



Report executive summary

Driving business outcomes through cost-optimized innovation.

In today's fast-paced digital world, innovation is a prime driver of business growth. For mid-sized companies—those with revenues between \$500 million and \$5 billion—the stakes are especially high. These businesses are less likely to have the discrete innovation budgets of larger competitors, but have an equal or greater need to innovate to keep up.

To learn how companies are responding to this dilemma, in early 2025, SoftwareOne published independent research based on a survey of 600 businesses globally, analyzing the use of IT cost optimization to fund innovation.

Our research reveals that mid-sized companies are lagging larger competitors (over \$5 billion in revenue), which have bigger budgets and greater management appetite for embracing innovation.



Closing the middle-market innovation gap

While 67% of large enterprises report high levels of innovation, only 32% of middle-market firms say the same. This gap is a wake-up call for middle-market executives: 83% acknowledge that higher innovation is critical for staying competitive. To close the gap, they are focusing on customer and product innovation to boost the top line, and process and business model innovation to lift the bottom line.



Digital sprawl offers opportunity for hefty cost savings

Middle-market companies' hodgepodge of IT systems and software provides ample room for cost savings. Some 46% of middle-market companies report that software costs are too high, and slightly fewer say the same about cloud costs. Of those companies, one-third say both costs are too high. Another 21% are more negative, saying that their IT spending needs a complete overhaul. Because of their limited budgets, middle-market companies are more apt than larger companies to fund innovation through cost savings from IT optimization.



Creating a virtuous cycle of innovation funding

By modernizing IT platforms and cutting excess software and cloud costs, they free up funds to invest in further innovation, creating a self-sustaining flywheel of continuous cost savings and investment. The study identified an elite group of middle-market companies—labeled Optimized Innovators—that excel at this flywheel approach.



A cost-optimized innovation maturity framework

We found that companies were in different stages of cost-optimized innovation, i.e., using IT cost savings to fund innovation. To reflect these stages, we classified each survey respondent into one of three innovation categories:

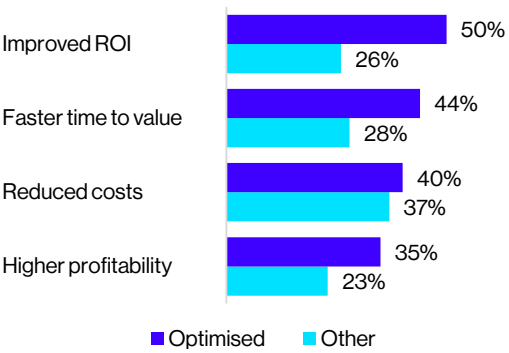
- **Optimized Innovators** have set cost optimization as a high priority and made significant progress on building a modern IT foundation for driving innovation.
- **Aspiring Innovators** are making some progress on cost optimization and modernizing their IT foundation but still have more to do.
- **Initiating Innovators** are just beginning to develop a modern IT foundation and are in the early stages of cost optimization.

Rewards multiply with IT modernization

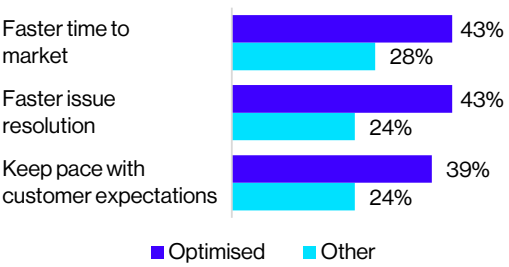
As middle-market companies become Optimized Innovators, they are twice as likely as others to see improved ROI because of their use of modernized IT platforms. They also are more likely to realize many other benefits:

Top benefits from modernized IT platform

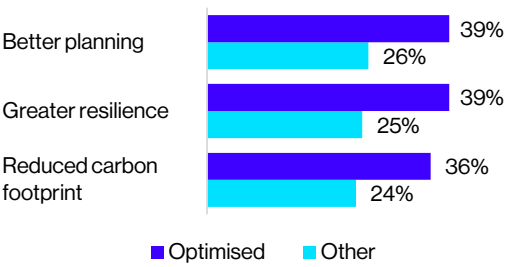
Financial – Optimized Innovators report measurable financial gains from faster time to value, reduced costs, and higher profitability. For four out of 10, these benefits translate into higher shareholder value.



Operational – IT modernization enables Optimized Innovators to speed up time to market and problem resolution. Crucially, it can give companies the agility and resilience needed to compete in a fast-changing marketplace.



Strategic – Optimized Innovators also see strategic benefits from IT modernization, from better planning and decision-making to a greater ability to keep up with customer expectations and meet sustainability goals.



Question in the survey

- Which of the following business benefits did your organization realize from modernizing its IT platform, applications, and solutions?

How optimized innovators turbocharge results

1. Build a modern IT platform to power a flywheel approach

Optimized Innovators are well ahead of other companies in installing a modern IT foundation for driving ongoing cost optimization and innovation. This foundation draws on the cloud and app modernization, as well as AI and cybersecurity solutions, to provide a productive and secure environment for digital working.

2. Double down on key digital solutions

Over the next two years, Optimized Innovators plan to significantly outspend other companies on critical technologies. The most striking is network security, an area of increased investment for 73% of Optimized Innovators vs. 50% of other companies. Additional major areas of difference include cloud management tools (69% vs. 53%), automation (65% vs. 46%), and software management tools (63% vs. 46%).

3. Put data security and privacy first

Optimized Innovators know that fast-tracking innovation can expose them to greater data security and privacy risks. To protect themselves, Optimized Innovators use nearly every cybersecurity solution considerably more than other companies. These solutions include Zero Trust security (56% vs. 31%), automated risk monitoring (55% vs. 35%), RegTech (46% vs. 27%), data loss prevention (44% vs. 32%), and security orchestration, automation and response (43% vs. 28%). On average, Optimized Innovators utilize five cybersecurity solutions.

4. Go all in on the cloud

More than two-thirds of Optimized Innovators have made significant progress in building a cloud-based infrastructure, and over half have moved their apps to the cloud and migrated core processes. A similar percentage have established governance, compliance, and security policies. Over the next two years, Optimized Innovators plan to make the most progress in implementing FinOps and moving apps and associated data to the cloud.

5. Surge ahead on AI adoption

While most companies are in the planning or early implementation stages of AI use, 84% of Optimized Innovators are midway or advanced in using AI for internal processes, and 71% for customer engagement and innovation. The AI divide is even more apparent in the adoption of generative AI. Optimized Innovators are nearly twice as likely as others to be at mid- or advanced implementation of GenAI for internal purposes.

6. Develop a GenAI first-mover advantage

Optimized Innovators already use GenAI in ways that are not possible through traditional AI. Half now use GenAI to create original content, such as reports and summaries. Other use cases include workplace planning (31%), self-service interfaces (30%), chatbots (29%), and data security and privacy (27%). Over the next two years, Optimized Innovators will ramp up their use of GenAI the most for self-service interfaces and security and privacy.

7. Set the standard for IT cost management

Optimized Innovators are ahead of others across nearly all areas of cost management. They have made significant progress in monitoring cost (51% vs. 31%), software licensing (51% vs. 37%), IT infrastructure costs (48% vs. 37%), and procurement and vendor management (48% vs. 32%). Over the next two years, Optimized Innovators plan to jump ahead on streamlining the costs around sustainability and collaboration.

Conclusion

This research highlights a significant opportunity: leveraging IT cost optimization to fund innovation, creating a self-sustaining “flywheel.” Companies that master this—Optimized Innovators—effectively turn savings from modernizing IT and reducing excess costs into investments for further innovation. These businesses achieve substantial benefits compared to their peers, including significantly improved ROI, faster time-to-value, reduced costs, higher profitability, quicker time-to-market, and increased resilience.

The full report, Driving business outcomes through cost-optimized innovation, is packed with data and insights about how Optimized Innovators are competing and growing through smart IT management and investment. It also includes success stories and testimonies from IT, procurement and business leaders that employ this approach.

Get the [full report](#) on [softwareone.com](#).

Action plan for becoming a cost-optimized innovator



1. Unite behind a vision

Establish a unified leadership vision and culture of continuous improvement

2. Know what you have

Discover opportunities to optimize

3. Know where you go

Prioritize investments that maximize innovation

4. Develop the master plan

Define and document your rationalization, optimization, and innovation targets

5. Press ahead with transformation

Drive business forward with new digital solutions

6. Maintain momentum

Make continuous optimization and reinvestment “business as usual”

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