IDC FutureScape

IDC FutureScape: Worldwide Small and Medium-Sized Business 2025 Predictions

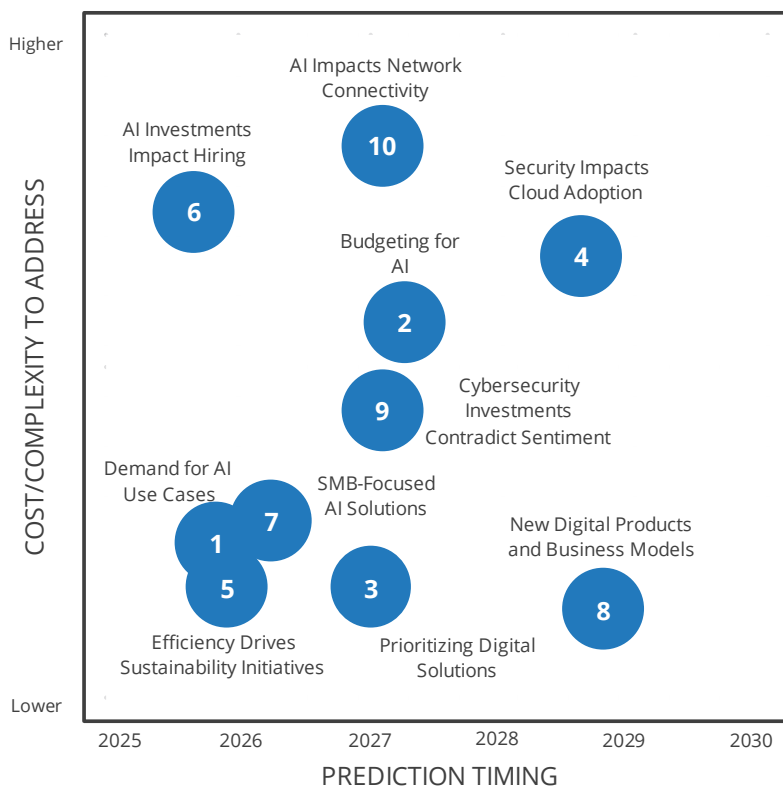Jason Blackwell   Elisabeth Clemmons Supriya Deka   Katie Evans
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IDC FUTURESCAPE FIGURE

FIGURE 1

IDC FutureScape: Worldwide Small and Medium-Sized Business 2025 Top 10 Predictions

Note: Marker number refers only to the order the prediction appears in the document and does not indicate rank or importance, unless otherwise noted in the Executive Summary.

Source: IDC, 2024

EXECUTIVE SUMMARY

Most small and medium-sized businesses (SMBs) across the globe plan to increase their IT budgets over the coming year. 76% of SMBs said they plan to increase their IT spending in the next year, and only 4% planned to cut IT spend — compared with 8% last year (source: IDC's *Worldwide Small and Medium Business Survey,* February 2024).

However, when asked about their challenges to achieving their business priorities, the top answer from a list of 15 different answer options was "implement new technology securely," listed by 47% of SMBs.

In short, SMBs are investing in technology, but they are concerned about security when doing so.

With SMBs' increased adoption of data-hungry AI, the move to cloud, and dispersed workforces, SMBs will continue to make security a priority in the coming years as they have in the past few years. In fact, 50% of SMBs listed increasing security as a top technology investment priority for their company in the next 12 months.

What's more, 23% of businesses with 500–999 employees said security risk and compliance was the area at their company most immune to budget cuts, the number 1 answer out of 11 answer options (source: IDC's *Future Enterprise Resiliency and Spending [FERS] Survey, Wave 6,* June 2024). And there's a good reason for that investment. Of the organizations that experience a cyberattack, 62% said the attack disrupted their business for a few days to up to a week.

And that's just one noteworthy SMB trend IDC predicts will carry into the next few years.

Security isn't the only IT theme IDC analysts predict to stand out for SMBs across the globe in the coming years. SMBs' rapidly shifting approach to AI and generative AI (GenAI) will also be a critical IT trend to watch. SMBs innately have smaller staffs and budgets than large enterprise organizations, meaning AI advancements will help them boost efficiency to compete with larger organizations. However, SMBs are getting savvier in their approaches to the technology. They are demanding clear AI return on investment (ROI) and help from vendors and partners with use cases and guidance on where to start, and they are also seeking out references and case studies from first adopters before spending their tight and precious technology dollars on the forward-looking technology. They also will grapple with how to budget for the promising technology as energy prices continue to climb and as vendors navigate how they will pay for the increased computing power the technology requires.

And these are just a few examples of the top 10 IT trends IDC's global analysts predict will take center stage for SMBs over the next five years.

The top 10 predictions for small and medium-sized businesses for 2025 are:

- **Prediction 1:** By 2025, 70% of SMBs will demand clear use cases from vendors or managed service providers marketing AI capabilities before they invest in and implement new AI/GenAI technologies.
- **Prediction 2:** By 2027, 50% of SMBs will significantly adjust their IT budgets to factor in AI as the technology improves, vendors solidify their AI pricing strategies, and AI becomes essential to compete.
- **Prediction 3:** By 2026, 70% of medium-sized companies will accelerate investments in digital platforms for a majority of functions to streamline operations, improve efficiency, and enhance the customer experience.
- **Prediction 4:** By 2028, 70% of SMBs will boost investments in hybrid cloud due to rising security demands, including enhanced data protection, regulatory compliance, and support for remote work environments.
- **Prediction 5:** During 2025, 30% of SMBs will refocus their sustainability positioning to concentrate on initiatives that provide tangible business benefits and demonstrable cost efficiencies.
- **Prediction 6:** During 2025, 50% of SMBs will prioritize tactical AI use cases and investments that break the correlation between business expansion and head count growth and help them mitigate internal skills shortages.
- **Prediction 7:** By 2026, 70% of AI-as-a-service technology vendors will provide dedicated SMB solutions with pretrained models, limiting their need for heavy investments in dedicated infrastructure.
- **Prediction 8:** By 2028, 65% of SMBs will develop and manage digital business models as part of their business corporate strategy to create new revenue streams and enable sustained growth.
- **Prediction 9:** By 2027, due to an increase in cyberattacks, 60% of SMBs will deploy sophisticated, AI-enabled cybersecurity solutions, including endpoint and network security solutions.
- **Prediction 10:** By 2027, 60% of SMBs will be investing in connectivity technologies that incorporate AI to increase automation of the network, accelerate planning, improve experiences, and optimize network security.

This IDC study presents IDC's top 10 predictions for small and medium-sized businesses (SMBs) for 2025 and beyond. IDC defines small businesses as those with 1-99 employees and medium-sized businesses as those with 100-999 employees.

"This IDC FutureScape examines 10 key future technology trends for SMBs over the next five years. It offers perspective backed by data to help SMBs cultivate their IT strategies and unveils new tools, technologies, and tactics to help SMBs better compete," says Katie Evans, senior director, Worldwide Small and Medium Business Markets for IDC. "From fresh AI strategies to seeking out vendors with specific SMB solutions to exposing the benefits of hybrid cloud, this year's IDC FutureScape for worldwide SMB provides a strategic IT glimpse into the future for tomorrow's SMB leaders."

IDC FUTURESCAPE PREDICTIONS

Summary of External Drivers

- **AI-driven business models** — Moving from AI experimentation to monetization
- **The drive to automate** — Toward a data-driven future
- **AI-driven workplace transformation** — Building tomorrow's workforce today
- **Regulatory flux** — Navigating compliance challenges in a shifting policy landscape
- **Expanding digital security frontiers** — Fortification against multiplying threats
- **Geoeconomic reordering** — Rethinking globalization, supply chains, and macroeconomic challenges
- **Customer experience squared** — Consumer and citizen expectations for digital services

Predictions: Impact on Technology Buyers

Prediction 1: By 2025, 70% of SMBs Will Demand Clear Use Cases from Vendors or Managed Service Providers Marketing AI Capabilities Before They Invest In and Implement New AI/GenAI Technologies

Interest in AI/GenAI among small and medium-sized businesses grew exponentially over the past year. As ChatGPT and Microsoft Copilot further brought AI into consumer hands and households, it lowered the fear barrier for SMBs to invest in the rapidly changing and advanced technology.

35% of SMBs listed artificial intelligence as a top technology investment priority in the next 12 months this year, compared with just 16% in 2023 (source: IDC's *Worldwide Small and Medium Business Survey,* February 2024). SMBs stand to reap immense benefits from implementing AI to help them accomplish more with a leaner staff. This could include boosting brand awareness by using GenAI to automatically create

marketing content that can extend across multiple channels or using AI to mine massive amounts of data to uncover inventory, supplier, sales, and other trends to help them make smarter business decisions. The second example can help SMBs gather insights and take action, for example, by moving slow-selling stock at a store to an ecommerce fulfillment center if data suggests particular products to be more likely to sell online at full price.

However, it's important to understand that SMBs have small or nonexistent IT staffs. In fact, 40% of the 2,600 global SMB IT decision-makers IDC surveyed earlier this year do not have one full-time IT employee in-house, and that figure is 50% for U.S. SMBs.

This will result in SMBs relying on technology suppliers and/or partners for AI, as they don't have the resources in-house to implement, manage, and secure the rapidly evolving technology themselves. This includes guidance on where to start implementing AI in their businesses. AI can be overwhelming and most SMBs will dip their toes in the AI waters gradually. Many will take a "fast follower" approach and look to first adopters of the technology for guidance. They will demand clear use cases from technology providers, references, case studies, and free trials to support the ROI of investing in the technology. SMBs will also look to the vendors and partners they already work with for other technologies and that understand their businesses for guidance on the easiest "AI wins" for them.

Therefore, IDC predicts that by 2025, 70% of SMBs will demand clear use cases from vendors or managed service providers (SPs) marketing AI capabilities before they invest in and implement new AI/GenAI technologies.

Associated Drivers

- **AI-driven business models** — Moving from AI experimentation to monetization
- **The drive to automate** — Toward a data-driven future
- **AI-driven workplace transformation** — Building tomorrow's workforce today

IT Impact

- SMBs will implement AI via vendors and partners rather than developing it in-house.
- SMBs will look to technology suppliers and their managed SPs or vendor partners for guidance on where AI will most quickly deliver ROI to help them find an AI starting point. They will demand clear AI use cases and training for their nontechnically savvy staff.
- SMBs will demand evidence of the ROI of AI, including measurable metrics of time and resources saved, case studies, references, and free trials of AI features and functionality.

Guidance

- Seek out vendors that work with your current business in other capacities and that understand your unique challenges and areas where processes are manual, time consuming, and error prone for guidance on where to start your AI journey.
- Look for vendors that have been offering and honing their AI and automation capabilities for years and aren't new to AI and rushing to put AI products on the market to capitalize on today's AI windfall.

Prediction 2: By 2027, 50% of SMBs Will Significantly Adjust Their IT Budgets to Factor In AI as the Technology Improves, Vendors Solidify Their AI Pricing Strategies, and AI Becomes Essential to Compete

As technology suppliers hone their AI tools and capabilities, more SMBs are going from exploring the technology to slowly evolving it into a sizable portion of their technology stack.

33% of all SMBs (1–999 employees) are currently using AI to manage technology within their IT departments, and 42% of medium-sized businesses (100–999 employees) say the same. In addition, 26% of small businesses (1–99 employees) are currently using GenAI to create content such as text, audio, images, and code (source: IDC's *Worldwide Small and Medium Business Survey,* February 2024). And the next year promises further AI adoption at SMBs. For example, 33% of medium-sized businesses plan to use AI within business applications to automate processes in the next 12 months (on top of the 33% doing so today), and a quarter of small businesses plan to use AI via digital assistants to manage tasks in the coming year.

But as SMBs increase their use of AI, they are experiencing challenges with budgeting for it. Many vendors are still working out their AI pricing strategies and have not publicly announced their planned fee structures for it.

Pricing concepts include a freemium model in which vendors include some AI features in a software package price, but after SMBs meet a specific threshold of usage — such as queries or computing power — they begin charging for usage. Others include baking more general capabilities into their offerings and charging for bespoke AI designed for a specific business or simply raising prices across the board. In addition, some industry observers have noted that AI may be the cost of doing business in a competitive IT landscape.

However, with energy prices rising — 40% of SMBs listed rising energy prices as the top factor that impacted their business in the past 12 months, the number 1 answer from a list of 17 answer options — someone must pay for the massive amount of computing

power that AI requires (source: IDC's *Worldwide Small and Medium Business Survey,* February 2024). As vendors gradually begin to form AI pricing parameters and strategies and SMBs begin to formulate and forecast their AI adoption strategies, more SMBs will carve out specific line items for AI and GenAI in their IT budgets.

Therefore, IDC predicts that by 2027, 50% of SMBs will significantly adjust their IT budgets to factor in AI as the technology improves, vendors solidify their AI pricing strategies, and AI becomes essential to compete.

Associated Drivers

- **AI-driven business models** — Moving from AI experimentation to monetization
- **The drive to automate** — Toward a data-driven future
- **AI-driven workplace transformation** — Building tomorrow's workforce today

IT Impact

- IT teams and IT purchase decision-makers will push the vendors they work with for clear AI pricing.
- IT teams at SMBs will shift and reallocate their IT spending plans and budgets to accommodate AI investments.
- As AI offerings improve, SMBs will decide which flavors of the technology are most beneficial to their business (GenAI, traditional AI, CX, or marketing AI, etc.) and dedicate resources to invest in them.

Guidance

- Be realistic about the pace at which your company can adopt AI. Start small and measure ROI diligently to estimate the appropriate amount to dedicate to the technology each year.
- Invest in the basics of digital infrastructure first, including clean data, moving to the cloud, automating Excel or manual-based processes, and migrating off highly customized homegrown and outdated solutions before devoting significant resources and budget to AI.

Prediction 3: By 2026, 70% of Medium-Sized Companies Will Accelerate Investments in Digital Platforms for a Majority of Functions to Streamline Operations, Improve Efficiency, and Enhance the Customer Experience

IDC's 2024 *Future Enterprise Resiliency and Spending Survey, Wave 5,* highlights that 34% of medium-sized companies (500–999 employees) currently use digital platforms for most of their functions. This demonstrates the importance of digitalization for midmarket companies to remain competitive amid changing market conditions.

Medium-sized companies must strategically invest in technology to drive innovation and improve operational efficiency. 32% of medium-sized businesses plan to increase their tech spending by 11–20% in the next 12 months (source: IDC's *Worldwide Small and Medium Business Survey,* 2024).

Digital platforms connect various business functions, such as finance, HR, supply chain, and customer service, and provide a unified view of the business. Digital applications like enterprise resource planning (ERP), customer relationship management (CRM), supply chain management, and marketing automation solutions improve operations and efficiency. Such platforms often come with advanced analytics capabilities that provide real-time insights into business performance.

In addition, on the customer-facing side, consumers today expect personalized, efficient, and transparent interactions with businesses in the form of omni-channel experiences, quick and responsive service, and real-time information, such as shipment tracking information or real-time product inventory levels. Digital platforms can enable businesses to meet these expectations by centralizing data, streamlining operations, and providing valuable insights to enhance customer satisfaction and drive long-term loyalty. Moreover, customers are gravitating toward businesses that leverage innovative, cutting-edge solutions to improve their products and offerings. Vendors that provide AI-infused solutions in this space play a pivotal role. Leveraging such solutions can enable businesses to focus on customer-centric factors to drive long-term loyalty. Digital platforms with AI capabilities can enhance operational efficiency and deliver exceptional experiences that can help the midmarket segment grow and stand out in a competitive market.

As companies continue to move ahead in their digitalization journey, IDC expects that by 2026, 70% of medium-sized companies will accelerate investments in digital platforms for a majority of functions to streamline operations, improve efficiency, and enhance the customer experience.

Associated Drivers
- **The drive to automate** — Toward a data-driven future
- **Customer experience squared** — Consumer and citizen expectations for digital services

IT Impact
- An increase in digitalization efforts will require SMB IT teams to ensure proper integration of tools to connect various business functions seamlessly to improve overall operations.

- As digital platforms become an integral part of businesses, the role of IT teams will evolve in shaping and executing the company's digital strategy and driving strategic initiatives.
- With the adoption of new technologies, IT must consider implementing data security measures and ensure that they comply with local regulations and data privacy laws.

Guidance

- Plan your tech spending by developing a budget that supports investment in digital platforms. Track the return on investment for new technologies to ensure they deliver the expected benefits in terms of efficiency and customer satisfaction.
- Encourage collaboration between IT and other departments to choose the right digital platforms, ensuring that they meet the needs of all business areas.
- Review the performance of digital platforms and adjust as needed by monitoring the value delivered.

Prediction 4: By 2028, 70% of SMBs Will Boost Investments in Hybrid Cloud Due to Rising Security Demands, Including Enhanced Data Protection, Regulatory Compliance, and Support for Remote Work Environments

With rapid technological advancements, cyberthreats are becoming more sophisticated. SMBs are more vulnerable due to financial constraints, lack of cybersecurity expertise, and reliance on basic, more budget-friendly security measures. In response to these challenges, more SMBs will embark on cloud transformation in the coming years. Hybrid cloud solutions are a critical part of that strategy. Hybrid cloud combines public cloud and private cloud, providing businesses with the flexibility to scale resources as needed while keeping sensitive data more secure in private cloud. This model ensures that critical data is backed up in multiple locations, thereby reducing the risk of data loss due to cyberattacks or system failures. According to IDC's 2024 *Worldwide Small and Medium Business Survey,* 40% of SMBs are now leveraging hybrid cloud backup to improve their data protection and operational efficiency.

Compared with larger enterprises, SMBs do not have the budget to implement advanced security measures. The basic security measures they have, such as antivirus, web security, VPN, and firewalls, often tend to be standalone solutions. Hybrid cloud adoption can be a strategic way to enhance their security posture while managing costs. This is because cloud providers usually include threat detection and response tools that can identify and mitigate security threats in real time. Moreover, as businesses have adopted remote work environments, more devices are connecting to

critical networks outside of traditional office settings, increasing the potential attack surface for cyberthreats. Hybrid cloud solutions can help SMBs address these challenges by offering secure remote access capabilities protecting sensitive data while ensuring that remote connections are secure.

As cloud technology becomes more accessible and affordable, hybrid cloud adoption among SMBs will grow. Many cloud providers offer features designed to help businesses simplify compliance processes and meet regulatory requirements. In addition, vendors are expanding partnerships with managed service providers to support SMBs with their unique challenges regarding data security and scalability. Managed SPs are increasingly offering hybrid cloud solutions tailored to the specific needs and budgets of SMBs, further driving the adoption in this segment. This trend will continue to increase as SMBs realize the benefits of hybrid cloud environments in terms of flexibility, security, and cost-effectiveness.

Given the evolving landscape of cyberthreats and the benefits of hybrid cloud solutions, small and medium-sized businesses must create a strategic plan for cloud adoption to effectively navigate the complexities of modern IT, improve data protection, and achieve greater flexibility and cost efficiency.

Associated Drivers

- **Regulatory flux** — Navigating compliance challenges in a shifting policy landscape
- **Expanding digital security frontiers** — Fortification against multiplying threats

IT Impact

- Faced with increased security threats, IT will need to evaluate their current cloud infrastructure and identify gaps in security, scalability, and efficiency. While moving to the cloud, security will be a top priority for SMBs to ensure data protection and compliance with regulations.
- With the rise in cloud adoption trends, SMBs must create a detailed plan for hybrid cloud adoption, including timelines, resource allocation, and integration strategies. Consider factors like integration capabilities, security features, and scalability.
- To ensure a cohesive cybersecurity defense strategy, SMBs need to ensure that cloud security measures complement their existing on-premises security measures.

Guidance

- Reevaluate your IT investment plans to uncover opportunities for cost savings and ensure that hybrid cloud investments deliver the expected financial benefits.

- Invest in providing training for IT staff, enabling them to manage and maintain a hybrid cloud environment effectively.
- Engage with managed SPs to leverage their specialized skills and in-depth knowledge of hybrid cloud technologies, security measures, and industry best practices.

Prediction 5: During 2025, 30% of SMBs Will Refocus Their Sustainability Positioning to Concentrate on Initiatives That Provide Tangible Business Benefits and Demonstrable Cost Efficiencies

SMBs focusing on sustainability initiatives within their organizations will increasingly connect sustainability to IT efficiency metrics and cost control measures in 2025. This narrative crossover will help SMBs manage the increased energy consumption linked to technology initiatives such as GenAI and cloud computing. The need to comply with sustainability regulatory obligations — especially within the EU — will drive SMBs to collaborate with vendors and technology suppliers that can track their consumption, ensure and prove compliance, and demonstrate a balance between costs, efficiency improvements, and clear ROI related to technology investments.

IDC's April 2024 *Future Enterprise Resiliency and Spending Survey, Wave 4* (n = 220 for Western Europe), indicates that 22% of end-user organizations in Western Europe viewed excessive costs associated with adopting GenAI-enhanced application software as one of the top 2 factors significantly limiting further evaluation or expanded use of GenAI in their organizations. In addition, 22% cited excessive infrastructure costs associated with model training or running GenAI applications as one of the top 2 factors limiting AI adoption, and 21% listed lack of effective cost management and use case ROI methodologies as a top 2 limiting factor. Increasingly, these considerations will become important for SMBs in addition to larger enterprises.

Associated Drivers
- **Geoeconomic reordering** — Rethinking globalization, supply chains, and macroeconomic challenges
- **Regulatory flux**— Navigating compliance challenges in a shifting policy landscape

IT Impact
- SMBs will focus on evidence and reassurance of technology suppliers' sustainability credentials, efficiency metrics, and ROI propositions earlier in the buying journey.

- Vendors will build out multidimensional value propositions that embed use cases and business process improvements justifications alongside sustainability, efficiency, and ROI evidence.

Guidance

- Build clear internal processes to consider the wider sustainability and ROI requirements of the organization during technology procurement and at earlier stages in the buyer journey.
- Involve multiple stakeholders but set clear policies and ground rules to ensure that the technology purchase process remains agile and speedy.
- Embrace a technology evaluation posture in which use cases, process improvements, running costs, ROI, compliance, and sustainability are not siloed objectives. Assess all these factors together in a holistic way.

Prediction 6: During 2025, 50% of SMBs Will Prioritize Tactical AI Use Cases and Investments That Break the Correlation Between Business Expansion and Head Count Growth and Help Them Mitigate Internal Skills Shortages

Fast-growing SMBs will focus their 2025 AI investment strategies on use cases and solutions that enable them to exponentially scale the number of customers they can serve without needing to hire as many employees to support their growth. The automation of traditional labor-intensive business processes, the use of AI agents, and the deployment of generic AI-infused productivity applications will become business differentiators in highly competitive SMB market segments.

SMBs that can successfully demonstrate their ability to break the direct correlation between revenue growth and head count growth will also achieve higher valuations and attract greater outside investments. IDC's August 2024 *Worldwide AI Use Case Survey* (n = 3,130) indicates that 34% of organizations are prioritizing a "buy" approach to AI use cases, preferring to purchase GenAI capabilities through existing applications. For SMBs, this "buy" approach is applicable to generic productivity use cases focused on repetitive tasks with limited need for prompt engineering or model training. SMBs that successfully deploy tactical AI initiatives can navigate the early growth and expansion stages of their businesses while minimizing capital burn rates and accelerating their path to profitability.

Associated Drivers

- **AI-driven business models** — Moving from AI experimentation to monetization
- **The drive to automate** — Toward a data-driven future
- **AI-driven workplace transformation** — Building tomorrow's workforce today

IT Impact

- SMB IT departments will increasingly move from a reactive mindset focused on solving immediate problems toward an initiative taking, AI-led approach designed to create a future-proof, flexible, and scalable IT strategy that contributes to the company's growth strategy and enables rapid business expansion.

- The commoditization of AI functionality and its availability within existing applications will become a driver of SMB growth, but IT departments will remain responsible for cost-benefit analysis of these AI deployments in the context of wider business objectives and finances.

Guidance

- Focus on AI's potential as an enabler of growth and efficiency within the organization while closely monitoring associated costs and ROI. During phases of business growth, AI becomes a bridging technology, providing an opportunity to scale rapidly without necessarily scaling head count at the same rate.

- Proactively monitor and review the quality of AI-enabled services delivered to customers, partners, and internal stakeholders.

Prediction 7: By 2026, 70% of AI-as-a-Service Technology Vendors Will Provide Dedicated SMB Solutions with Pretrained Models, Limiting Their Need for Heavy Investments in Dedicated Infrastructure

SMBs represent an additional potential market for technology vendors, as these organizations are especially keen to save time and resources by automating repetitive tasks. Artificial intelligence is the top technology investment priority for SMBs in 2024, and 38% of SMBs are currently evaluating AI platforms and will select one in the next six months (source: IDC's *Digital Executive Sentiment Survey,* October 2023; n = 846 and IDC's *Future Enterprise Resiliency and Spending Survey, Wave 4,* April 2024; n = 143).

However, small and medium-sized businesses also face unique challenges compared with large enterprises. SMBs are more resource constrained and time sensitive and are looking for affordable and scalable solutions that directly address their key pain points quickly. Some of the common challenges SMBs are currently experiencing with AI and GenAI include excessive costs preventing them from meeting ROI objectives, lack of developers with required AI skills and tools, the inability to access required data sets, and inadequate performance infrastructure and availability. These challenges are also shared by larger organizations; however, infrastructure costs and data availability for model training impact SMBs more dramatically.

Specifically, SMBs are looking to technology vendors to help them implement AI initiatives by aiding them in their data and infrastructure constraints. On the data side, small and medium-sized businesses are working with external providers to create synthetic data or going directly to platforms with GenAI models and complementary third-party data built in as part of their offerings. 52% of SMBs will also resort to infrastructure owned and operated by a SaaS or AI platform provider to support initial GenAI model training in the next 18 months (source: IDC's *Future Enterprise Resiliency and Spending Survey, Wave 4,* April 2024; n = 143).

Some technology providers are already targeting these organizations with dedicated solutions that can meet their current needs. AI technology providers with an as-a-service model can provide SMBs with prebuilt platforms and pretrained models that can be further customized to meet specific needs, a scalable pricing model, and the ability to avoid or minimize the costs associated with investing in dedicated hardware and infrastructure for on-premises AI.

Associated Drivers

- **AI-driven business models** — Moving from AI experimentation to monetization
- **The drive to automate** — Toward a data-driven future
- **AI-driven workplace transformation** — Building tomorrow's workforce today

IT Impact

- SMBs will balance their appetite for AI technologies with resource constraints by seeking flexible AI pricing models that can be adjusted according to external market shifts.
- The growing need for and increasing costs of computing power associated with AI and GenAI initiatives will increase SMBs' use of external infrastructure services, from SaaS to public IaaS and cohosted datacenters.
- When evaluating external AI platforms, SMBs will focus on automating data preparation and training to address data management constraints and lack of dedicated skills.

Guidance

- Build strong partnerships with AI and GenAI partners to help prioritize projects, implement cost-effective solutions, and reduce up-front investments.
- Clearly define an effective ROI and cost management tracking methodology to better forecast cost predictability when using as-a-service models.
- Focus on quality, trustworthiness, and actionability of proprietary data when using synthetic data with external partners.

Prediction 8: By 2028, 65% of SMBs Will Develop and Manage Digital Business Models as Part of Their Business Corporate Strategy to Create New Revenue Streams and Enable Sustained Growth

As SMBs become more digitally savvy through the democratization of digital technologies, digital business model innovation can help them achieve sustainable growth and competitiveness in an uncertain macroeconomic environment.

Along with increased efficiency and cost optimization, digital technologies enable SMBs to develop new products and services and expand their total addressable market, opening the door to new revenue streams and building greater business resilience. SMBs already derive 10%+ of their current revenue from direct to consumer, industry digital ecosystems, and as-a-service models (source: IDC's *Digital Executive Sentiment Survey,* October 2023; n = 846). In addition, ecommerce platforms and mobile apps help SMBs expand their potential customer base globally, whereas collaboration in digital ecosystems allows SMBs to boost innovation by sharing resources with other partners and stakeholders and capture emerging market opportunities. Both as a service and subscription-based services can provide a stable, recurring revenue stream and boost customer retention.

Such initiatives require a comprehensive approach that aligns different functions and requires engagement and commitment at all levels. This includes establishing a clear vision and strategy and implementing a structured, step-by-step process to guide stakeholders — internal and external — through the digitalization journey. Currently, 65% of SMBs develop and manage their digital business models at a functional level, with strong or some connections to the overall corporate strategy (source: IDC's *Digital Executive Sentiment Survey,* October 2023; n = 846).

With SMBs facing challenges such as resource constraints and digital skills shortages, some are relying on institutional support and guidance for help with developing and implementing digital business models. For example, during the COVID-19 pandemic, New Zealand–based food and beverage small business Rum and Que revamped its website, integrating ecommerce functionality, with the help of the New Zealand government's Digital Boost program. As a result of its success, the Digital Boost program has now become an integral part of New Zealand's SME Digital Strategy Framework. In 2023, Brazil also launched a neo-industrialization policy focused on digital transformation to boost productivity and global relevance for its manufacturing sector, including SMBs. Brazil's policy aims to help the industry expand globally at a more rapid pace. The World Economic Forum's collaboration with Brazil's Centre for the Fourth Industrial Revolution resulted in a white paper specifically targeting SMBs with a

step-by-step guide to help SMBs overcome barriers and harness new technologies by unlocking new digital business models.

Associated Drivers

- **AI-driven business models** — Moving from AI experimentation to monetization
- **Geoeconomic reordering** — Rethinking globalization, supply chains, and macroeconomic challenges
- **The drive to automate** — Toward a data-driven future

IT Impact

- IT should work more closely with business function leaders to define a clear digital road map aligned with business objectives to develop and manage digital business models.
- SMBs will increasingly adopt fully integrated enterprisewide technology architectures that support the development of digital products, services, and experiences.
- Stronger cybersecurity measures are also key to protect the increased amount of data and customer information being collected.

Guidance

- Define a clear digital road map to ensure your company's strategy, business objectives, and technology requirements are aligned to generate the expected value of new digital revenue streams.
- Train employees on digital technology, from upskilling to reskilling, to ensure the company attains the right digital skill capabilities to deploy digital products, services, and experiences.
- Define KPIs and monitor metrics on a regular basis to track the ROI of digital investments associated with your digital business model initiatives.

Prediction 9: By 2027, Due to an Increase in Cyberattacks, 60% of SMBs Will Deploy Sophisticated, AI-Enabled Cybersecurity Solutions, Including Endpoint and Network Security Solutions

This shift will be driven by the very obvious need to protect digital infrastructure amid rising cyberthreats and enabled by increased AI security capabilities. The trifecta of the move to the cloud, remote work, and rise of AI have all made SMBs increasingly conscious of the need for robust cybersecurity. However, they aren't always able to achieve this due to various obstacles. SMBs face lack of expertise, lack of time/resources to devote to understanding the issue fully, and tight budgets. Around 40% of SMBs do not have a single full-time IT employee (source: IDC's *Worldwide Small and Medium Business Survey,* February 2024). What IT staff they do have is often

occupied and constrained with managing a wide variety of other technology demands and also likely does not have cybersecurity expertise. In addition, in the past, many SMBs did not perceive themselves to be the primary targets of cybersecurity incidents. Their focus was on backup systems rather than more advanced proactive prevention, and many still backed up to obsolete or insecure systems such as to tape. In fact, 14% of SMBs worldwide still back up to tape, and 32% back up to disk (source: IDC's *Worldwide Small and Medium Business Survey,* February 2024).

However, cyberattacks are not only soaring but also increasingly targeting smaller businesses, as made apparent by several studies from Verizon, Sophos, and StrongDM. According to some estimates by StrongDM and Sophos, more than 50% of all businesses hit by cyberattacks are SMBs, with some estimates as high as 75%. This is partly due to tactics such as "batch and blast," where attackers send non-personalized emails to as many targets as possible. Attacks are also generally becoming more sophisticated, using more innovative ways to infect hardware. As such, SMBs are increasingly adopting cloud-based and AI-driven security measures to enhance their cybersecurity posture.

AI-driven security solutions will help drive a greater increase in adoption of security technologies at SMBs. Endpoint detection and response, user and entity behavior analytics, and next-generation firewalls are all incorporating AI to boost efficiency and accuracy. This will be crucial to help automate anomaly detection, malware detection, and response prioritization, which is especially helpful for SMBs with limited in-house cybersecurity expertise. The trend toward AI-enabled solutions is also fueled by regulation and government support. The EU's GDPR, DORA, NIS2, and Cybersecurity Act; California's CCPA; various U.S. state-level data privacy legislation; and initiatives like Cyber Essentials in the United Kingdom are all examples of increasing laws that aim to maintain security for all business sizes. This evolution reflects a broader approach to cybersecurity across all organizations and at broader government levels with more advanced technologies.

Associated Drivers

- **Expanding digital security frontiers** — Fortification against multiplying threats
- **AI-driven business models** — Moving from AI experimentation to monetization
- **AI-driven workplace transformation** — Building tomorrow's workforce today

IT Impact

- Due to their small size, SMBs often face barriers to adopting advanced threat management and cybersecurity solutions, including a lack of skilled staff, budget, and expertise.

- AI will provide SMBs with more efficient, affordable, and scalable tools to manage cybersecurity.
- As SMBs often have limited IT personnel or none at all, automation will help free up staff to more effectively catch, track, and manage cybersecurity incidents.

Guidance

- Partner with technology suppliers that understand the specific needs of smaller businesses and offer complete end-to-end support and guidance.
- Research and select vendors with a proven track record in AI-enabled cybersecurity and establish long-term partnerships for continuous support and updates.
- Choose scalable, AI-enabled cybersecurity solutions, prioritizing those that offer modular features and allow SMBs to increase capabilities as needed without significant reinvestment or implementation work.
- Prioritize cybersecurity training and upskilling, not only viewing it as an IT staff task but also making sure all staff is adequately trained and informed to prevent cybersecurity incidents.

Prediction 10: By 2027, 60% of SMBs Will Be Investing In Connectivity Technologies That Incorporate AI to Increase Automation of the Network, Accelerate Planning, Improve Experiences, and Optimize Network Security

For SMBs, internet connectivity is critical, giving these businesses access to additional technologies like voice and cloud services that keep them connected to employees, customers, and vendors. AI will make it easier for businesses of all sizes, including SMBs, to choose, manage, and scale aspects of their network and connectivity technologies.

AI solutions will be integrated into many connectivity solutions in the coming years, extending the capabilities and customization opportunities to businesses of all sizes. SMBs will leverage AI to automate many network tasks that would have previously required a dedicated IT staff. Expect to see network design, capacity management and optimization, and even proactive maintenance and network fault detection handled by AI services. On the security front, SMBs will benefit from more advanced detection capabilities and threat analysis built in at the network level. Unified communications services are already leveraging AI to enable chatbots and contact center capabilities for smaller customers and will also be adding automation of customer ordering and delivering reporting and analytics, giving smaller businesses more insight into customer interactions. These services are often being integrated and delivered by

communications service providers that already have a strong relationship with their SMB customers and are trusted advisors for additional technology investments.

Associated Drivers

- **AI-driven business models** — Moving from AI experimentation to monetization
- **The drive to automate** — Toward a data-driven future
- **AI-driven workplace transformation** — Building tomorrow's workforce today

IT Impact

- SMBs often lack the internal resources to evaluate, purchase, and scale network connectivity technologies including broadband, security, and voice services.
- AI will give SMBs the necessary tools and assistance to better understand changing needs and implement the changes necessary to maximize ROI on connectivity investments.
- For many SMBs, the automation that can be enabled by AI will free up resources to focus on more critical business decisions.

Guidance

- Partner with technology providers that understand the needs of smaller businesses and offer complete end-to-end support and guidance.
- Focus on solutions that integrate security to protect sensitive company data while meeting regulatory or compliance requirements.
- Implement AI technologies in areas that will best improve and transform business functions and provide a measurable ROI, including network optimization, employee productivity, and customer engagement.

ADVICE FOR TECHNOLOGY BUYERS

- **Continue to prioritize security:** Don't slip into the common SMB practice of prior years and focus solely on IT investments that will boost revenue, conversions, and profits. As you lean into technology and digital transformation, continue to ensure that your investments are secure by asking tough security questions of your technology suppliers, and ensure that you have at least the basic endpoint security features intact. Be sure to keep up on employee training as criminals increasingly use cunning social engineering and "batch and blast" approaches that target many smaller businesses at once. SMBs are not immune to attacks because they are smaller. The trifecta of the increased move to the cloud, the shift to remote work, and now AI, which needs a constant and never-ending streaming of data to work, makes security paramount to any SMB —

especially those that are just building brand awareness and credibility with consumers and businesses.

- **Consider investing in senior IT leadership:** Many SMBs have small or nonexistent IT staffs, but SMBs that are truly investing in digital transformation and using technology to compete should have at least some expert knowledge in-house rather than relying on outside vendors and partners that are selling technology for all IT guidance and education. Top in-house IT experts can understand where technology will deliver the best ROI at their company because they work there and will know where processes are most inefficient and error prone and could use a technology infusion to boost productivity, provide insights, save money, and increase revenue.

- **Talk — and listen — to your vendors:** Have an open dialogue with your technology suppliers. Do your homework and get clear guidelines on SLAs included if something goes awry. Will the vendor answer in 24 hours? Is that too long? SMBs have fewer in-house IT resources and smaller bank accounts than larger organizations, so a day or several days to solve an issue may be catastrophic. Also, heed supplier advice on tips for implementing and using their technologies, including changing processes, where to start, and employee training. Finally, many SMBs do not realize the full breadth of features and functionalities included in a package they have purchased, so, if possible, set aside time each quarter to go through new features and functionality with your partner or technology supplier to ensure you are taking full advantage of the products you have purchased.

- **Do your AI prep work:** Before pulling the trigger on the shiny and hot technology that is AI, step back, be methodical, and make a plan. A rapidly growing, paper-heavy, manual-working company may want to first invest in a cloud-based ERP backbone to centralize its data across finance, HCM, and accounting to gain a single source of data truth. Or an SMB may want to implement a solid CRM system first. Get the digital basics down first before jumping into the AI waters. In addition, don't go it alone. Lean on vendors for AI that have the resources to build, maintain, and secure AI offerings rather than attempting to add AI on your own. Further, many vendors an SMB selects for digital basics will have AI functionality baked into many of their offerings. To that point, consider starting out with AI via a vendor or partner you already have a relationship with and that knows your business. Ask that tech provider for the best "low-hanging fruit" and where they recommend you dip your toes in the AI waters. Ask for use cases that make the most sense for your business. Finally, consider change management when moving forward with AI. Even the most intuitive AI features will likely result in employees needing to change their

processes. Employees entrenched in their ways will want clear reasons for being asked to change their processes and what "works for them" right now.

AI-Driven Business Models — Moving from AI Experimentation to Monetization

- **Description:** As the generative artificial intelligence (GenAI) hype settles into a new digital business reality, it's critical for both tech buyers and vendors to prove that "AI is real," can be monetized, and is leading to concrete business impact and revenue streams. While tech buyers' GenAI attention in the initial AI everywhere stages primarily focused on efficiency and automation-oriented use cases, the longer-term ambition is to leverage AI (including GenAI) to enable new business models and open new revenue streams. At the same time, after all the initial excitement and rush to new launches/announcements, it's time for tech vendors to capitalize on 2023–2024 AI investments, move customers' POCs to concrete multiyear deals, and unlock exponential AI monetization. While they implement this, companies must keep in mind that AI is not without risks, especially when it comes to ethical AI and data privacy. Enterprises need to carefully consider the best use cases in order to implement AI effectively and to the benefit of the organization.

- **Context:** With intelligence becoming a key source of value creation, we are in the midst of an "intelligence revolution," in which AI and automation-oriented technology are major accelerators of business change. GenAI especially is a transformative force. This branch of AI enables machine-driven autonomous creation of new content, from images to music to even written text, with remarkable accuracy. Current business applications of GenAI include content and code generation, as well as personalized recommendations, but it is evolving quickly.

The Drive to Automate — Toward a Data-Driven Future

- **Description:** Broader automation use cases — which are different from just AI and generative AI — are now ubiquitous. Automating tasks that require human judgment and decision-making are becoming a key area of development. However, thoughtful implementation is crucial. This requires careful data management, quality, governance, and storage. Data quality and governance will become paramount as organizations strive to maintain accuracy in automation tools and comply with increasingly stringent regulations like GDPR and CCPA. Efficient storage and retrieval of vast data sets are also essential, prompting IT to

explore scalable solutions like object storage or data lakes. As more employees access data tools and insights, fostering a culture of data sharing will be key. Breaking down data silos will be crucial for achieving a unified view for automation processes. This also means that while data generally becomes more open and accessible, protecting key information related to health, for example, becomes central to value and risk. Provided that data is thoughtfully managed and silos are appropriately broken down, hyperautomation, the combination of multiple automation tools and technologies, may become more prevalent. This approach, which aims to automate as many processes as possible within an organization, can greatly improve efficiency and agility.

- **Context:** Businesses are rethinking how to employ automation to maximize operational efficiency — from automating assembly in manufacturing to identifying opportunities for food waste reduction in hospitality to improved CX in digital banking. And as data is embedded in the core of strategic capability for every organization, automation has become critical to scaling a digital business. This is evident in three domains: IT automation, process automation, and value stream automation — leading to autonomous operations, digital value engineering, and innovation velocity. From healthcare robotics to real-time data analytics, the applications are extensive.

AI-Driven Workplace Transformation — Building Tomorrow's Workforce Today

- **Description:** There are many pressures in the labor market, ranging from skills shortages to long-term demographic shifts. To increase automation and AI capabilities, digital skills are now in high demand, but the current supply of such skill sets does not match this demand. Despite talk about automation replacing jobs, company growth depends more on reskilling to effectively make use of these investments. Expertise in security, cloud, and IT service management alongside AI skills are crucial. But enterprises can't live on IT skills alone — human-centric skills are also important, perhaps even more so than ever. Without proper socialization, awareness, and cross-organizational support, we may not see the innovation and productivity that GenAI and AI initiatives promise, and the overall enterprise IT strategy will be slow to deliver its needed results. To succeed, enterprises must also be open to organizational change and models that allow for greater trust and growth in their employees. Leaders must be accountable for laying the groundwork of communication, collaboration, creativity, and continuous learning, which will need to be pervasive for engineers and HR analysts alike. All of this lays the groundwork for long-term demographic shifts. Declining/aging populations means that the labor market is getting tighter. Fewer workers logically means that businesses will have fewer personnel. We

have already seen talent shortages impacting businesses' operations. This will only get more competitive in the future. Business leaders are starting to fight against this, but success hinges on the ability of the enterprise to adopt better organizational strategies and models that allow for a more productive, collaborative, and learning-focused workplace.

- **Context:** The workplace has been shifting for some time, especially due to new modes of working, and the rise of AI and automation only further facilitates this shift. In the context of talent shortages, demographic changes, and other issues such as ESG concerns and ethical AI, it is clear that reskilling, upskilling, and overall transformation of workplace design are taking center stage. C-suite leaders and their teams must collaborate to recalibrate work culture, augmentation, and space/place planning to enable more secure, dynamic, and refined organizations of the future.

Regulatory Flux — Navigating Compliance Challenges in a Shifting Policy Landscape

- **Description:** With frontier technologies like generative AI, geopolitical concerns, and cyber-risks, the tech legal landscape is rapidly changing. The tech regulatory landscape is shifting, from privacy/cybersecurity laws such as NIS 2 in the EU to various policies incentivizing nearshoring of critical technologies such as South Korea's tax incentives for the "K-Semiconductor Belt." Beyond that, however, are laws that fundamentally can change the market landscape in technology. The EU's Digital Services Act (DSA) and Digital Markets Act (DMA) aim to increase transparency and accountability for online platforms and attempt to prevent anticompetitive behavior from "gatekeepers," or large online platforms of significance. In China, a number of firms have withstood major fines and penalties for anticompetitive practices, breaches of data security, and consumer privacy rights. Other emerging efforts in jurisdictions like the United States, India, and Australia mean that tech giants may be seeing themselves caught in stricter compliance challenges. Regulations, however, are notably inconsistent in their rollout. While some regulations lag behind technology development — especially notable in the case of artificial intelligence across many jurisdictions — others lead, such as tariffs on imports. Regulations also are of course subject to political change. More than 70 countries worldwide are set to vote in 2024, and polls predict sweeping change in political agendas. These changes are not only going to impact society and the economy in the short term but may also have wide-reaching, long-term effects.

- **Context:** Businesses must navigate an increasing number of regulatory rules. Even if it is not always the primary focus, tech is often a crucial part of these regulations. Most of these rules are intended to hedge against risks, but some

are entrenched in geopolitical divides, so those firms that stay ahead of the game and build resiliency will be best equipped to comply with these regulations. Moreover, regulations and policies are not always simply restraints — they are also often springboards for investment, with many regulations proposing tax subsidies and other kinds of incentives.

Expanding Digital Security Frontiers — Fortification Against Multiplying Threats

- **Description:** The era of digital business has resulted in a significant increase in the interconnectedness of devices, people, applications, data, and networks, alongside movement of workloads to the cloud. However, this progress means vulnerability to increasingly sophisticated cyberattacks. Phishing remains the most common form of cybercrime, and with the addition of powerful AI models, fooling victims is much easier than it used to be. Cybercrime as a service is also booming, allowing malicious actors to act with more agility and efficiency than ever before. The rise of AI also enables accidental insider threats — well-intentioned employees could unintentionally leak or access restricted, sensitive data when using services, a trend already noticeable with generative AI services. Finally, while quantum has not yet fully made it to the market, advances are marching forward, which also means that post-quantum cryptography is rising in importance. Organizations need to prepare for this and shift from reactiveness to proactiveness in their cyber-readiness and security postures. While this is already happening, the question remains as to whether organizations can sufficiently keep up with the pace of threats that are emerging. Cyber-resilience — the ability of an organization to anticipate, withstand, recover from, and adapt to any threats to its resources — is key for organizations to not only defend against cyberattacks but also prepare for swift response to and recovery from attacks.

- **Context:** According to the International Monetary Fund, cyberattacks have more than doubled since the COVID-19 pandemic. Cyberattacks have impacted all types of organizations, from governments to universities to businesses, and are oftentimes entangled in geopolitical motives. The increase in high-profile data breaches is furthermore leading to increased policy interventions regarding privacy and sovereignty. Organizations that are unprepared for cyberattacks may suffer various consequences, including data loss, financial implications, harm to their brand reputation, decreased employee morale, and loss of customers.

Geoeconomic Reordering — Rethinking Globalization, Supply Chains, and Macroeconomic Challenges

- **Description:** The global IT sector stands at a crossroads, buffeted by a confluence of powerful macroeconomic forces and geopolitical shifts. On one hand, a web of macroeconomic uncertainties looms large. Persistent inflation erodes purchasing power, making businesses hesitant to invest in new technologies or upgrade existing IT infrastructure. The lingering effects of the COVID-19 pandemic, coupled with geopolitical tensions and logistics disruptions, continue to impact global supply chains. Shortages of critical materials and components, such as semiconductors, have created bottlenecks and production delays and are driving the rethinking of sourcing strategies. Shifting demographics also present challenges. Domestically, rising government debt and competing priorities strain public finances. Stricter monitoring and regulation, particularly in the EU, will require many governments to drastically reshape their policies to meet debt requirements. While global inflation shows signs of easing, this debt continues to climb, limiting governments' ability to spend freely. The geopolitical landscape, on the other hand, is undergoing a significant transformation. The escalating rivalry between the United States and China is a major disruptive force. Geoeconomic tools in the form of trade wars, sanctions, and technological decoupling strategies are fragmenting global supply chains and creating uncertainty for businesses. Many countries are now reevaluating their technology suppliers based on geopolitical regions, creating a more fragmented global market with potentially higher barriers to entry and trade. We are thus witnessing the rise of economic blocs with competing interests. This creates a complex environment for multinational IT companies, forcing them to navigate different regulatory frameworks and potentially conflicting economic policies. Further muddying the waters are numerous elections in 2024, which could prioritize short-term political gains over domestic social and economic stability.

- **Context:** The uncertain geopolitical landscape is multiplying risks for businesses as they navigate trade fragmentation and a plethora of new regulations and deal with factors such as populist protectionism that reduce their ability to access markets. These conflicts and trade tensions lead to supply chain disruptions, restricted imports, and increased cybersecurity risk — and therefore increased costs for IT companies reliant on global manufacturing and distribution networks of essential components. Given this, the IT sector should aspire to diversification of supply chains, bolstered cybersecurity measures, and emerging market solutions.

Customer Experience Squared — Consumer and Citizen Expectations for Digital Services

- **Description:** Businesses are reimagining how they engage with their customers, striving to provide seamless, personalized, and efficient service experiences — and customers are demanding this. Their expectations are changing due to emerging technologies like AI-enabled devices, and customers are ever-increasingly savvy with digital. AI and automation technologies are at the forefront of revolutionizing customer service. AI-powered chatbots and virtual assistants are now capable of handling a wide range of customer inquiries with precision and personalization. These technologies improve response times and allow human agents to focus on more complex and sensitive issues, thereby enhancing overall customer satisfaction. The proliferation of mobile devices and IoT technology requires businesses to continue to adapt their customer service strategies to cater to a more connected, mobile-first audience. AR/VR, the metaverse, and 5G/6G will also influence end-user experience in the future. On top of this, omni-channel support is growing to ensure a cohesive, consistent experience across all platforms and touch points —social media, email, phone, or live chat. Businesses are leveraging data analytics and CRM systems to integrate these channels, providing a seamless transition and a holistic view of the customer journey. In the B2B2C model, this transformation is even more pronounced, as businesses must navigate the complexities of serving both the direct customers and the end consumers. Yet, despite the transformative effects of new technologies, the human element remains crucial in customer service. There is a growing emphasis on emotional intelligence and empathy in customer interactions. Training programs are increasingly focusing on developing these skills in customer service representatives, recognizing that understanding and addressing the emotional needs of customers can significantly enhance the service experience.

- **Context:** The landscape of customer service is undergoing a transformative shift, driven by advancements in technology and changing consumer expectations. The shift toward mobile and device-centric customer service strategies underscores the need for businesses to be agile and responsive, leveraging technology to meet customers where they are. Businesses now face the dual challenge of satisfying direct customers and end consumers in a digital, mobile-first world. Adapting to this landscape demands agility and a tech-savvy approach to meet evolving expectations and enhance connectivity.

Related Research

- *Investing in Tomorrow: VC investments in EMEA's Emerging Tech* (IDC #EUR150279923, September 2024)

- *IDC MaturityScape Benchmark: Digital SMB/Midmarket in Asia/Pacific (Including Japan), 2024* (IDC #AP51595824, September 2024)

- *Consumer Communications and Mobile Services Survey, 2024: Broadband* (IDC #US51618824, September 2024)

- *The Global Impact of Artificial Intelligence on the Economy and Jobs: AI will Steer 3.5% of GDP in 2030* (IDC #US51057924, August 2024)

- *Delivering Customer Value Through Ecosystem Innovation* (IDC #EUR152482424, August 2024)

- *Critical External Drivers Shaping Global IT and Business Planning, 2025* (IDC #US52438224, August 2024)

- *IDC FutureScape: Worldwide Small and Medium-Sized Business 2024 Predictions, 2024* (IDC #US51281523, October 2023)