THE GREAT VIRTUALIZATION RESET: WHY IT'S MORE THAN JUST A VMWARE QUESTION

Executive snapshot

The virtualization disruption window is here—and It's bigger than a binary VMware®-or-not decision

Enterprises are in the midst of a pivotal 18-to 24-month disruption window. And Broadcom's VMware pricing shock was the catalyst. In December 2023, VMware licensing shifted to subscription-only models with new per-core pricing and bundle requirements. Changes hit new customers immediately and were applied to renewals from February 2024. It's significant news for the majority of today's enterprises, as findings of our 2026 survey[1] reveal over half (54%) are currently running a primarily VMware-based virtualization setup.

Faced with the resulting dramatically increased costs and constrained choice, businesses are now in the phase of re-evaluating their virtualized estates. But many are wrestling with the change as a narrow question: whether to stick with VMware and go hybrid/private or migrate away entirely.

64%

Number of surveyed enterprises that are actively planning or executing targeted "VM Reset" initiatives[2]

This narrow approach is far from future-proofed because the disruption is bigger than a single hypervisor question. It's a tipping point in a converging wave of megatrends—rising cloud costs, accelerated technology developments, skills gaps within infrastructure and operations (I&O), and an expanding volume of vulnerabilities over sprawling hybrid environments. Decisions made now will shape business competitiveness for the next decade.

The pricing shock that triggered the "Great Virtualization Reset" is only the spark. What's burning underneath is a strategic need to completely rethink cloud I&O—to empower enterprises with the ability to navigate challenges with an agile, simplified hybrid cloud operating model.

> The Great Virtualization Reset isn't just about hypervisors. It's the tipping point in a wave of megatrends demanding a complete rethink of cloud infrastructure and operations.

The task at hand is to ensure flexibility and simplification; it's about building an operational layer that unifies governance, automation, and visibility across all environments, giving enterprises centralized control over fragmented infrastructure. **For smart companies, this operational transformation isn't just an upgrade—it's the decisive move that will set them apart in the months and years ahead.**

Why this moment matters

AI-readiness overconfidence and operational vulnerabilities loom large, compounding cost pressures

The shock of VMware pricing is only part of the challenge for today's organizations. On top of this, technology acceleration and risk escalation make the ongoing business disruption far more complex.

Cost pressures are mounting. The VMware licensing change has amplified financial strain, but it's not the sole culprit with fewer than one in 10 enterprises we surveyed (4%) citing licensing costs as the single biggest catalyst for virtualization.[3] Driven by increasing AI deployment, public cloud costs were already climbing faster than expected, leaving enterprises with cloud bills averaging 17%[4] above budget this year. Cost unpredictability has suddenly become a board-level concern as organizations struggle to manage cloud spend, impacting how they're delivering against business goals.

> ## "We're under pressure to do more with the same infrastructure budget—every platform decision is now scrutinized for long-term cost impact."
>
> —**Response from business decision-maker on drivers behind virtualization strategy**, from HPE Business Transformers Community: Great VM Reset Customer Insights Survey

While confidence in budgets may be low, assuredness in AI readiness is not. This year, **22%[5] of organizations (versus only 15% last year) have already operationalized AI**.

More than two thirds of enterprises are planning material changes to their virtualization strategy within the next two years[6]

but only **5%** are fully ready
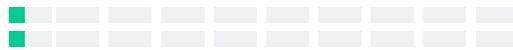
Fewer than one in 10 enterprises (4%) cite licensing costs as the single biggest catalyst for virtualization, indicating the urgency isn't about price alone but a need for AI readiness.[7]

Q9: To what extent has the Broadcom–VMware acquisition and subsequent licensing changes influenced your virtualization strategy? N =376

Category	Percentage
No impact	21%
The single biggest catalyst for change	4%
The primary driver of change	19%
One of several important drivers	31%
Minor influence but not a major driver	25%

[3] HPE Business Transformers Community: Great VM Reset Customer Insights Survey, December 2025–January 2026

[4] Flexera (2025), 2025 State of the Cloud Report: 84% of organizations struggle to manage cloud spend. Available at: flexera.com/about-us/press-center/new-flexera-report-finds-84-percent-of-organizations-struggle-to-manage-cloud-spend (Accessed: December 17, 2025).

[5] Hewlett Packard Enterprise (2025), HPE simplifies and accelerates development of AI-ready data centers with secure AI factories powered by NVIDIA. Available at: hpe.com/us/en/newsroom/press-release/2025/12/hpe-and-nvidia-simplify-ai-ready-data-centers-with-secure-next-gen-ai-factories.html (Accessed: December 17, 2025)

[6,7] HPE Business Transformers Community: Great VM Reset Customer Insights Survey, December 2025–January 2026

The growing enterprise investment in AI is inevitable in our era of unparalleled technology acceleration; a clear indication of changing business priorities. Alongside greater adoption is greater demand from the AI workloads themselves. Gartner[8] predicts 50% of cloud compute resources will be devoted to AI workloads by 2029, up from less than 10% today. This shift exposes a critical truth: AI is the ultimate hybrid workload. It demands dynamic scaling and unified data foundations that brittle, VM-only operating models simply cannot deliver.

> When shaping future virtualization and private cloud strategies, enterprises say access to unified backup and cyber-recovery (70%), cross-platform governance (61%), and integrated observability and AIOps (55%) are very important or business critical.[9]

Risk escalation adds yet another layer of landscape complexity, bringing greater security threats to operational gaps arising due to talent shortages and legacy processes. Clearly, it's a risk from all angles:

— **Cyber resilience is under threat:** only 31%[10] of organizations can fully recover from ransomware without paying ransom, underscoring systemic weaknesses in recovery architecture.

— **The skills gap presents a structural constraint:** 6 in 10[11] enterprises cite lack of cloud and automation expertise as a top barrier to executing infrastructure strategies and 67% have already moved to centralized platform teams, signaling readiness for integrated solutions to reduce the need for specialized skills.

— **Manual processes cannot keep pace with sprawling multi-cloud estates:** these siloed environments introduce human error, inconsistent policy enforcement, and compliance gaps, which all create vulnerabilities that scale with complexity. 48% of enterprises we surveyed still juggle five or more observability tools—creating inefficiency and slowing response times.[12]

[8] Gartner (2025), Gartner identifies the top trends shaping the future of cloud. Available at: gartner.com/en/newsroom/press-releases/2025-05-13-gartner-identifies-top-trends-shaping-the-future-of-cloud (Accessed: December 17, 2025).

[9] HPE business transformers

[10] HPE Business Transformers Community: Great VM Reset Customer Insights Survey, December 2025–January 2026

[11] IDC and Zerto (2024), State of DR and Cyber Recovery 2025. Available at: cristie.com/wp-content/uploads/2024/09/IDC-White-Paper_State-of-DR-and-Cyber-Recovery-2025-2025_US52445524.pdf (Accessed: December 17, 2025).

[12] HashiCorp (2024), State of Cloud Strategy Survey: Connecting cloud maturity to business success. Available at: hashicorp.com/state-of-the-cloud (Accessed: December 17, 2025).

> **"We don't have enough people with the right automation and platform skills to move as fast as we'd like."**
>
> —**Response from business decision-maker on barriers to the Great Virtualization Reset,** from HPE Business Transformers Community: Great VM Reset Customer Insights Survey

Overlooking or delaying the strategic next step can be costly, in more ways than one. Aside from enabling spiraling costs, enterprise inaction risks stalled innovation, operational fragility, and exposure to threats that could derail transformation.

The big-picture play is reducing risk

Two questions frame the stakes for CIOs and infrastructure leaders

This moment of converging megatrend challenges forces two critical questions, one from a tactical execution point of view, the other looking at business-aligned strategic direction:

— **Infrastructure leaders are asking:** How can I maintain operational agility amid VMware disruption and growing hybrid complexity?

— **CIOs are asking:** What operating model enables speed, risk control, and AI funding without losing governance?

In either case, the answer isn't an instant fix. Lowering risk means **rebuilding, not simply replacing**. This is good news, as our survey found that most (57%[13]) enterprises we surveyed are already making meaningful but measured transformation rather than wholesale replacement, expecting to transition between 26% and 75% of their VM footprint to a new operating model within three years.

The goal behind the necessary transformation is to create a supportive virtualization architecture that can flex with hybrid demands, scale for AI, and embed security at its core. The big-picture play to meet this moment and ensure future resilience is to **rebuild a "better" operating model**, not swap one vendor or a single component for another. See the **Action Checklist** below for a firmer grasp on what "rebuilding better" might entail.


Action checklist: Rebuilding better

1. **Re-platform** legacy virtualization toward open hybrid cloud operating models with unified governance and cost controls.

2. **Re-prioritize** automation and observability to reduce overhead and boost agility.

3. **Reinforce** AI-ready data foundations for hybrid workloads.

4. **Re-architect** data platforms to escape controller-bound stacks.

Bear in mind that **operational transformation** is neither a "rip-and-replace" task, nor is it about "leaving" the cloud. It's about **right-sizing cloud architecture** to address systemic gaps in platform flexibility, security at scale, and AI readiness. Enterprises need to reframe their approach as a **strategic cloud rebalance plus virtualization modernization**, which means:

— Moving the right workloads closer to data, cost predictability, and sovereignty.

— Leveraging public cloud where elasticity matters.

— Embedding resilience and cyber recovery into the architecture—not as an afterthought.

Armed with the above insights, enterprises must reclaim the Great Virtualization Reset as a strategic moment in time, with a new set of questions: **Why pay more for less agility?** Business cloud bills shouldn't be escalated to a board-level risk but better controlled using per-socket economics. **Why swap one lock-in for another?** Enterprises should stop re-architecting for vendors and rather build for control with scalable AI-ready hybrid architecture.
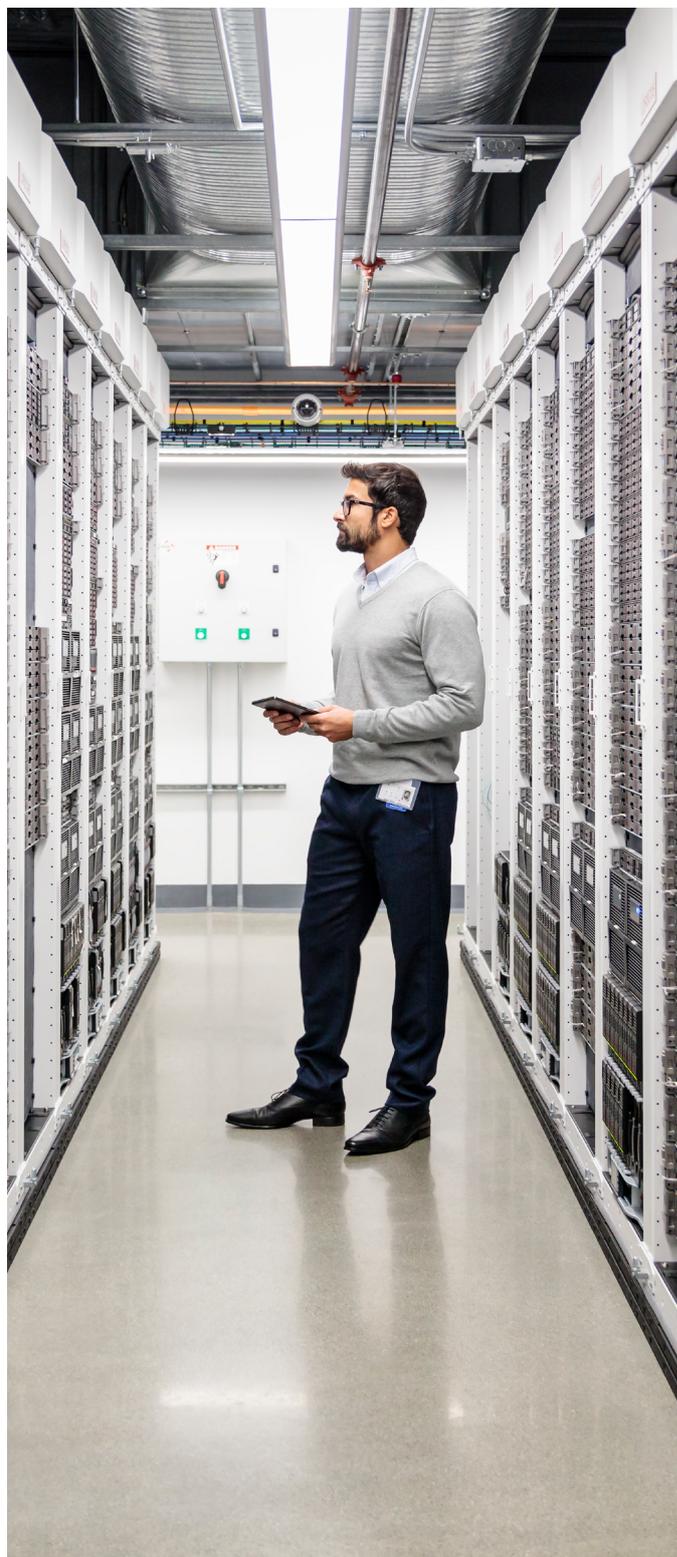
Orienting your first move

Get guidance during (and beyond) the seismic shift

The virtualization disruption window—and the time to act on it—is now. Will you harness it as an opportunity to transform your operational foundation, or face continued cost shocks, compliance risk, and loss of control?

No matter what stage you're in on your Great Virtualization Reset, support is on hand from HPE. Recognized as a Leader in the 2025 Gartner® Magic Quadrant™ for Infrastructure Platform Consumption Services,[14] we believe HPE is a trusted partner for modernizing virtual estates into hybrid environments ready for the AI-driven decade.

Learn more at

HPE.com/cloud

[14] Gartner, Magic Quadrant for Infrastructure Platform Consumption Services, Jeff Vogel, Tony Harvey, Tim Zimmerman, Rene Rodriguez, October 15, 2025
Gartner, Gartner Identifies the Top Trends Shaping the Future of Cloud, May 13, 2025
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