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Cloud vs. On-Premise

The Pendulum Swings —
And Why the Answer Is Neither

A white paper on the infrastructure
recalibration reshaping enterprise IT in 2026

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The Question Every CXO Is Now Asking

Sat in a quarterly review recently. A client pulled up their cloud cost comparison for a new initiative. The number that caught my eye wasn't on the new project sheet.

It was their existing cloud bill. Nearly 3x what they had modelled eighteen months earlier. The question shifted quickly. From 'which is cheaper for the new project' to 'did we make the right call on everything we already moved.'

- That question is becoming more common across industries in 2026. This white paper gives it a data-driven answer.

What the Data Actually Says

Cloud is not dying. Public cloud spending is growing at 21.3% in 2026, with the market projected to reach \$1.48 trillion by 2029 (Gartner, 3Q25). AI is accelerating it, not slowing it. That needs to be said clearly.

But something equally significant is happening in parallel.



Cloud vs. On-Premise

Critically — only 8-9% plan full repatriation (IDC). This is not a wholesale exit from cloud. It is selective, workload-specific migration back. Analysts call it the “cloud reset.”

A further signal: Gartner forecasts sovereign cloud IaaS spending will reach \$80 billion in 2026, up 35.6% — driven by data sovereignty requirements pushing organisations to reclaim control over where their data physically resides.

Why Organisations Are Repatriating

Cost Unpredictability at Scale

~50% of cloud buyers spent more than budgeted in 2023. 59% anticipated similar overruns in 2024 (IDC). The economics of cloud suit variable workloads. For stable, high-volume, predictable workloads — the equation reverses.

37signals moved 7 apps off AWS in 2023. Projected savings: \$10M+ over five years. Uptime maintained at 99.99%. Hardware investment of ~\$700K fully recouped within six months of migration.

GEICO saw its cloud costs increase 2.5 times after spending a decade migrating over 600 applications to public cloud.

Cost Unpredictability at Scale

In India, IRDAI (Maintenance of Insurance Records) Regulations 2015 mandate that all electronic insurance records be held in data centres within India. RBI's Payment and Settlement Systems Directive (2018) requires payment data to stay onshore. The Digital Personal Data Protection Act 2023 adds further obligations.

For regulated Indian BFSI organisations, routing sensitive data through foreign hyperscaler infrastructure is not just a cost question. It is a compliance question.

Private AI Workloads

Organisations deploying private AI — running their own models on proprietary data — are reluctant to share training data with public cloud AI vendors. On-premise GPU infrastructure is increasingly the chosen model for this use case.

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Vendor Lock-In

Broadcom's acquisition of VMware and shift to subscription licensing has made vendor dependency a board-level concern. Organisations are now designing for portability from the start.

The Answer: Intentional Hybrid

Gartner predicts 90% of organisations will adopt a hybrid cloud approach by 2027. The Flexera 2025 report found 70% of enterprises already pursue a hybrid strategy.

The emerging principle is workload-centric infrastructure design:

Deployment Model	Best Suited For
Public Cloud	Variable / bursty workloads. GenAI model access. New application development. Global reach.
Private Cloud / On-Premise	Stable, predictable, high-volume workloads. Sensitive or regulated data. Private AI inference. Where TCO at scale favours owned infrastructure.
Colocation	Hardware owned or leased by the organisation, hosted in a third-party data centre. Avoids hyperscaler OpEx and owned-facility CapEx simultaneously.

The most sophisticated enterprise IT organisations in 2026 are not debating cloud vs. on-premise. They are building intentional hybrid architectures — with clear governance on what goes where, and why.

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Three Principles for IT Leaders

01

TCO — not unit cost

Every infrastructure decision needs a multi-year total cost of ownership model — including data egress fees, licensing, personnel, and compliance costs. Not just compute and storage unit rates.

02

Characterise workloads first

Cloud repatriation works for stable, predictable workloads. It does not work for variable workloads where elasticity is genuinely needed. Treating all workloads identically — in either direction — is expensive.

03

Hybrid is the target architecture

Hybrid is not a compromise. It is the destination. Build the governance, the architecture, and the operational capability to manage both environments effectively — and keep revisiting those decisions as technology and regulation evolve

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How HexaCorp Can Help

HexaCorp Technical Services is a Microsoft-first IT services firm delivering Application, Cloud, and Data & AI services to clients across the Globe — with deep experience in pharma and financial services.

If you are...

Reassessing your cloud strategy

Planning a cloud migration

Managing a hybrid environment

HexaCorp delivers...

Variable / bursty workloads. GenAI model access. New application development. Global reach.

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Hardware owned or leased by the organisation, hosted in a third-party data centre. Avoids hyperscaler OpEx and owned-facility CapEx simultaneously.

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The infrastructure question of 2026 is not which side to be on.

It is how to build the governance, the architecture, and the operational capability to manage a thoughtfully hybrid estate.

That is a conversation we are ready to have.

Sources

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