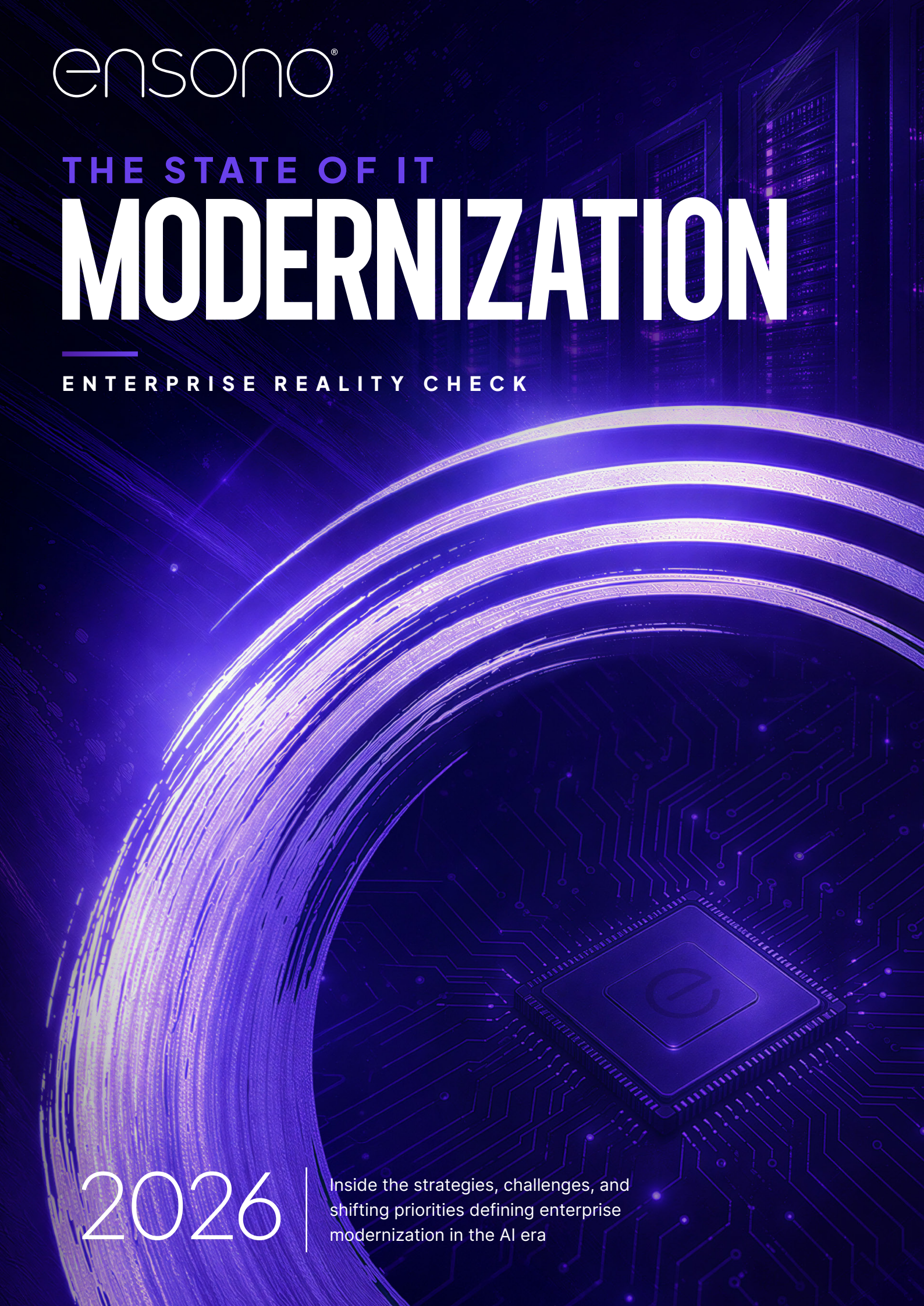


The background of the entire page is a deep blue with a complex, glowing pattern of circuitry and data lines. In the upper right, there are faint, vertical server racks with glowing lights. A large, glowing, circular arc, resembling a stylized 'C' or a tunnel entrance, dominates the lower half of the image. At the bottom center, there is a glowing, square-shaped chip or processor with a circular logo on its surface.

ensonno®

THE STATE OF IT

MODERNIZATION

ENTERPRISE REALITY CHECK

2026

Inside the strategies, challenges, and
shifting priorities defining enterprise
modernization in the AI era

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Who we surveyed

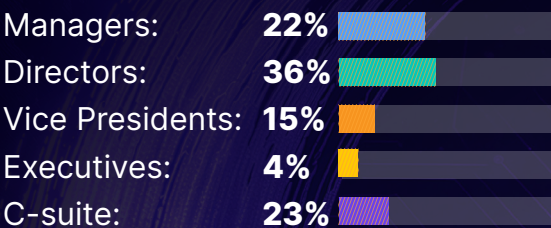
500 Full-time IT decision-makers and line-of-business leaders

By country

 **United States**
250 respondents

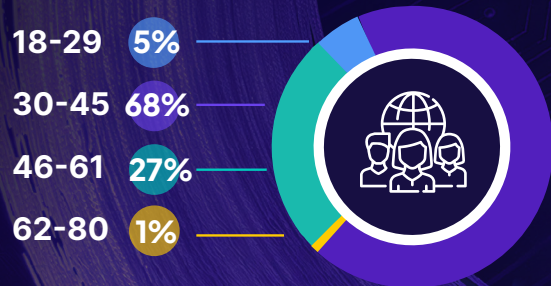
 **United Kingdom**
250 respondents

By job level



By age

Even distribution across age groups:



Introduction

As AI adoption accelerates and scrutiny of technology investments grows, enterprise modernization decisions carry greater financial, operational, and competitive consequences than ever before. Organizations must maintain and modernize legacy systems while evolving their IT environments to support AI, respond to changing business priorities, and enable long-term growth.

To understand how organizations are navigating this reality, Ensono conducted its second annual modernization survey of 500 IT decision-makers and line-of-business leaders across the U.S. and UK.

The findings reveal that AI is reshaping modernization priorities, but organizations are still grappling with many of the challenges that have long complicated modernization efforts. Budget overruns, delayed initiatives, talent shortages, and hybrid complexity continue to slow execution and limit the value of modernization investments.

Key findings

38%

38% of IT teams spend most of their time innovating or adding new capabilities — up from 25% in 2025.

71%



71% of respondents said modernization initiatives have exceeded their original budgets, with 27% exceeding budgets by 51% or more.

61%



Loading...

61% of organizations have had to either pause or delay, scale back, or fully abandon IT modernization initiatives in the past 24 months.

54%

54% of decision-makers say AI has accelerated IT modernization efforts, up from 39% in 2025.



39% 54%

78%



78% of decision-makers say legacy systems play a more important role in their organization today than they did two years ago.



31% of organizations now consider themselves modernization leaders, up from 21% last year.

Modernization momentum comes with execution challenges

Compared to 2025, the share of IT teams that spend most of their time innovating or adding new capabilities increased from **25%** to **38%**. Whether by reducing technical debt, outsourcing routine work, or improving operational efficiency, more IT teams are finding capacity for innovation. Still, nearly half (**47%**) remain focused primarily on day-to-day operations, leaving limited room for modernization.

Among IT leaders whose teams are primarily focused on daily operations and technical debt, **93%** agree that innovation is frequently delayed because these activities consume too much budget. U.S. decision-makers are more likely than their UK counterparts to strongly agree (**51%** versus **37%**) with that statement.

Even when organizations are able to secure funding for modernization, staying on budget is another challenge. More than seven in 10 respondents (**71%**) say their IT modernization initiatives have exceeded their original budgets, including **77%** of organizations in the UK and **66%** in the U.S. [Fig. 1].

[Fig. 1]. ensono®

How much organizations' IT modernization efforts exceeded original budgets

By less than 10%	9%
By 10-25%	32%
By 26-50%	31%
By 51-100%	25%
By more than 100%	2%



Organizations that stay on budget get the fundamentals right

- #01 Strong alignment between IT, business, and executive stakeholders
- #02 Effective management of project scope and change requests
- #03 Clear project requirements and success criteria

Keeping modernization initiatives on track is just as challenging as keeping them on budget. In the past 24 months, organizations have had to pause or delay (**38%**), scale back (**36%**), or fully abandon (**16%**) IT modernization initiatives. These setbacks are especially common in the UK, where **67%** of respondents report at least one of these outcomes, compared to **54%** in the U.S.

INDUSTRY SPOTLIGHT

Healthcare organizations are most likely to have abandoned modernization initiatives



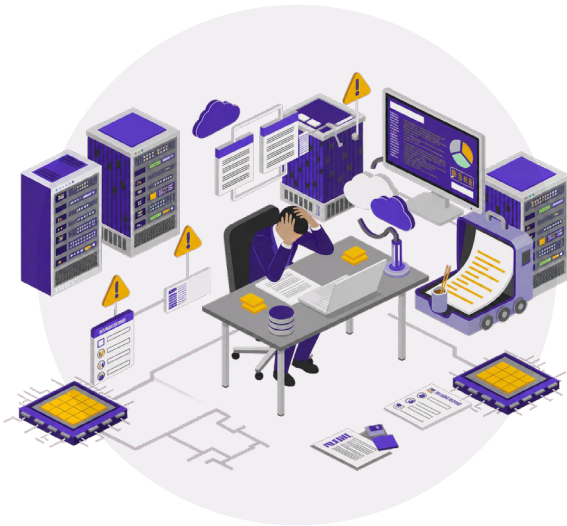
32% Healthcare



14% Financial services & insurance



10% State and local government & education



Respondents point to both organizational and technical challenges behind delayed or canceled modernization initiatives. Nearly one in five (**19%**) cite misalignment between IT and business priorities, while **18%** cite limited visibility into or understanding of existing systems and applications.

When delays occur, they're rarely short-lived. About half of respondents (**52%**) say modernization delays typically last three to six months, while **28%** experience delays lasting seven months or longer.

The consequences don't just impact IT. Nearly every organization (**99%**) has experienced at least one measurable business impact from delaying modernization, most commonly increased operational costs (**36%**) [Fig. 2].

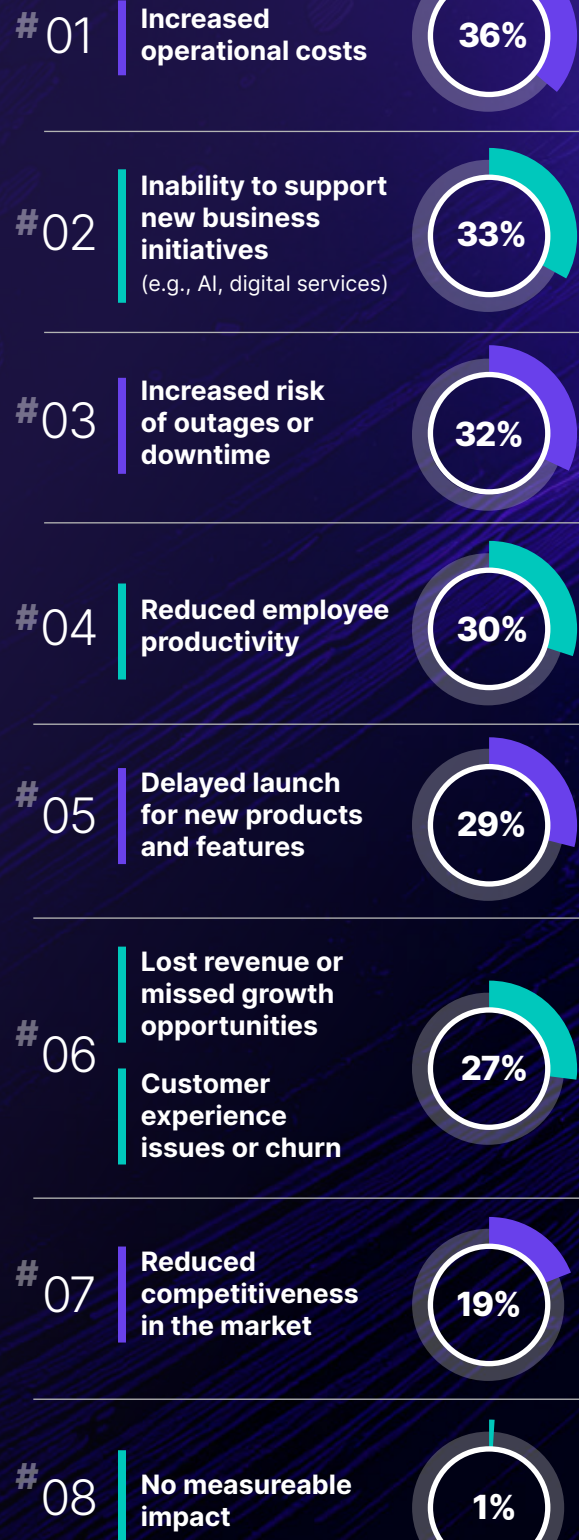


What this means for leaders

Modernization initiatives rarely fail for a single reason. More often, delays, cost overruns, and shifting priorities compound over time until organizations are forced to scale back or re-sequence initiatives. Establish clear success criteria, align business and IT priorities early, and revisit both throughout execution, not just when projects begin to slip.

[Fig. 2]. ensono

Business impacts of delaying IT modernization



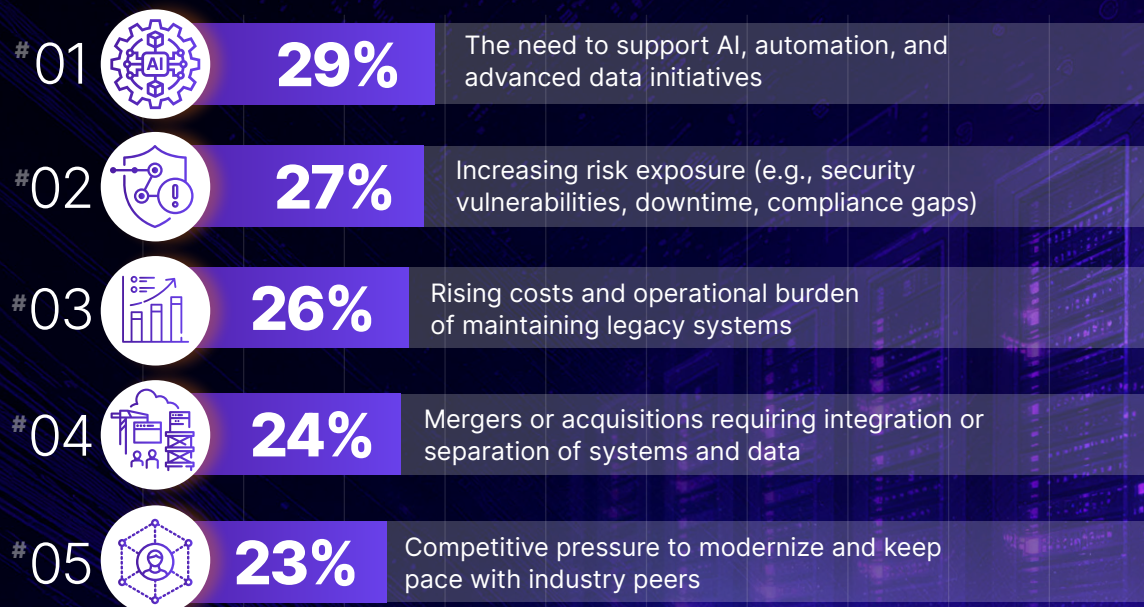
AI is changing why — and how — organizations modernize

AI investment is widespread: **45%** of organizations are actively scaling it across the business, while **44%** are investing in targeted, high-impact use cases.

As AI adoption expands, it's reshaping the priorities behind IT modernization. Supporting AI, automation, and advanced data initiatives is now the top pressure driving modernization **[Fig. 3]** — and it's also the leading outcome organizations expect from it.

[Fig. 3] ensono

Top 5 pressures driving IT modernization



AI is also accelerating modernization efforts. More than half (**54%**) of organizations say AI is helping advance modernization through greater automation and improved efficiency, up from **39%** in 2025.

Organizations are also relatively confident in their AI strategies. **Nearly** six in 10 (**59%**) respondents say they are on track to achieve their AI goals, including **57%** in the UK and **61%** in the U.S.

Even so, organizations face barriers to AI success. Difficulty integrating AI into existing workflows and business processes (33%) and infrastructure limitations (28%) rank among the top challenges to achieving expected AI ROI [Fig. 4].

As organizations scale AI, legacy systems are taking on new strategic value. Nearly half (46%) view legacy systems as a critical foundation for AI and an important source of data, while 47% use them selectively for specific AI applications. Reflecting this shift, 78% of decision-makers say legacy systems play a more important role in their organizations today than they did two years ago.

That changing role is also influencing modernization strategies. More than half (52%) of organizations are optimizing and extending legacy systems while modernizing applications where they are, rather than replacing them outright — an approach that's slightly more common in the UK (57%) than the U.S. (48%).

[Fig. 4] ensono

Top 3 barriers to achieving expected AI ROI

33%

Difficulty integrating AI into existing workflows or business processes

28%

Infrastructure limitations (e.g., compute, storage, scalability)

25%

Governance, risk, or compliance concerns

INDUSTRY SPOTLIGHT

State and local government and education organizations are most likely to be optimizing and extending legacy systems



65% State and local government & education



48% Healthcare



45% Financial services & insurance

Even so, integrating AI with legacy environments remains a challenge. Nearly every organization (99%) faces at least one barrier, with **data quality**, **infrastructure limitations**, **integration complexity**, and **data accessibility** cited most often.

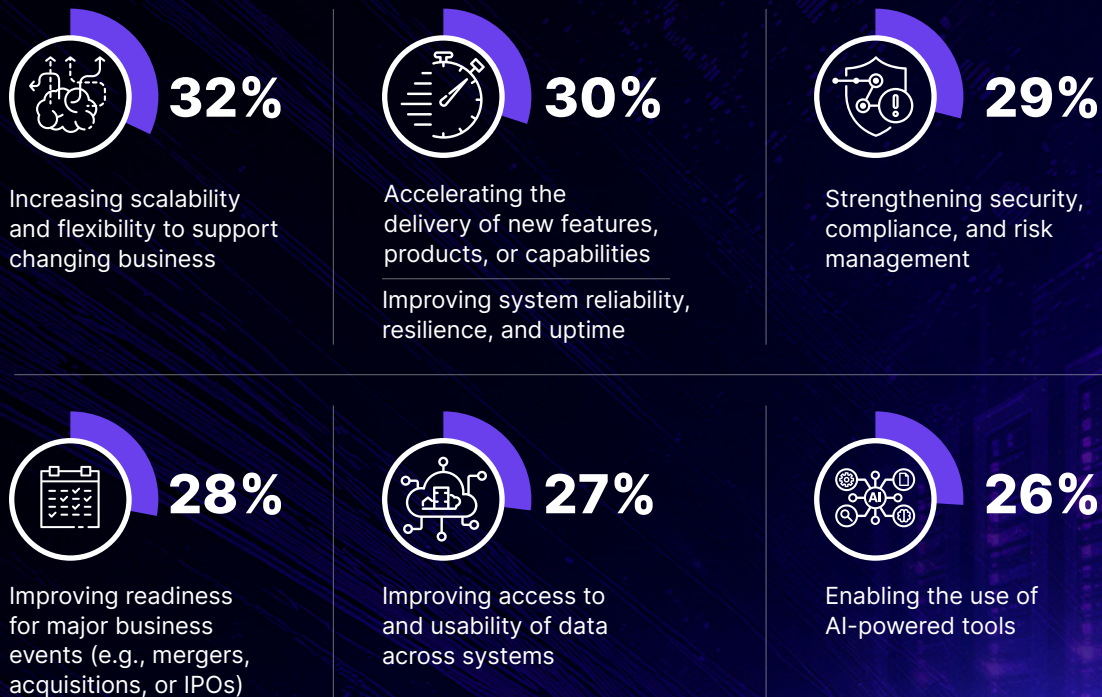
What this means for leaders: As AI reshapes modernization priorities, don't assume your most valuable systems are the newest ones. Evaluate where legacy systems provide the data, business logic, and operational stability AI depends on, then modernize to preserve and extend those strengths.

Application modernization is driving business resilience and growth

Application modernization is becoming central to building more scalable, flexible, and resilient businesses. IT decision-makers rank increased scalability and flexibility as the top expected outcome **[Fig. 5]**.

[Fig. 5] ensono

Top expected outcomes of mission-critical application modernization



Organizations show a strong appetite for modernizing mission-critical applications. More than half of respondents (**54%**) say they are very willing to modernize them over the next 24 months, while **45%** are somewhat willing.

INDUSTRY SPOTLIGHT

Financial services and insurance organizations are most willing to modernize mission-critical applications



64% Financial services & insurance



55% Healthcare



48% State and local government & education

Respondents also see AI creating business value through application modernization. Nearly all agree that AI is helping unlock new revenue-generating capabilities through application modernization, including **44%** who strongly agree and **53%** who somewhat agree.

More than two in five organizations (**41%**) proactively modernize applications to support future AI initiatives, while **30%** modernize applications as AI needs arise and **11%** pursue application modernization and AI initiatives in parallel.

Proactive application modernization pays off

Organizations that proactively modernize applications to support future AI initiatives are nearly twice as likely to strongly agree that AI is helping unlock new revenue-generating capabilities (**58%**) as those that modernize applications only as AI needs arise (**33%**).



Despite willingness to modernize mission-critical applications, organizations face significant barriers to execution. The top hurdles to application modernization include securing the budget or upfront investment required (**20%**), managing complex application and system dependencies (**19%**), and building a clear business case or demonstrating ROI (**18%**).



What this means for leaders

Mission-critical applications are becoming the foundation for business agility and AI readiness. Don't let their complexity delay modernization. Prioritize the systems that have the greatest impact on business performance, and invest the time upfront to build a modernization plan that accounts for dependencies and minimizes disruption.

Visibility and expertise separate modernization leaders

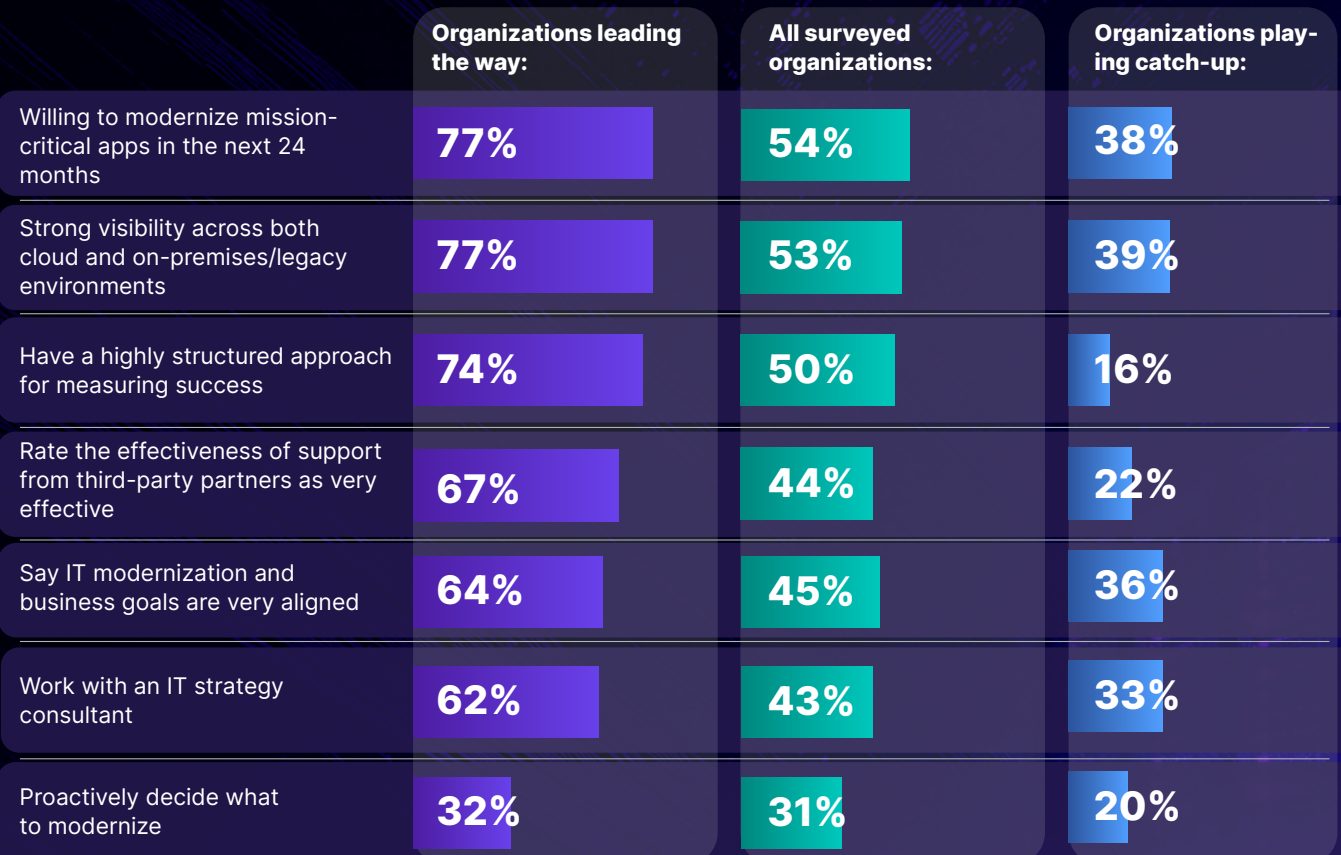
More organizations now consider themselves modernization leaders. Nearly a third (**31%**) say they are leading the way and leveraging modernization for competitive advantage, up from **21%** last year. Meanwhile, **52%** say they are making solid progress and in step with industry standards, while another **14%** say they've started modernizing but are playing catch-up with competitors, as key areas still need work.

Still, relatively few organizations take a fully proactive approach to modernization planning. Only **31%** use clear criteria and long-term planning to decide what to modernize. Another **37%** balance long-term priorities with immediate needs, while the remainder rely on reactive or inconsistent decision-making. Organizations in the UK are more likely than those in the U.S. to take a proactive approach (**36%** versus **26%**).

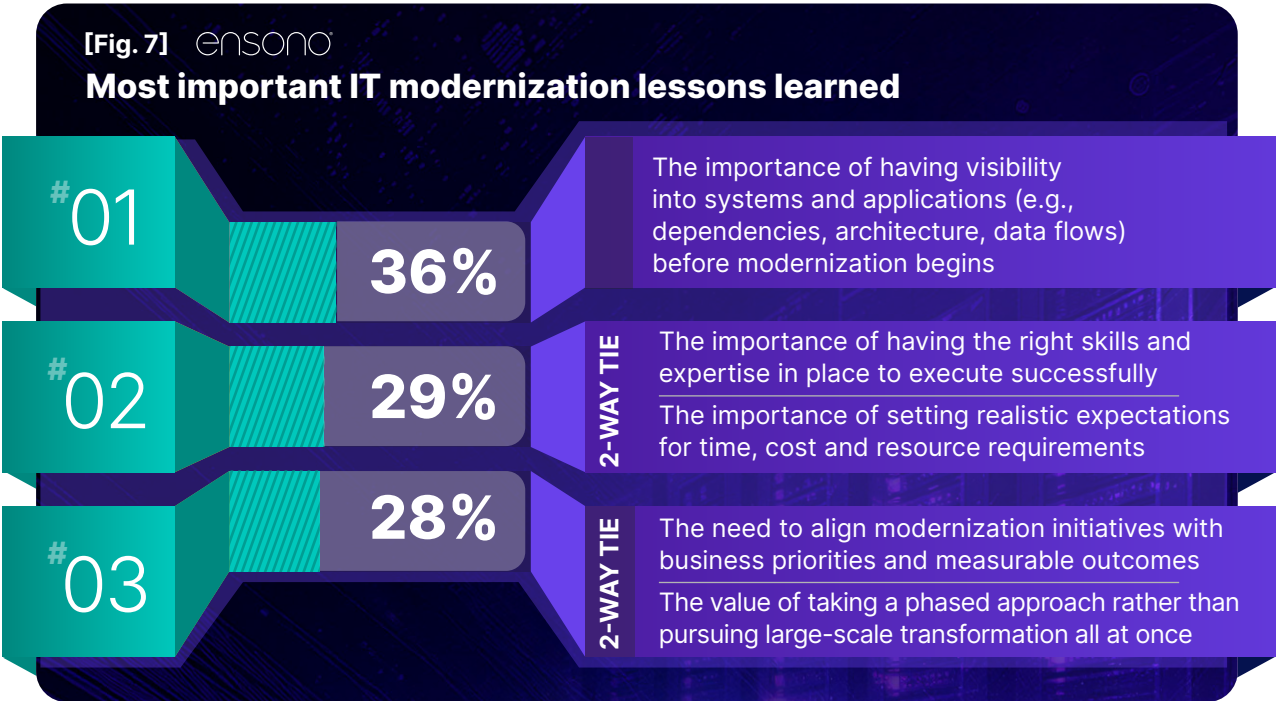
Modernization leaders stand apart in several areas. They are more likely to have strong visibility across IT environments, a structured approach to measuring modernization success, and close alignment between IT modernization and business goals **[Fig. 6]**.

[Fig. 6] ensono

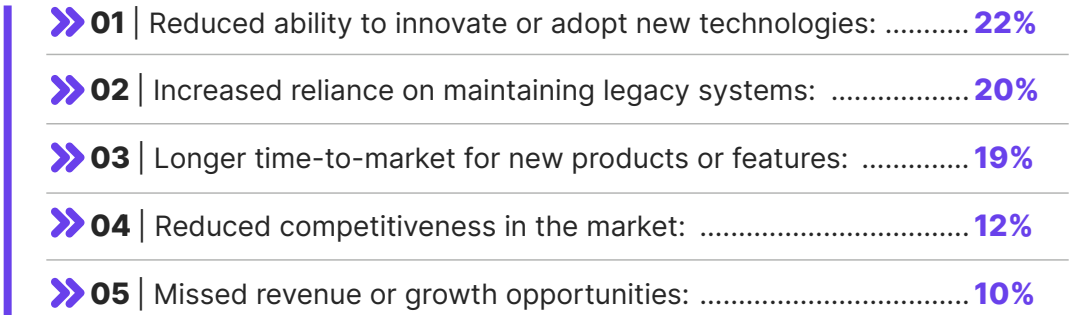
What sets modernization leaders apart?



Decision-makers’ biggest lessons learned from past modernization efforts reinforce the characteristics that distinguish today’s modernization leaders [Fig. 7].



As modernization grows more complex, organizations are also contending with widespread talent shortages. Nearly all (97%) say talent shortages have increased modernization costs to some degree, while 84% report operational impacts ranging from reduced innovation to slower time-to-market:



Against that backdrop, external partners have become nearly ubiquitous, with 99% of respondents working with at least one third-party partner to support IT modernization efforts, up slightly from 95% in 2025.

Organizations want more strategic modernization partners

While most decision-makers say the support they receive from third-party partners is either very (44%) or somewhat (53%) effective, there's still room for partners to deliver greater value by:

38%

Providing more strategic guidance and connecting efforts to measurable business outcomes

29%

Offering more flexible and tailored solutions to fit our environment

28%

Understanding our business goals and aligning modernization efforts accordingly

26%

Helping us better assess and prioritize our application portfolio

24%

Improving communication and transparency throughout projects



What this means for leaders

Modernization decisions are only as good as the information and expertise behind them. Pair a clear understanding of your technology environment with the technical expertise needed to prioritize investments, manage risk, and maximize the value of every modernization initiative.

Conclusion

The path forward for enterprise modernization

Organizations have a clear appetite for modernization. The harder part is delivering on that ambition without letting costs, complexity, and delays derail the outcomes they set out to achieve.

Successful modernization depends on maintaining control as plans meet the realities of execution. Ensono brings deep modernization expertise to help clients navigate complexity from planning through implementation. That expertise helps keep modernization on budget, on schedule, and focused on the outcomes driving the investment.

Ready to turn your modernization priorities into results?

Connect with Ensono to execute modernization with greater control over costs, timelines, and risk.

Additional survey findings

Topline

- Visibility remains uneven across hybrid environments: 53% of organizations report strong visibility into IT costs across both cloud and on-premises or legacy environments, while 37% have strong visibility into cloud costs but limited visibility into on-premises or legacy costs.
- Most respondents strongly (37%) or somewhat (52%) agree that the actual cost of maintaining legacy systems was higher than their forecasted budget over the past 12 months.

By industry

- Only 42% of state and local government and education organizations work with IT strategy or digital transformation consultants, compared to 60% of healthcare organizations and 51% of financial services and insurance companies.

By geography

- 42% of U.S. organizations strongly agree that the actual cost of maintaining their legacy systems was higher than their forecasted budget over the last 12 months, compared to 31% of UK organizations.
- U.K. organizations are more likely than U.S. organizations to report that their IT modernization initiatives exceeded their original budgets in the past 24 months (77% vs. 66%). But when modernization efforts do exceed their original budget, U.S. organizations are more likely to report cost overruns of 51% or more (37% vs. 20%).

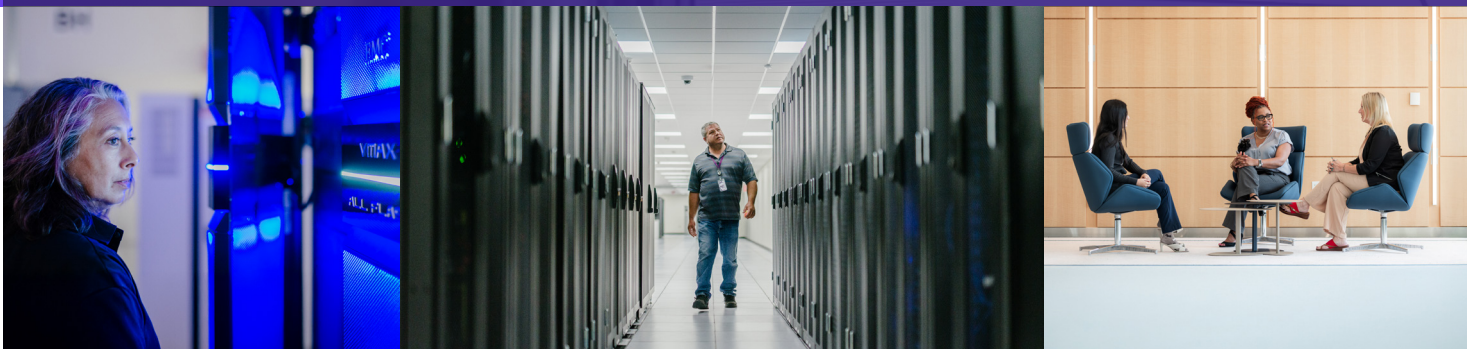
By job level

- Only 15% of managers say their organization is ahead of the curve and leveraging modernization for competitive advantage, compared to 30% of directors, 42% of vice presidents, and 40% of C-suite leaders.
- Managers are less likely to say their organization has strong visibility across both cloud and on-premises or legacy environments — 42% say their organization has strong visibility, compared to 58% of directors, 58% of VPs, and 57% of C-suite members.
- Only 17% of managers say their organization proactively decides what to modernize using clear criteria and long-term planning, compared to 38% of Directors and VPs.
- Over half (56%) of C-suite members strongly agree that the actual cost of maintaining legacy systems was higher than their forecasted budget over the last 12 months, compared to 40% of VPs, 27% of directors, and 24% of managers.



About Ensono

Ensono is a global technology advisor and managed service provider that helps enterprises drive real operational and business outcomes. As an essential ally, Ensono works with clients to use AI to modernize applications and data platforms, automate IT and business operations, and move from reactive management to predictive, outcome-driven performance across hybrid, multicloud, and mainframe environments. With deep domain expertise and disciplined execution, Ensono helps organizations prioritize the right AI use cases, modernize at their own pace, and realize measurable ROI. Ensono has more than 4,200 associates worldwide and is headquartered in greater Chicago.



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