



AI Budget Planning for 2025: Modernize to Compete



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This year, the leading disrupter to your IT budget planning probably isn't supply chain disruptions, hybrid work issues, or runaway inflation like it was last year.

Your main challenge this year is likely how to incorporate and pay for the most significant technology trend in decades, AI, so you don't fall behind and can capitalize on its promises.

In this paper, we look at the data, trends, strategies, and costs related to integrating AI into your 2025 IT budget.

We explore the current sentiments of CEOs towards AI, backed by recent Gartner surveys, and provide insights into the latest trends and predictions regarding AI adoption and spending. We explain why modernizing your IT infrastructure is the critical first step, the financial implications of cloud migration, and why companies should develop two AI tracks simultaneously. We also weigh in on whether you should train your existing workforce on AI or hire AI experts and share what our clients are doing (and spending) to integrate AI strategically.

Let's start with the [most important question for IT budgeting in 2025](#) from an AI perspective — what does your CEO think?

Most CEOs are bullish on AI. Is yours?

According to the [Gartner CEO and Senior Business Executive Survey](#), 87 percent of CEOs surveyed agree that AI's benefits outweigh its risks. In addition:

- Three times more CEOs believe this year than last that AI will impact their industries more than any other technology.
- Half of CEOs include generative AI (GenAI) in their productivity plans, and of those that do, more than a third expect it to boost productivity by more than 15% within two years.
- Half of CEOs have used GenAI personally.
- 13% of CEOs are leading their company's AI initiatives themselves.

And, while the vast majority of CEOs believe AI will help them maintain or grow company revenue, they're not sure how.

If your CEO is bullish on AI, expect AI to be a prominent focus in your IT budget for 2025.

Modern infrastructure runs AI and other advanced technologies

AI can access data in the cloud much more easily than by connecting AI technology to legacy sources.

That's why moving to the cloud to modernize your IT environment for AI is one of Leapfrog's top three recommended focus areas for 2025 IT budgets (the other two are updating cybersecurity protocols and streamlining for efficiency).

The shift to the cloud isn't just about leveraging AI; it's about embracing a modern IT environment that powers today's innovative tools and processes. The digital transformation was underway even before the pandemic, and staying ahead means adapting to these changes.

While it might feel daunting to migrate from significant investments in non-cloud infrastructure, running a hybrid environment is becoming increasingly costly—by as much as 20-30% annually. The sooner you embrace cloud modernization, the sooner you'll gain a competitive edge and avoid costly delays.

Leapfrog has seen our mid-market clients adjust their IT budgets to execute IT modernization plans successfully within 12 to 18 months.

Your company needs a modern IT environment to leverage most of the innovative tools and processes driving business today.

What's the world spending on AI-related transformations? (Hint: a LOT)

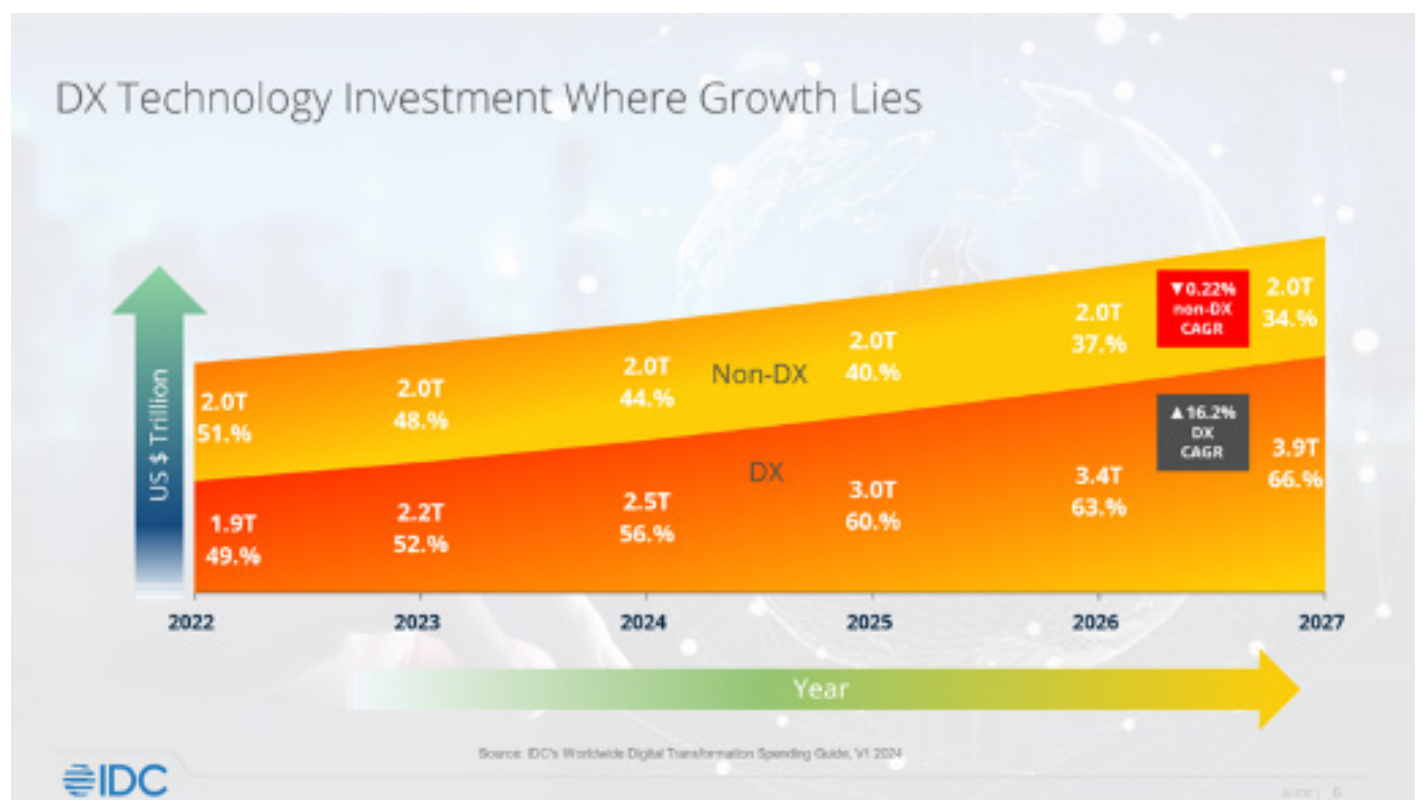
International Data Corporation (IDC), a global technology market intelligence and data provider, expects spending on cloud computing and storage infrastructure products for cloud deployments to increase by 18.5% over the next year. It also expects spending on shared cloud infrastructure, such as Azure and AWS, to grow by 21.6%. Together, that's an increase of just over 40%.

Meanwhile, it expects spending on non-cloud infrastructure to decline by 1.4%.

Digital spending now represents a larger share of total information and communications technology spending than non-digital spending. AI and GenAI digital transformation projects are driving much of this trend.

Gartner research shows that [IT spending is up 8% overall this year](#), largely fueled by spending on AI. The trend is clear. Companies are transitioning from talking about AI to investing in it.

Gartner analysis:
Companies are transitioning from talking about AI to investing in it.



Source: IDC 2024

Both overall IT spending and the share of DX (digital) spending over non-DX spending are growing. During the past two years, spending was almost evenly split between the two, and by 2027, DX is expected to account for 2/3 of all IT spending.

Everyday AI and Game-changing AI — budget for parallel paths

What's the best strategy to budget for AI in 2025? Start by dividing AI conceptually into two categories, as Gartner suggests in [Get AI Ready: Action Plan for IT Leaders](#):

1. **Everyday AI** helps humans work faster and more efficiently
2. **Game-changing AI** enables new products, services, and core capabilities

Both categories require the same IT modernizations to deliver easily accessible data and enough computing power to process complex requests and for machine learning.

Start by mastering everyday AI and then progress to leveraging game-changing AI.

Get everyday AI wins from within your operations budget

Allocate funds for everyday AI in your operations budget. Chances are you're already racking up some everyday AI wins — you're probably testing out a GenAI platform or two. Many of Leapfrog's clients are having success with Microsoft Copilot.

Once you see how AI can benefit your company on a micro level with everyday AI — such as employees saving an hour each day that they can now use more productively — you'll be ready to plan for game-changing AI plays that can significantly impact your ROI.

These quick wins have low-cost adoption barriers, allow you to get your AI sea legs, and can boost productivity across your entire organization.



The table below shows some examples of everyday AI quick wins that companies can realize within the five main GenAI areas.

Boost Productivity with Wins Using Everyday GenAI

	Objective	Use AI for Quick Wins
Infrastructure	Enhance your network	<p>Automate administrative and security functions within your tech stack.</p> <p>Choose computers with AI-enhancing processors when you refresh to Windows 11 after Windows 10 reaches its end of life in October 2024.</p>
Software	Enhance your Operating Systems and Applications	<p>Subscribe to Microsoft Copilot for GenAI general business use because it integrates with Office 365 and Windows OS on laptops and desktops.</p> <p>Migrate your line of business (LOB) applications to cloud versions and look for AI plugins to help save time or improve existing processes. Adobe, Dynamics 365, and other LOB applications are adding plugins and features.</p>
Security	Ensure Data Privacy	<p>Adopt cloud provider tools for data encryption and access control to enhance data security quickly.</p> <p>Implement data classification and Data Loss Prevention (DLP) solutions like Microsoft Purview to gain control and visibility into what company data is being exposed to AI.</p>
Operations	Integrate and automate	<p>Build automation scripts or chatbots for routine (or tedious) everyday operational tasks and interactions.</p> <p>Leverage your platform to help complete timesheets and expense reports.</p>
Data	Categorize data and upgrade storage	<p>Migrate company file-level data and databases to the cloud (Azure, AWS, Google) and organize and classify that data so that your staff can use it safely with AI.</p> <p>Use Microsoft's migrate tool to import data straight from other shadow IT locations like Dropbox, Box, or ShareFile, and allow the AI in Office365 to suggest data classification types for this information based on built-in templates.</p> <p>Leverage AI to recommend data classification types (data labeling) for documents and data sets as the user generates them.</p>

Get game-changing AI wins from within initiative budgets

Game-changing AI is different. It requires its own budget. Rather than adjusting your IT operations budget to enable new platforms, game-changing AI is part of a use-case initiative that depends on AI to succeed.

You must have a [modern, AI-ready environment to earn wins from any game-changing AI initiative](#). The last thing an executive team wants is to develop a groundbreaking idea only to discover that their IT environment can't run the required AI.

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Remember that AI needs (trained) people

Leapfrog is seeing enormous GenAI interest (and concerns) across our client base because they want to leverage the possibilities while remaining secure. They understand that talking with computers differs from talking with humans, so there's a learning curve to developing effective prompt skills — it's not like talking to Siri or Alexa. And it takes time to learn these skills.

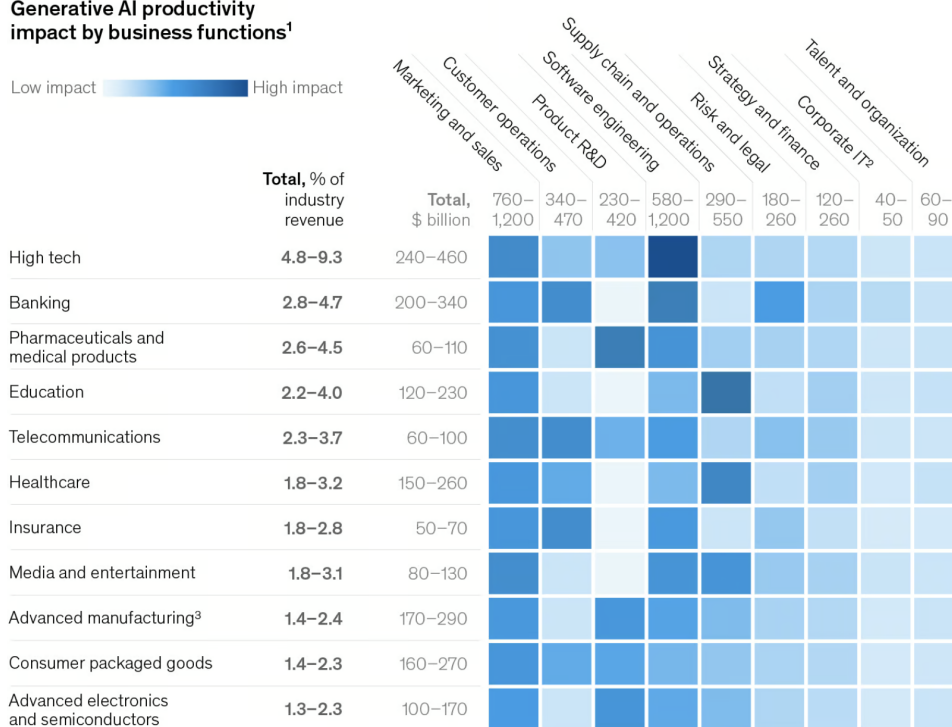
In [Should You Hire or Upskill to Leverage AI?](#), Leapfrog looks at the AI learning curve, prompt engineers (and their salaries), and enterprise integration options as the fast-track strategy. For 2025, it's important to budget to train your existing workers and hire AI experts for use-case initiatives you have in queue.

To start training your team, you need a [written GenAI acceptable use policy](#) and one or two GenAI platforms on board. Here is an example of our [internal policy](#) to use as a guide. Your in-house cybersecurity team will likely need to get additional training, too. If you outsource cybersecurity, confirm that your partner's team is [up to date with GenAI security protocols](#).

The McKinsey & Company report titled [The economic potential of generative AI: The next productivity frontier](#) includes an analysis of GenAI use cases across different business functions and industries. You can use the data for guidance on where to focus your GenAI training and hiring.

Generative AI productivity impact by business functions¹

Low impact  High impact



Note: Figures may not sum to 100%, because of rounding. ¹Excludes implementation costs (eg, training, licenses). ²Excluding software engineering.

³Includes aerospace, defense, and auto manufacturing. ⁴Including auto retail.

Source: Comparative Industry Service (CIS), IHS Markit; Oxford Economics; McKinsey Corporate and Business Functions database; McKinsey Manufacturing and Supply Chain 360; McKinsey Sales Navigator; Ignite, a McKinsey database; McKinsey analysis

Source: McKinsey & Company

Let's talk dollars — what can you expect to spend on GenAI in 2025?

Our client base is made up of midmarket companies across many industries, especially business services, manufacturing, real estate, healthcare, and nonprofits. We've seen that a 50-75 person company can expect to make a \$100k investment in 2025 to get in the GenAI game. The investment includes:

1. Infrastructure: The cost of subscriptions, monitoring, and management is about the same as owning and managing your physical infrastructure, so don't expect to save money by moving to the cloud — it's one of our [3 Hard Truths About Cloud Migration](#). For replacement assets, choose ones that are AI-ready so you're prepared for AI-dependent initiatives.

2. Software: Everyday AI apps will cost about the same as your back-office IT infrastructure. For example, subscribing to Copilot will cost an additional \$30-\$100 per head.

3. Security: AI-related security costs vary greatly by industry and individual business infrastructure — see [Safely Leap into AI Technology – Protect Your Company's Data and Networks](#). At a minimum, budget for data protection and privacy, compliance, securing your AI models (and maintaining logs), employee training, and other risk areas.

4. Operations: Budget to standardize as much infrastructure as possible within a single ecosystem to create the simplicity that enables you to control costs. Your costs will be primarily tactical and should pay you back within the calendar year or over a couple of years if coding is required.

5. Data: The most effective way to budget for GenAI integration in 2025 is to budget for moving data to the cloud strategically. If you're already in the cloud, your data costs won't change much. If you're moving to the cloud, you can expect to pay double or triple for your subscription over three years compared to what you're paying now for on-premises data, which includes the investment in the hardware for the same amount of capacity.

The costs of modernization may seem high, but the benefits of migrating to the cloud outweigh the lower costs of continuing to use data centers.

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Embrace the AI evolution for your business to thrive

Adapting to disruption is rarely cheap and easy, and AI is a seismic shift. Businesses that prosper by using new technology keep an eye on the opportunities and embrace the concept that tech is always (always!) changing. Companies are never “done” when it comes to modernizing and keeping up.

Regardless of where you are on the GenAI and AI journey, Leapfrog can help.

We understand that every mid-market company is different, and we work with you to find the right approach to help you modernize and operate seamlessly and securely throughout the transition.

Since 1998, we’ve been guiding clients through the IT budgeting process, which invariably includes new technology integrations. If your company is interested in learning more about how [partnering with the Leapfrog team can benefit you](#), please get in touch.

Leapfrog offers outsourced managed IT and cybersecurity services that fit easily into your business model. With 25 years of MSP, MSSP, and CyberRisk Management experience, we help a broad array of companies simplify their IT operations while improving their security and resiliency. Our services are scalable, aligned, and built on a proven methodology, and our culture (we call it “Frogma”) is built on Integrity, Service, and People so you get personalized, best-in-class support.

96%

say they will continue to partner with Leapfrog for the next 12 months

97%

say Leapfrog is more effective than their in-house IT staff

96%

are happy with our after-hours support

97%

have confidence in Leapfrog security

If you're ready to take your IT and cybersecurity to the next level, Leapfrog is ready to help. Please call 866-260-9478 or contact us at sales@leapfrogservices.com.



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