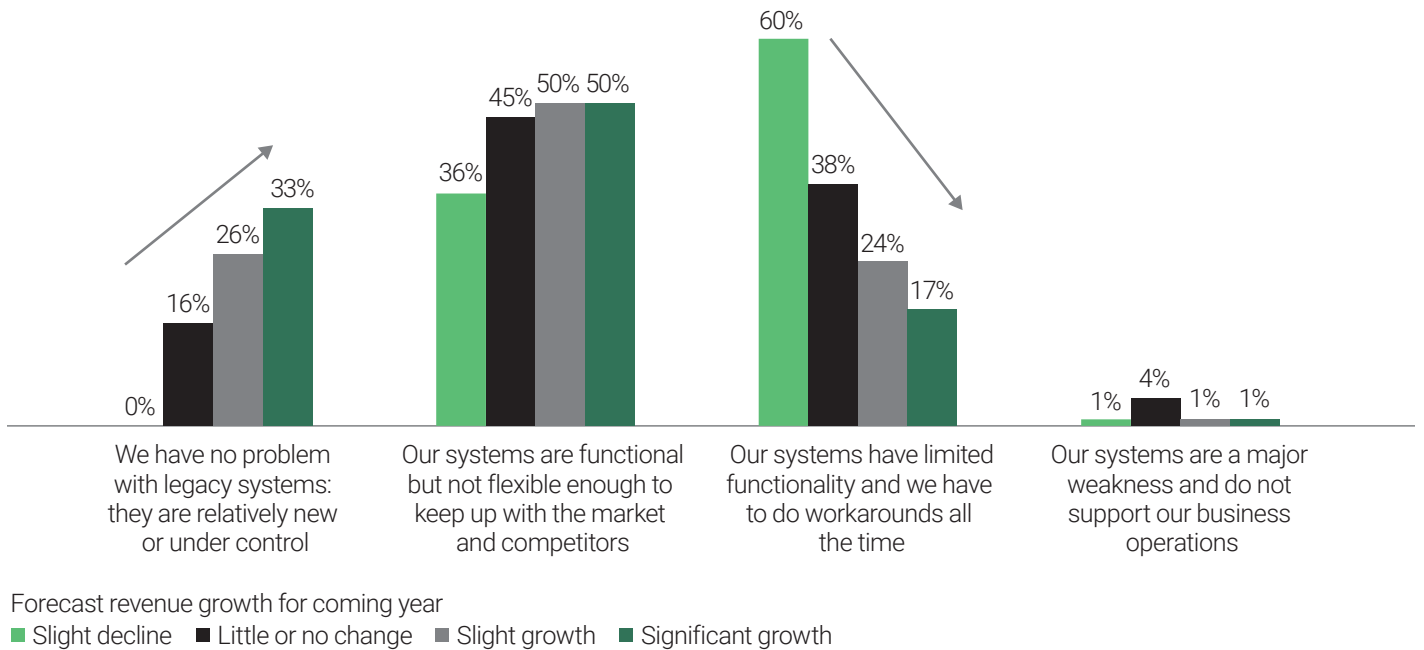
3 LEGACY CHALLENGES – TECH DEBT AND INFRASTRUCTURE MODERNIZATION

As companies pursue AI, cloud optimization, and tighter cost control, many are confronting a deeper structural issue: legacy infrastructure. The ambition to innovate often collides with the reality of outdated systems that are still mission-critical but too fragile or complex to easily replace.

In 2025, technical debt is no longer just an inconvenience. It is shaping board-level priorities and determining the pace and scope of transformation. From ERP overhauls to AI integration, legacy platforms are increasingly the bottleneck that businesses can't ignore.

Our experts share how organizations are confronting these challenges head-on, from AI-powered code refactoring to board-level accountability for infrastructure resilience.

Strong legacy systems are a foundation for growth

Forecast revenue growth for coming year
- Slight decline
- Little or no change
- Slight growth
- Significant growth

Research among business and technology leaders points to a remarkably straightforward correlation between the strength of a company's legacy systems and its growth prospects (Source: Digital Disruption Survey 2024)

3.1 The legacy challenge

While AI grabs headlines, it's legacy technology that quietly sets the limits on how fast – and how far – companies can truly transform. Indeed, some

80%   of executives in our latest Digital Disruption Survey

cited legacy systems as a significant barrier to digital transformation — a striking indicator of how deeply technical debt underlies strategic constraints.

Olivier Abtan puts it plainly: "Modern platforms enable speed, flexibility, and integration. Legacy systems do the opposite – they isolate, fragment, and constrain." Without it, transformation and innovation initiatives are doomed. "Too often, we see companies pouring money into digital products that are shackled to brittle back-ends," says Pierre Bedarida. "Without foundational change, innovation is just window dressing."

"Tech debt is the silent killer of digital transformation," warns Jochen Gottshalk. "Everyone knows it's there, but no one wants to pay it off." But for many enterprises, technical debt remains the elephant in the room: it grows silently, resists easy measurement, and is always being put off. But in 2025, the issue is becoming impossible to ignore.

Legacy systems aren't just outdated – they're deeply embedded in mission-critical operations. Many have been in place for decades, running everything from billing to logistics. "The challenge isn't just cost, it's risk," says Paul Kelly. "If you touch a core system that's been running for 30 years, you have to be prepared for the unintended consequences."

That risk is why modernization has often been postponed. But rising demands for real-time data, seamless integration, and AI-enabled decision-making are exposing the limits of brittle, outdated architecture. "You've got beautiful interfaces running on creaky back-end infrastructure," says Thomas Trevesaigues. "That won't scale."

For more on the correlation between growth and strong legacy systems, see

The Rising Tax of Tech Debt – Do you know the true cost of change?

This is no longer an issue that can be simply patched, says Nikhil Suri. "We've long insulated business teams from legacy problems through digital shells and APIs. But now, with AI and data integration, that abstraction layer is breaking. Legacy is becoming everyone's problem."

3.2 SAP HANA migration challenges

Nowhere is the legacy modernization challenge more acute than in the SAP ecosystem. With SAP ECC set to reach end-of-life in 2027, thousands of companies are embarking on high-stakes migrations to S/4HANA – often unprepared for the complexity.

"These are massive, nine-figure programs," says Amir Hosseini. "And 50 to 70% are already off track – over budget, behind schedule, or stalled altogether."

Part of the problem is underestimation. "Too many companies think this is a tech switch," says Paul Kelly. "It's not. It's a business transformation that touches every process and every function."

Custom code, data quality issues, business process redesign, and limited internal expertise all contribute to the complexity. "It's not just about implementing SAP," adds Christoph Steiger. "It's about unpicking 20 years of business logic built into legacy systems."

Some companies are trying to mitigate the challenge by using AI tools to accelerate migration – automating data cleansing, mapping, and code translation. Others are taking hybrid approaches, running some functions in the cloud while keeping others on-premises. But the clock is ticking. "2027 may feel far off, but given the size of these programs, most companies should already be deep into planning or execution," warns Hosseini.

This isn't just an SAP issue, it's emblematic of a broader theme: organizations that delay modernization now face compressed timelines and elevated risk. "ERP modernization is the canary in the coal mine," says Jochen Gottshalk. "Every legacy system needs a plan."

"Every legacy system needs a plan."
Jochen Gottshalk.

Case study
INDUSTRIAL GOODS MANUFACTURER

Setting up a SAP S/4HANA program for success

A large European industrial goods company was considering a migration to SAP S/4HANA to modernize their business and way of serving clients. Company leadership intended to launch a business-driven transformation rather than just a technical upgrade and was willing to rethink many aspects of the business. The ambition was to establish lean and harmonized processes close to SAP standard, but it was unclear how to get there.

Complicating matters, the company faced challenges defining the optimal target application architecture and necessary SAP "bill of material," and weren't clear on their data quality or readiness for data migration.

Additionally, leadership were concerned about employees' readiness to embrace the anticipated changes in their working methods. After an extensive discovery phase, the company was still looking for the most effective approach to design and launch the program, and struggled to get it off the ground.

The AlixPartners team brought its extensive expertise in business-driven ERP modernization programs, along with our proven "S/4HANA Transformation Excellence" approach. With our help, the client successfully initiated and executed the program within six months while minimizing the risk of failure. We created full organizational alignment, ensuring buy-in across the board and all former functional silos, and facilitated the selection process for the most suitable systems integrator.

We ensured the client's readiness along four key dimensions:

BUSINESS
Target business and operating model, steering model and core processes

SYSTEM, DATA AND IT
Solution architecture and roadmap, master data and data migration, and IT operating model

PROGRAM
Program structure and planning, program organization and governance, and business case

ORGANIZATION
Resource planning and external support, change management and communication

On the far side of the transformation, the company was operating under a new business model with a clear focus on three core businesses: projects, products, and services. We detailed these target business models to the required extent prior to manifesting them in the ERP system.

Not only did leadership come out of the transformation with a modern business setup and solid underlying business case, but a €34 million boost to EBITDA and €18 million ledger of savings over the following three years provided a compelling narrative, prompting buy-in from the entire board of directors.

3.3 Strategies to manage and reduce technical debt

Despite the challenges, a growing number of enterprises are taking proactive steps to manage – and even turn to their advantage – the burden of technical debt.

"With some clients we're using AI-powered tools to convert COBOL applications to modern cloud architectures," says Jochen Gottshalk. "What used to take years, we can now do in months."

AI-assisted refactoring is proving especially powerful for modernizing monolithic systems. "Rather than rewriting millions of lines of code manually," adds Paul Kelly, "we're preserving core logic and improving performance. It's a bridge from old to new."

Many are also adopting modular strategies: containerizing workloads, wrapping legacy systems in APIs, and modernizing function by function instead of risking a 'big bang' cutover. "You don't have to tear down the whole house," says Olivier Abtan. "You can renovate room by room."

Some are building 'digital twins' over legacy infrastructure – data platforms that simulate operations without directly touching core systems. "It's a workaround that delivers insights fast," says Stefan Stroh.

Governance is just as important. "You need to manage tech debt like financial debt," says Nikhil Suri. "Track what's aging out, what's holding you back, and what retiring it will unlock."

The companies getting this right are building lasting platforms, not just executing tech upgrades.

See Paul Kelly and John Cotterell, CEO of Endava, discuss the transformation opportunities presented by disruption and how to harness these forces to stay ahead in an era of persistent, rapid change:

Tech 10: Disruption and Transformation

3.4 Tech resilience as competitive advantage

As our experts emphasize, this isn't just a technical issue anymore. Legacy tech is now a boardroom concern, especially as the universe of affected assets and systems starts to become more visible. The tech debt issue can affect any or all of the following:

- Old versions of software
  (older ERP systems, Microsoft Office 2000)

- Antiquated code/programming languages
  (e.g. COBOL, Fortran, Visual Basic)

- Outdated or obsolete hardware (mainframe computers, Intel 286 processors, or Apple IIGS machines)

- Old operating systems (MS-DOS, Windows XP, OS/2)

- Outdated infrastructure, network architecture, communication protocols and/or security provisions

- Fragile integrations (eg point-to-point interfaces)

- Siloed systems and databases

- Architectures that don't scale, for example because they have performance ceilings, can't support projected growth, or consume excessive resources

- Operating models that haven't evolved or have become increasingly complex and difficult to run, perhaps through a proliferation of bolt-ons or an inability to simplify

- Legacy processes and governance that create bureaucracy or slow down decision-making, such as forums, meetings and committees, and associated sign-off and review processes.

Managing legacy – Once you understand where the most value can be delivered, legacy modernisation must be managed as a strategic programme. Our insights from legacy modernization programmes

Understand your starting point and what you are getting in to	Perform rigorous due diligence on the current state technology landscape – know what you are getting into and plan your PMI before you buy
Decisions must be business/economics driven, not technology driven	The decisions are too often led by technologists, and not informed by commercial, customer and market intelligence based on how the business makes money
Keep up with market pace, while you simply and modernize	Do not fall behind the market, because you are overly focused on internal simplification – the cost of moving fast can mean you accept some complexity/re-work later on
Moving to a 'One platform' is not the only solution	Integration layers/data sharing layers/other ways of hiding complexity from customers can all be acceptable solutions even if they are inelegant/architecturally impure
Be phased	Don't do it all at once – consider where the economic value is and what you can leave alone without introducing risk
Use AI to accelerate the journey	Leveraging AI to analyse existing undocumented code, to help optimise the codebase and make it easier to maintain, to assist in code translation/conversion
Manage trade-offs	Keep focused on the end vision, and reduce complexity, unless it pays the extra-effort

"If tech debt is stopping you from launching new products or entering new markets," says Paul Kelly, "it's a strategic risk." Reframing the challenge is key. "Legacy modernization isn't a tech project," says Jason Miller. "It's a growth unlock."

Executives are starting to see infrastructure as an asset, not a cost center. "That shift changes everything," Kelly continues. "When infrastructure enables growth, it earns investment."

Legacy drag slows agility, raises cybersecurity exposure, and impairs product velocity. "If you're not managing tech debt, you're accumulating risk," says Kelly. "It's about resilience, not just efficiency." This becomes even more critical as businesses look to pivot and re-engineer their offerings in order to stay competitive: some

91% of CEOs

say they expect to overhaul their business models within the next year, according to our Digital Disruption Survey — a stark indication of the scale of change leaders are preparing for."

Boards are beginning to act too, embedding tech health metrics into KPIs, investing in continuous modernization, and adopting a lifecycle view of infrastructure.

"Treating platform health as an ongoing priority – not a once-a-decade project – is the only way forward," says Thomas Trevesaigues. "Tackle tech debt incrementally, or it will tackle you."

In 2025, resilience is strategy – and legacy modernization is no longer optional. For those who address it head-on, it becomes a lever for speed, security, and sustained competitive edge.

NEXT STEPS FOR BUSINESS AND TECH LEADERS

As organizations look toward the second half of 2025, the path ahead will demand both decisiveness and discernment. The insights in this report point to a series of practical, yet nuanced considerations that can help leaders make sense of today's complexity — and position their organizations to thrive amid continued transformation. The following priorities are not fixed prescriptions, but rather directional signposts for business and technology leaders navigating change.

1 Reframe AI as a business solution, not a technology experiment

The era of broad AI experimentation is drawing to a close. What matters now is identifying where AI can unlock real value – quickly, sustainably, and at scale. For many organizations, this means shifting from pilot purgatory to prioritizing AI applications that map directly to enterprise goals, whether that's accelerating time to market, improving service delivery, or enhancing decision-making. The shift is subtle but significant: from exploring what AI can do, to understanding what it should do to move the needle. Leaders may find value in treating AI less as a technology stream and more as a core component of business strategy.

2 Elevate data readiness to the level of strategic infrastructure

From here on in, the quality, accessibility, and structure of your data will be a defining factor in AI effectiveness. Yet data preparation remains one of the most under-resourced – and underestimated – areas of transformation. Fragmented, unlabelled, or inconsistent data can quietly derail even the most ambitious initiatives. Now is the time to put data engineering, pipeline orchestration, and metadata strategy at the heart of enterprise architecture. This isn't just about cleaning up silos — it's about building a reliable foundation that AI, automation, and analytics can actually stand on.

3 Make cost management a dynamic, continuous capability

Technology investments are no longer judged on ambition alone. With increased budget scrutiny and macroeconomic uncertainty, every tech dollar is now being held to account. But cost optimization doesn't have to mean pulling back – in many cases, it's about spending smarter, not less. Disciplines like FinOps are bringing financial visibility and governance into day-to-day engineering conversations. The organizations best positioned for resilience will likely be those that treat cost as a core design principle – not just a budgeting exercise – and build optimization into the rhythm of delivery.

4 Look at legacy modernization through the lens of growth

Technical debt has moved from being an IT concern to a strategic constraint – one that quietly limits agility, product velocity, and customer responsiveness. But it can also become a lever for competitive advantage. By reframing modernization not as a sunk cost, but as a pathway to unlock speed and innovation, organizations can begin to build the case for incremental transformation. This may mean moving from 'big bang' overhauls to more modular, surgical approaches that preserve value while enabling future growth. The key is to link modernization efforts directly to business enablement — and to ensure this is visible at the board level.

5 Approach ERP transformations as enterprise-wide reinventions

For companies planning major ERP transitions, particularly those facing SAP's 2027 deadlines, now is the moment to assess whether your program is set up for true transformation or simply technical migration. The best outcomes often come when ERP efforts are tied to rethinking business models, harmonizing processes, and unlocking efficiencies across the value chain. These are high-stakes, multi-year initiatives — and success depends as much on change management and data readiness as it does on software selection. Early engagement and business alignment are essential.

7 Put structure around AI governance before scale creates risk

As AI moves deeper into production environments, oversight becomes non-negotiable. The risks – from model drift to explainability gaps to regulatory exposure – only grow with scale. Organizations should consider putting in place clear governance frameworks, not to constrain innovation, but to channel it productively. This includes defining roles, setting review processes, ensuring auditability, and embedding accountability across business and tech functions. In high-trust sectors, especially, building confidence in how AI decisions are made will be critical to adoption and resilience.

6 Adopt a more pragmatic, context-driven approach to cloud

The cloud conversation is evolving. While it remains critical to agility and scalability, many enterprises are now taking a second look at whether all workloads belong there. Shifting to a "cloud-smart" model – one that optimizes placement based on cost, performance, and compliance – can create meaningful savings and reduce complexity. For many, this will mean embracing hybrid architectures and re-evaluating default assumptions. Cloud is no longer the destination in itself – it's one tool in a broader strategic architecture. Making the right decisions now can prevent the need for costly rework later.

8 Invest in execution, not just vision

Many organizations are clear on the what of transformation – but struggle with the how. This is where execution capability becomes a differentiator. Whether through Centres of Excellence, cross-functional product teams, or modern operating models, the ability to deliver change at pace and at scale is now fundamental. Upskilling leaders, empowering delivery teams, and rethinking governance can all help close the gap between strategy and outcome. As technology becomes more central to every business model, so too must the organizational structures that support it.

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ABOUT US

For more than forty years, AlixPartners has helped businesses around the world respond quickly and decisively to their most critical challenges—circumstances as diverse as urgent performance improvement, accelerated transformation, complex restructuring and risk mitigation.

These are the moments when everything is on the line—a sudden shift in the market, an unexpected performance decline, a time-sensitive deal, a fork-in-the-road decision. But it's not what we do that makes a difference, it's how we do it.

Tackling situations when time is of the essence is part of our DNA—so we adopt an action-oriented approach at all times. We work in small, highly qualified teams with specific industry and functional expertise, and we operate at pace, moving quickly from analysis to implementation. We stand shoulder to shoulder with our clients until the job is done, and only measure our success in terms of the results we deliver.

Our approach enables us to help our clients confront and overcome truly future-defining challenges. We partner with you to make the right decisions and take the right actions. And we are right by your side. When it really matters.