NUDGEIT
CLOUD EFFICIENCY

Hybrid Cloud Is Not a Phase – It's the New Normal!

Introduction

In our day-to-day work with clients across industries, one question consistently arises: Is Hybrid Cloud the right approach — and to what extent should it be pursued? While the narrative around cloud adoption often emphasizes a full migration to the public cloud, the reality on the ground is far more nuanced. Organizations are wrestling with the balance between legacy systems, regulatory constraints, performance considerations, and innovation agendas — all of which make the path toward an "all-in" cloud strategy anything but straightforward.

This whitepaper results from our intent to move beyond assumptions and anecdotal experience. We set out to explore the fundamental dynamics behind Hybrid Cloud adoption, including:

- Why Hybrid is so frequently the topic of strategic discussions
- Whether the journey will eventually lead all workloads to the cloud
- The practical trade-offs of different deployment models
- Ultimately, to test our working thesis: the Hybrid Cloud is not a transitional phase but a long-term reality for many organizations.

We have not done our own studies, but we have done a meta-study, gathering evidence from various studies and statistics. We hope to offer a balanced and actionable guide for decision-makers navigating their cloud strategy by grounding our perspective in research, real-world insights, and industry data.

Contents

Executive Summary

Hybrid Cloud is no longer a transitional phase but the new norm. For mid-sized enterprises in the DACH region (Germany, Austria, Switzerland), hybrid architectures have become the default strategy, not a temporary compromise. Faced with legacy systems, regulatory demands, financial constraints, and evolving business needs, these companies are blending on-premises infrastructure with public and private cloud services to modernize at their own pace.

Current market data confirms this shift: IDC reports hybrid environments made up 31% of IT budgets in Europe in 2023, projected to reach 48% by 2025. Gartner forecasts that 90% of organizations will adopt hybrid strategies by 2027. In Switzerland, cloud adoption remains cautious, especially among smaller firms, reinforcing the hybrid model as a practical and sustainable path forward.

The hybrid approach is driven by clear advantages—continued ROI from existing infrastructure, regulatory compliance, cost management, and incremental adoption of cloud services. Common enterprise platforms like Microsoft 365 and Azure reinforce hybrid setups as the norm.

While some argue that Hybrid is a step toward full cloud adoption, our research shows otherwise: for most mid-sized enterprises, Hybrid is the destination. It enables resilience, flexibility, and modernization without disruption. Organizations that embrace the hybrid cloud as a permanent operating model are better positioned to align IT with real-world demands and strategic growth.

IT Budgets for Hybrid Environments %

31% in 2023

48% in 2025

90% of organizations will adopt hybrid strategies by 2027

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The Findings

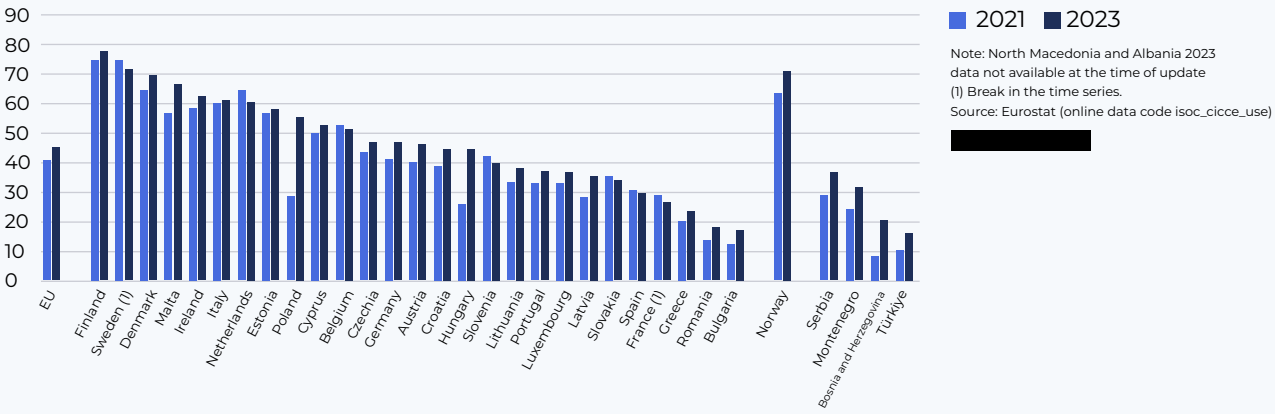
In today's enterprise IT landscape, especially among mid-sized companies in the DACH region (Germany, Austria, Switzerland), hybrid cloud has emerged as the standard operating model rather than a temporary stopgap. Hybrid cloud refers to a mix of on-premises infrastructure and cloud services (public and/or private) working together. CIOs in Europe are increasingly treating hybrid cloud as an indispensable strategy for maximizing IT value, not just a passing trend.

This perspective argues that the hybrid cloud is here to stay – a "new normal" driven by economic, operational, and technological realities. Current research and market data strongly validate this point of view. Analysts note that hybrid cloud already accounts for a significant share of IT spending and is set to grow further: for example, IDC finds hybrid environments made up about 31% of total IT budgets in Europe in 2023, expected to rise to 48% within two years – IDC Article here

Gartner predicts that 90% of organizations worldwide will adopt a hybrid cloud approach by 2027, underscoring that this model will dominate enterprise IT strategy for the foreseeable future. In short, hybrid cloud is not a mere transitional phase on the way to full cloud – it has become the default paradigm for many European SMEs (small and mid-sized enterprises).

Figure 1 Percentage of enterprises (EU and selected European countries) using cloud computing services in 2021 vs 2023. Even by 2023, many firms had yet to embrace cloud fully, reflecting how hybrid combinations of cloud and on-premises remain common.

Enterprises buying cloud computing services, EU, 2021 and 2023 (% of enterprises)



Note: North Macedonia and Albania 2023 data not available at the time of update
(1) Break in the time series.
Source: Eurostat (online data code isoc_cicce_use)

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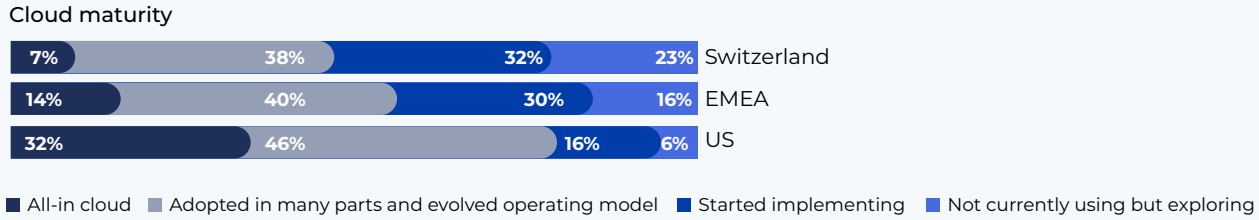
Switzerland Falling Behind in Cloud Adoption

Switzerland is trailing behind the EMEA region and the United States in the race toward full cloud adoption. According to PWC's latest findings, only 7% of Swiss companies have fully implemented their cloud transformation — significantly less than the 14% in EMEA and the nearly 33% in the US. While 38% of Swiss firms report partial adoption, a considerable 32% are still in the early implementation phase, and 23% remain at the exploratory stage. For more details on the PWC study from which the numbers above and below are referenced from this study from 2023: PWC Cloud Business Survey 2023.

Figure 2 Switzerland is far behind, with over 50% just started implementing or only exploring.



This comparison starkly illustrates the lagging maturity of Swiss companies in embracing the cloud, highlighting a clear need for accelerated digital transformation strategies.

Smaller Swiss Firms Falling Even Further Behind

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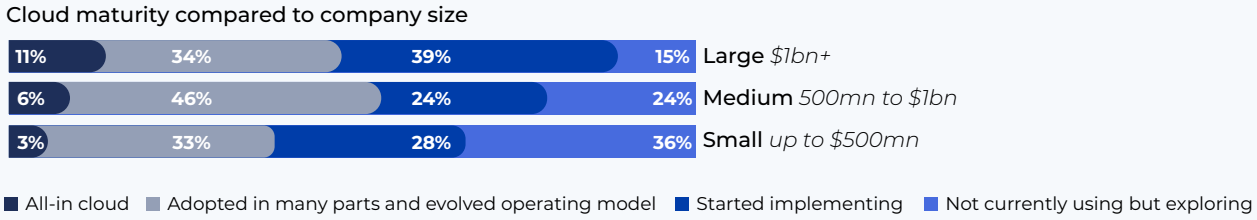
The disparity deepens when cloud maturity is analyzed by company size. Larger Swiss firms are leading the charge, with 11% of companies with global revenues above $1 billion having fully adopted the cloud. In contrast, that figure drops to 6% for companies with revenues between $500 million and $1 billion, and just 3% for companies below $500 million.

Interestingly, 52% of mid-sized firms report at least partial adoption, slightly outperforming their larger counterparts at 45%. However, the full adoption rates still skew significantly in favor of the largest firms.

Figure 3 The adoption between the different sizes of companies in Switzerland is even more skewed, with the smaller companies struggling to adopt the cloud. Source PWC study 2023



This breakdown underscores a worrying trend: **smaller firms risk falling irreversibly behind in cloud capabilities, mainly due to limited resources, lack of expertise, or strategic hesitance.**
The longer they delay, the harder it becomes to catch up — especially as competitors leverage cloud technologies for speed, scalability, and innovation.

Hybrid Cloud Adoption in DACH Mid-Sized Enterprises

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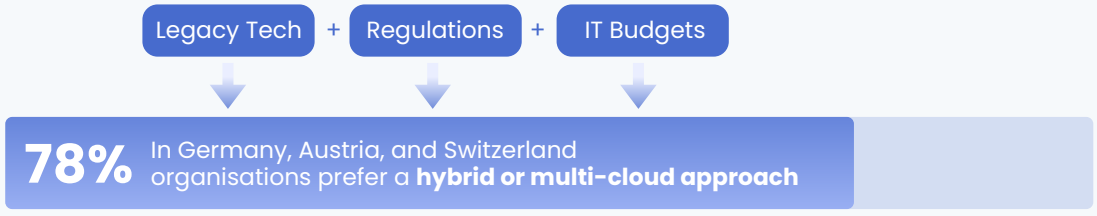
The DACH region's mid-sized enterprises (the famed "Mittelstand" in Germany) have broadly embraced hybrid cloud architectures. These companies often combine legacy on-premises systems with new cloud deployments, creating a hybrid environment out of necessity and strategic choice. Recent statistics illustrate just how prevalent hybrid models are becoming:

Widespread Hybrid Use
In a 2023 European survey, 78% of organizations preferred a hybrid or multi-cloud strategy (mixing on-prem and multiple clouds) to avoid vendor lock-in and leverage best-of-breed services, survey is here . Another global study found most organizations deploy a hybrid cloud (39%) or multi-cloud (33%) strategy, rather than relying solely on one public or private cloud with the details here from CloudZero here. This indicates that using a combination of environments is now the norm.



Current Cloud Penetration
As of 2023, around 45% of EU enterprises use some form of cloud services – meaning the majority (55%) still run entirely on traditional on-prem infrastructure.
Even among those using the cloud, it's typically not 100% of their IT. The details to the European Study from Eurostat can be found here! – a great short read. The numbers aligns with the reality that on-premises data centres still handle 55% of workloads in 2024, vs. 45% in cloud environments, as stated by a veeam.com article. In other words, the data centre is "not dead"; organizations continue to run substantial portions of IT on-prem, resulting in mixed environments by default. As one report put it, companies are adding cloud workloads but *"not decommissioning data centre workloads at nearly the same rate,"* so hybrid environments naturally persist.

Future Outlook
Projections show hybrid adoption only growing. IDC's survey of German firms (>100 employees) finds that the share of business applications running in the cloud (public or private) **will rise from 43% in 2023 to 59% by 2025**. That still leaves about 41% of applications on-prem in 2025, underscoring that a mix of cloud and on-prem will remain standard. Likewise, the Nutanix Enterprise Cloud Index for Germany predicts the hybrid multi-cloud model will become the "gold standard" by 2026, with hybrid multi-cloud usage soaring **from just 6% of companies today to 50%** within three years.

Interpretation: These numbers confirm that the hybrid cloud is the prevailing model for mid-sized enterprises in DACH. Most of these firms have at least some cloud services (e.g., Office 365, CRM, or cloud hosting) while maintaining significant on-prem systems. Fully cloud-only environments are rare, and fully on-premise setups are steadily declining – leaving Hybrid as the common ground.
Even smaller businesses are moving in this direction: by one estimate, 90% of enterprises worldwide (of all sizes) will have adopted hybrid infrastructure management capabilities by the end of 2024. In EMEA, cloud spending by SMEs now makes up over half of their IT budgets, yet they continue investing in on-premises, too; all of this underlines that hybrid cloud is not a transient stage but a long-term operating model.

Drivers Making Hybrid Cloud a Permanent Model

Why are hybrid clouds so entrenched in European mid-market enterprises? Several practical drivers – economic, operational, and technological – explain why SMEs in DACH see the hybrid cloud as a permanent state rather than a temporary compromise:

6A. Legacy Systems & On-Premises Requirements

Historical investments and legacy applications play a huge role. Many mid-sized firms have mission-critical systems running on-premises that cannot be moved easily to the public cloud due to **technical or business constraints.** For instance, manufacturing companies often run plant-floor applications, industrial control systems, or specialized databases tightly integrated with on-site hardware (machines, sensors, etc.). These industrial and legacy workloads frequently require low-latency direct equipment interfaces or have not been modernized for cloud platforms, so they must stay on-premises.
A key example is older ERP or factory management software that the business has relied on for years. Rewriting or replacing such systems for the cloud could be risky, time-consuming, and expensive. Thus, companies keep these running locally while complementing them with cloud services for other needs, ending up in a hybrid setup.

Moreover, **European data sovereignty and privacy concerns** encourage keeping certain data on-prem or in-country. DACH enterprises operate under strict data protection laws (like GDPR) and often have a strong culture of data security. According to an OECD study, preserving data sovereignty is a key reason SMEs retain on-premise IT systems, as they fear losing control over data in the cloud. See the extensive OECD study here!

As stated in the above OECD report, the **uncertainty about where cloud providers store data** (and under which jurisdiction) makes some firms hesitant to migrate sensitive information fully. Companies strike a balance by keeping sensitive databases on their own servers (or private clouds) and using the public cloud for less sensitive workloads. Trust issues remain a major obstacle to going "all-in" on the cloud – many SMEs worry about vendor lock-in and the "unknown" of handing data to third parties. This drives them to maintain local systems as part of a hybrid strategy for peace of mind and compliance. In Germany especially, the concept of **"Datensouveränität" (data sovereignty)** is highly valued; an IDC report noted that ensuring control over critical data has become a core element of cloud strategy for German IT decision-makers.

Finally, the **technical constraints of legacy systems** make hybrid continuity necessary. Not all legacy applications can transition smoothly to the cloud – some older software won't run properly in virtualized cloud environments or require significant refactoring. SMEs with limited IT staff cannot always undertake these migrations quickly. Therefore, they adopt the cloud gradually for new capabilities but retain certain legacy apps on existing on-prem servers as long as those continue to work. The result is a prolonged hybrid state that may last many years until all legacy systems naturally phase out (if ever). In summary, the weight of installed legacy technology and regulatory constraints anchors many DACH enterprises in a hybrid model for the long term.

6B. Economic and Financial Realities

Fully rebuilding IT in the cloud can be cost-prohibitive for mid-sized enterprises, and hybrid cloud often emerges as the most financially sensible approach. SMEs typically operate with tight IT budgets and must carefully manage costs and ROI on any technology change. Several economic factors are reinforcing hybrid adoption:

Existing Investments
Mid-market firms have often sunk considerable investment into on-premises infrastructure (servers, data centres, networking gear) over the years. From a financial perspective, they want to maximize the ROI of existing hardware and software licenses. Writing off perfectly functional infrastructure to migrate everything into the cloud isn't palatable if that infrastructure still meets some needs. Instead, companies leverage it for what it does well (steady workloads, sensitive data, etc.) and supplement it with the cloud for new needs. This hybrid approach extends the life of on-prem assets while incrementally adopting cloud services where it makes sense – a gradual cost-managed evolution rather than a rip-and-replace.

Cloud Cost Surprises
While cloud computing promises efficiency, it doesn't automatically mean lower costs for every workload. Many organizations have learned that running specific workloads at scale in the public cloud can become more expensive than anticipated if not optimized. Studies show 6 in 10 organizations find their cloud costs higher than expected – see an interesting study from CloudZero here!
For an SME, an uncontrolled move of everything into the cloud could result in bill shock and budget overruns. Companies can optimize cost-efficiency by keeping stable, predictable workloads on-prem (with fixed cost) and using cloud for variable or new workloads. It's telling that **many IT leaders cited cost efficiency as a reason for adopting a hybrid/multi-cloud strategy**. CIOs use hybrid architectures to balance overall spending and place each workload in the most cost-effective environment – capex-owned on-premises for some and pay-as-you-go cloud for others.

Incremental Transition vs. Big Bang
From a cash flow standpoint, a gradual hybrid transition is easier to swallow than a sudden complete migration. A full cloud move might involve significant one-time costs: data migration expenses, consulting, re-architecting applications, possibly dual-running costs during transition, and retraining staff. In contrast, a hybrid approach allows for spreading these costs over time. Many **SMEs start by moving low-hanging fruit** (e.g. email, collaboration tools) to SaaS/cloud, which often reduces some immediate costs (e.g. decommissioning old email servers) and improves service levels, then evaluate other systems step by step. This phased approach, maintaining hybrid infrastructure in the interim (which can be years), is **financially less risky**. It also allows savings from initial cloud moves to fund subsequent ones partially. In essence, a hybrid cloud is a pragmatic financial strategy for mid-sized firms to modernize IT without betting on the whole budget at once.

Cloud as OpEx vs On-Prem as CapEx
Some companies prefer the OpEx model of cloud (pay monthly for what you use), but others find value in the CapEx model of owning infrastructure (amortizing hardware over the years). SMEs might not want to convert all IT spend to OpEx depending on the accounting and cash situation. Hybrid lets them maintain a mix: continue deriving value from past CapEx (on-prem gear) while incrementally increasing OpEx for new cloud services. This financial flexibility is another reason hybrids persist. Notably, **SMBs globally have been rapidly increasing cloud spending (47% of their tech budget in 2022, heading over 50% in 2023)**, yet that still means roughly half of spend remains on traditional IT – reflecting a hybrid budget allocation, see Cloudzero article reference above.

In short, economic pragmatism drives SMEs to hybrid cloud. Moving every system to the cloud is often not cost-effective or necessary, and doing so could strain budgets or waste existing assets. Hybrid models let mid-sized enterprises enjoy some cost benefits of cloud (scalability, outsourcing infrastructure management for certain apps) while avoiding the massive price tag of an all-cloud overhaul. This balanced approach will persist as long as cost profiles differ between on-prem and cloud.

6C. Common Workloads and the Microsoft Ecosystem Transition

Another practical reason the hybrid cloud is "sticky" as a model is how typical enterprise workloads are evolving – especially in environments dominated by Microsoft technologies (common in DACH SMEs). Many mid-sized companies have run their core IT services on Microsoft on-premises software (Windows Server, Active Directory, Exchange email, file servers, SQL databases, etc.) for years. Recently, there has been a strong push (including from Microsoft itself) to move these workloads into Microsoft's cloud services like Microsoft 365 (Office 365) and Azure. However, the transition is often partial and Hybrid by design rather than a full swap overnight.

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A clear example is **email and collaboration**
Historically, a mid-sized firm in, say, Switzerland might have operated an on-premises Microsoft Exchange server for email and a SharePoint server for internal files. Today, that firm has likely adopted Microsoft 365 cloud services – Exchange Online for email, SharePoint Online/OneDrive for file storage, Teams for communication, etc. Indeed, Office 365 adoption in Europe has been huge; already **by 2018 around 65% of organizations in EMEA were running Office 365 (vs only 19% using Google G Suite), and the percentage has grown since. As of 2023, on a global scale, only 16% of Exchange mailboxes remain on-premises – meaning 84% of organizations' email accounts are now in cloud services** – see for yourself on Statista. But you need an account 😊. This mass migration of commodity services (email, file storage, office apps) to the cloud has been a major driver of hybrid environments. Companies rarely shut down everything else at the same time as moving email. Instead, they integrate their new cloud productivity suite with the existing on-prem directory and applications.

Hybrid identity and integration
In these scenarios, businesses run in a hybrid identity mode – for example, maintaining an on-premises Active Directory for user authentication, which is synced with Azure Active Directory for their Microsoft 365 cloud services. User mailboxes and documents might now reside in Microsoft's data centres, but other applications (ERP, manufacturing systems, custom apps) might still reside on local servers. This requires a hybrid architecture (connectivity, sync, and sometimes hybrid Exchange servers for management) that can persist indefinitely. For many mid-sized firms, the end state is not 100% cloud; it's running core collaboration and ERP systems in SaaS but still keeping specific databases or legacy tools in a company-owned data centre. Microsoft's strategy itself acknowledges this reality – offerings like **Azure Stack** (which allows running Azure cloud technology on-premises) explicitly cater to hybrid needs and have seen strong adoption (Azure Stack usage reached 37% of surveyed companies' private cloud deployments, surpassing VMware's traditional on-premise cloud software).

Typical use cases that stick on-prem
Beyond legacy, some workloads are kept locally for performance or compliance. For example, databases that require high I/O and are tuned on specific on-prem hardware or file servers for large engineering files accessed over the LAN might not be suited for cloud due to latency or bandwidth concerns. Companies often choose a **"cloud-first but not cloud-only"** approach: migrate what makes sense (such as CRM to Salesforce, email to Office 365, HR systems to SaaS), but retain on-prem systems if there's no strong business case to move them. The result is an IT portfolio distributed across cloud and on-prem, which needs to be managed together. A European Commission report in 2023 noted that **of those firms using cloud, the most common uses are hosting email, file storage, and office software,** the european report can be reached here! Specifically, suites like Microsoft 365 provide services as follows: More complex or sensitive systems (like database transaction systems) were less universally moved, indicating many companies keep those in-house or in private data centres.

This reinforces Hybrid as a permanent state: typical workloads have bifurcated – with collaboration and productivity tools essentially going to cloud SaaS, while many operational systems and speciality applications remain on-prem. The two halves must co-exist. For a mid-sized enterprise in DACH, it's very realistic that they will *always* have a mix – e.g. Office 365 and maybe an Azure-hosted website, but also an on-premises finance application and factory-floor control system that may never fully leave their site. The IT team's challenge becomes integrating and managing across these environments (identity management, networking/VPN, data integration), essentially mastering hybrid IT as a steady state.

European Market Trends Supporting the Hybrid Model

Looking at broader trends in Europe, it's clear that the hybrid cloud is not a niche or interim scenario – strong statistics and growth patterns back it, see all details here! A summary below:

Cloud Adoption Still Partial
Europe has been somewhat cautious in cloud adoption compared to the U.S., and many firms only use the cloud for certain functions. As mentioned, only **42–45% of EU enterprises use any cloud services as of 2023.** The majority of companies have not "fully cloudified" their IT. This suggests a landscape where many organizations either remain entirely on-premise or use hybrid approaches. Even among cloud adopters, a considerable share use a mix of cloud service models – Eurostat data shows that **of those using the cloud, over 75% purchase advanced cloud services like database hosting or platforms, not just basic email.** This indicates a layering of the cloud on top of existing systems. In countries like Germany and Austria, where overall cloud uptake has lagged behind Northern Europe, hybrid cloud becomes the practical path to modernization – adding some cloud to a still substantial base of on-prem IT.

Enterprise IT Spend Shifting Gradually
Gartner's forecasts show cloud spending growing rapidly, but traditional IT spending remains significant. In 2022, Gartner noted 58.7% of IT spending was still on conventional (non-cloud) solutions, though cloud spending is catching up and projected to overtake traditional by around 2025. During this transition, hybrid IT dominates. IDC's research for EMEA confirms that organizations are increasing investment in the cloud while also maintaining on-prem environments. For instance, one IDC survey found that **55% of enterprises still hold their own on-premises infrastructure alongside cloud usage.**

Hybrid as IT Strategy, Not Accident
Five years ago, some viewed hybrid cloud as a transitional strategy – a bridge until cloud maturity or until legacy systems could be retired. However, **CIOs are formally planning for Hybrid as a sustained strategy. In Europe, 78% preference for hybrid/multi-cloud was noted earlier.**

Rise of Managed Hybrid Services
The market is responding to Hybrid's permanence by offering more solutions to manage and optimize hybrid clouds. In Europe, managed service providers and vendors are tailoring offerings for hybrid complexity. IDC notes that the role of managed service providers is becoming critical in hybrid cloud adoption – helping organizations handle the technical integration and operations across on-prem and cloud. The fact that an ecosystem of tools and services (from hybrid cloud management platforms to sovereign cloud services) is growing indicates that hybrid cloud is not going away. Instead, companies seek better ways to run it. Even European governments promote "cloud interoperability" and data portability (e.g., the GAIA-X initiative) to ensure businesses can confidently use hybrid and multi-cloud setups without losing control. All these trends reinforce Hybrid as the new normal state of affairs.

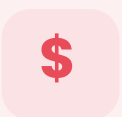
Counterarguments: Is Hybrid Cloud Just a Transitional Phase?

No analysis is complete without examining the counterarguments. Some industry voices argue that a hybrid cloud, while common now, is not the ideal end-state. They suggest it's a compromise born from lagging cloud adoption or temporary constraints – and that eventually, most workloads *should or will* reside in the cloud (public or private) for optimal efficiency. Key points from this perspective include:

Complexity and Efficiency
Running a hybrid cloud is inherently more complex than operating in a single environment. There are additional layers of integration, networking (connecting on-prem data centres to the cloud), multiple management interfaces, and fragmented tooling. Detractors argue that this complexity can erode the supposed benefits. For instance, maintaining on-prem servers alongside the cloud can increase the operational workload on IT staff. An IDC report found that organizations spend ~55% more time on security management in hybrid environments than cloud-only setups. The logic is that two environments mean two sets of patching, monitoring, and security processes – effectively doubling certain efforts. Security can be particularly challenging; Hybrid means a larger "attack surface" (more endpoints and interfaces to secure) versus a consolidated cloud environment.

Performance and Reliability
Advocates of full cloud note that hyperscale cloud data centers offer performance, scalability, and resilience levels difficult to achieve on smaller on-prem systems. Modern cloud architectures automatically replicate data across zones, scale on demand, and provide global content delivery, etc. If done right, a cloud-native application can leverage these features for better uptime and user experience. Some experts, therefore argue that clinging to on-prem infrastructure could hold back an organization. They point out that many "cloud-first" companies operate with great success entirely on public cloud platforms, suggesting that fears about cloud reliability or security are often unfounded. Cloud providers invest more heavily in security and compliance than any mid-sized firm could.

Transitional Nature of Legacy
Another counterargument is that *hybrid systems are largely a byproduct of legacy systems that will eventually be replaced.* As older applications reach end-of-life or companies undertake digital transformation projects, they may replace them with cloud-native solutions, thereby eliminating the need for on-premises components. From this view, a **Hybrid is a temporary state during a cloud migration journey.** A common analogy is the evolution of electricity or telecom – at one point companies ran their own generators or PBX systems (on-prem). Still, over time, these became fully delivered as a service by utilities. Cloud optimists believe a similar shift will happen: today's "hybrid" organizations are on the path to outsourcing more and more IT to cloud services until only very specialized gear remains on-prem (or none at all except user devices). They might concede that some ultra-legacy systems persist, but eventually, those businesses will age or modernize. They see Hybrid as a stepping stone – necessary for now, but not a permanent destination.



Economies of Scale and Innovation
Cloud providers can offer new capabilities (AI services, big data analytics, etc.) that on-prem environments struggle to match. There's a view that companies going "all cloud" can innovate faster by plugging into the rapid advancements the cloud hyperscalers provide. If Hybrid slows down adoption of these innovations (because of data silos on-prem or not using cloud-native tooling fully), it could be seen as strategically suboptimal long-term. As more next-generation workloads (IoT, AI, edge computing) come into play, one might argue that a unified cloud platform is easier to build those on, whereas a hybrid platform requires bridging the old and new constantly.

Counterpoint to the Counterarguments
While these arguments have merit (hybrid cloud does introduce management challenges and isn't always the most elegant design), the reality for DACH mid-sized firms is that *constraints trump ideals*. The presence of legacy systems, regulatory requirements, and cost constraints are not abstract – they are very real and will not simply vanish in a year or two. A cloud-only approach might maximize simplicity and performance in an ideal world with unlimited resources and no legacy baggage. But in practice, CIOs must play the hand they're dealt. For most, that means negotiating a coexistence of old and new technologies. It's also worth noting that even cloud-pure organizations sometimes reverse course: there's a growing anecdotal trend of "cloud repatriation" for certain workloads (pulling them back on-prem to cut costs or improve control). This underscores that the pendulum isn't all one-way towards the cloud. As one analysis stated, organizations should not view cloud migration as a one-way path; it's often about finding the right balance, and workloads can move in either direction as needs change.

Additionally, edge computing is emerging, which inherently extends cloud services back onto local sites (factories, stores, etc., running edge nodes that connect to the cloud). This is effectively a new form of hybrid cloud – and it's growing because specific processing needs to happen close to where data is generated (for latency or privacy). In manufacturing or critical infrastructure (common in DACH), edge computing will ensure some on-prem computing stays relevant, integrated with cloud for centralized services. So, rather than being fully centralized, the future could be even more distributed – "cloud everywhere," including on-premises, but managed in a hybrid fashion.

In summary, while some organizations may eventually achieve an all-cloud environment, for the vast majority of mid-sized European enterprises, the Hybrid is a long-term reality. The counterarguments highlight challenges to mitigate (e.g. investing in unified security management, automation to handle complexity, etc.). Still, they do not negate the fundamental drivers that make Hybrid the pragmatic choice.

Conclusion: Embracing Hybrid Cloud as the New Normal

All evidence points to one conclusion: **Hybrid cloud is not a transient phase for SMEs in the DACH region – it's the new normal and likely the dominant model for years to come.**
European IT leaders increasingly accept that a mix of on-premise and cloud resources is the optimal way to meet all their requirements. Economic prudence, legacy technology, and regulatory considerations create a landscape where few can go "all cloud," and importantly, few need to. Instead, CIOs are focusing on **how to make hybrid cloud work effectively** as a permanent strategy. This involves investments in integration, security, and management tools and choosing vendors that support hybrid flexibility. The slight **Microsoft-oriented landscape** of many mid-sized firms makes Hybrid especially salient – as they adopt Microsoft 365/Azure, they often end up with hybrid identity and workloads by design, and Microsoft's solutions themselves cater to hybrid deployments (e.g. Azure Arc, hybrid licenses).

From a **financial and operational standpoint**, treating hybrid cloud as a long-term model encourages better planning: organizations can develop governance policies for workload placement (what stays on-prem vs goes cloud), train staff on managing both environments and **implement cost management (FinOps) across hybrid clouds to optimize spend.** If one were to think Hybrid is just a short-lived stage mistakenly, they might under-invest in these areas. The smarter approach, evident in successful European enterprises, is to **manage hybrid complexity and turn it into an advantage proactively.** For example, using a mix of clouds and on-prem, companies can achieve greater resilience (failover between on-site and cloud), data locality when needed, and the ability to modernize incrementally without disrupting core operations.

SMEs across DACH aren't clinging to on-prem out of nostalgia. It's about:

The data and trends reinforce that Hybrid is a lasting paradigm: nearly every enterprise will operate in multiple environments (on-prem, private cloud, one or more public clouds) for the foreseeable future. Thus, CIOs should embrace hybrid cloud as the default and align their IT strategy accordingly. Rather than view it as a compromise, they can view it as a best-of-both-worlds approach that combines the stability, control, and sunk-cost benefits of on-prem systems with the agility, scalability, and innovation of the cloud. This balanced approach is culturally and practically a fit in the DACH context, where caution often tempers IT decisions.

To be clear, **hybrid cloud's "new normal" status does not mean static** – it will evolve. We expect to see more orchestration and integration tools making hybrid operations seamless, more standards for interoperability to avoid lock-in, and continued shifts of specific workloads to the cloud (while perhaps some critical ones move back on-prem or to edge). But the overarching theme is coexistence, not replacement. A hybrid model allows mid-sized enterprises to modernize on their own terms. As one IDC analyst put it, the hybrid cloud has become a critical component of modern IT infrastructure because it "blends the strengths of private and public clouds to foster efficiency, performance, and agility" - In other words, it's a feature, not a bug, see great blog from IDC.

In conclusion, mid-sized companies in Germany, Austria, Switzerland and across Europe should view the hybrid cloud as a permanent operating model that can be optimized and leveraged, but not simply waited out. The evidence in economic data, adoption rates, and strategic surveys all support the validity of hybrid cloud as the new normal. It's time to plan for a future where on-premises and cloud systems live side by side as first-class citizens in the IT estate. Embracing that reality will enable CIOs to get the best value out of both worlds and navigate the subsequent phases of digital transformation with flexibility and confidence.

Get to speak to a specialist

References

As this is a meta-study, the complete list of articles, studies, and blogs we have been reading is below for you to validate or further investigate.

IDC Europe (2024) – *"Mastering Hybrid Cloud in Europe"*: Hybrid cloud accounted for 31% of IT budgets in 2023, expected to reach 48% in two years blog-idceurope.com; seen as an indispensable, not just a trend blog-idceurope.com.

OECD (2021) – *"SMEs Going Digital":* Trust and sovereignty concerns hinder full cloud adoption. Preservation of data sovereignty is a key reason SMEs retain on-premise IT, due to fear of losing data control and uncertainty over data location/regulations oecd.org. Also mentions risk of lock-in due to lack of cloud standards, making some firms wary of going all-cloud oecd.org.

Eurostat (2023) – *Cloud computing use by enterprises:* ~45% of EU enterprises use cloud services (2023), mostly for email/office apps ec.europa.eu. Near 100% internet availability, but cloud uptake varies by country (e.g. ~ fifty-percent in Germany/Austria) ec.europa.eu

Statista (2023) – Microsoft Exchange deployment: only **16% of Exchange mailboxes were on-premises in 2023** (global) statista.com, showing the vast majority moved to cloud-based Exchange Online. This exemplifies one major workload category largely moving to cloud, often resulting in a hybrid identity/email configuration for organizations.

Veeam (2024) – *Data Protection Report:* **55% of workloads remain in data centers vs 45% in cloud (2024)**, showing on-prem is far from dead veeam.com. Cloud migration isn't one-way; many organizations maintain hybrid distribution veeam.com.

Leaseweb/IDC Deutschland (2023) – *"Cloud in Germany 2023"*: Survey of 200 DACH companies (>100 employees) finds **cloud-hosted apps will rise from 43% in 2023 to 59% by 2025** leaseweb.com, but skills shortages and data sovereignty are key challenges.

Nutanix (2022) – *Enterprise Cloud Index (Germany):* Only 22% of German firms run on-premises–only infrastructure; hybrid models dominate the rest. **Hybrid multi-cloud expected to reach 50% penetration in Germany by 2026, becoming the standard** connect-professional.de. On-prem-only will drop slightly to 18% connect-professional.de.

Xcelerate Tech (2024) – *Hybrid Cloud for SMEs:* Cites that **90%** of enterprises worldwide likely will have hybrid management capabilities by end of 2024 xcelerate-tech.com, highlighting global ubiquity of hybrid.

CloudZero (2024) – *Cloud Statistics Report:* Most organizations (39%) deploy hybrid cloud vs 36% last year cloudzero.com; 67% use public cloud, 55% still on-prem, 45% use private cloud (many use all in combination) cloudzero.com. Also, SMEs now spend ~50% of IT budgets on cloud (2023) cloudzero.com, up from 47% in 2022 – significant, but still leaving ~50% on traditional IT spend. Cost control is a motivator: 395 respondents cited cost efficiency as a reason for hybrid/multi-cloud adoption cloudzero.com.

Gartner via CloudKeeper (2025) – **Noted 90% of organizations will adopt hybrid cloud by 2027** cloudkeeper.com, **and ~78% are pursuing hybrid/multi strategies to avoid lock-in.** Traditional IT spend still slightly exceeds cloud spend as of mid-2020s, but crossover is imminent cloudzero.com.

Visage Imaging Blog (2024) – *"Why Hybrid Solutions Compromise..."*: An example of the counterargument in healthcare IT – claims hybrid adds complexity and **55% more security management effort than cloud-only** blog.visageimaging.com. Asserts that fully cloud can offer better performance and security if properly implemented blog.visageimaging.com, though this view is specific to certain use cases.

ChannelE2E / Bitglass (2018) – Cloud adoption in EMEA was rapid, with **65% of orgs on Office 365 by 2018** channele2e.com (far outpacing Google Apps). Illustrates the strong shift of common apps to cloud, likely even higher today, which contributes to hybrid IT environments (cloud for productivity, on-prem for other systems).