

» FLEXERA 2023

Tech Spend Pulse

9 of 10 respondents cite increased prices
from vendors as a top challenge



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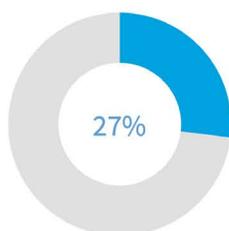
Pulse highlights

Here's a sample of key findings from this year's report based on a survey of 506 IT executives from around the world. Scroll to find out more about current trends in technology spend.

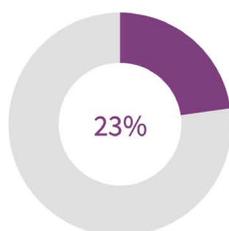
» TREND

IT waste estimates improve

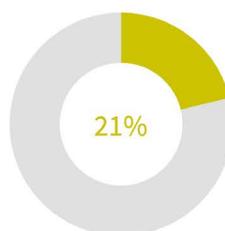
Estimated wasted technology spend



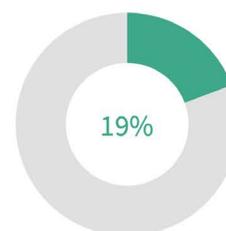
Wasted **desktop** software spend



Wasted **data center** software spend



Wasted **SaaS** spend



Wasted **IaaS/PaaS** spend

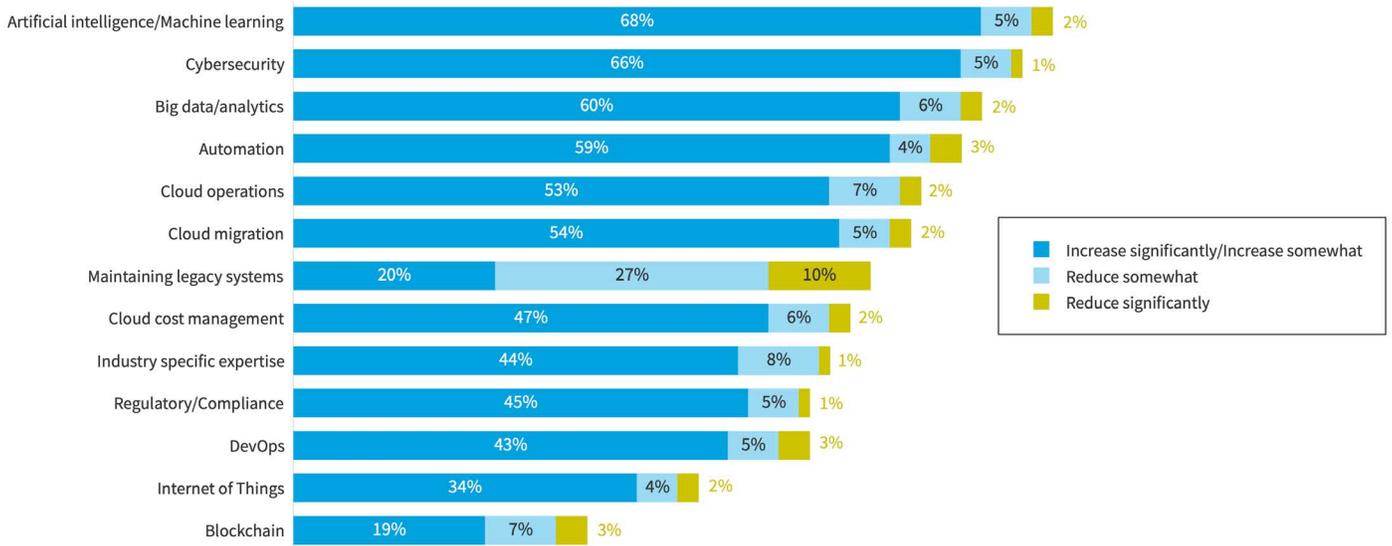
N=431 Desktop, N=435 Data center, N=449 SaaS, N=425 IaaS/PaaS
Source: Flexera 2023 Tech Spend Pulse (Figure 12)

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» TREND

Investments in artificial intelligence surge

Planned changes to use of external IT resources



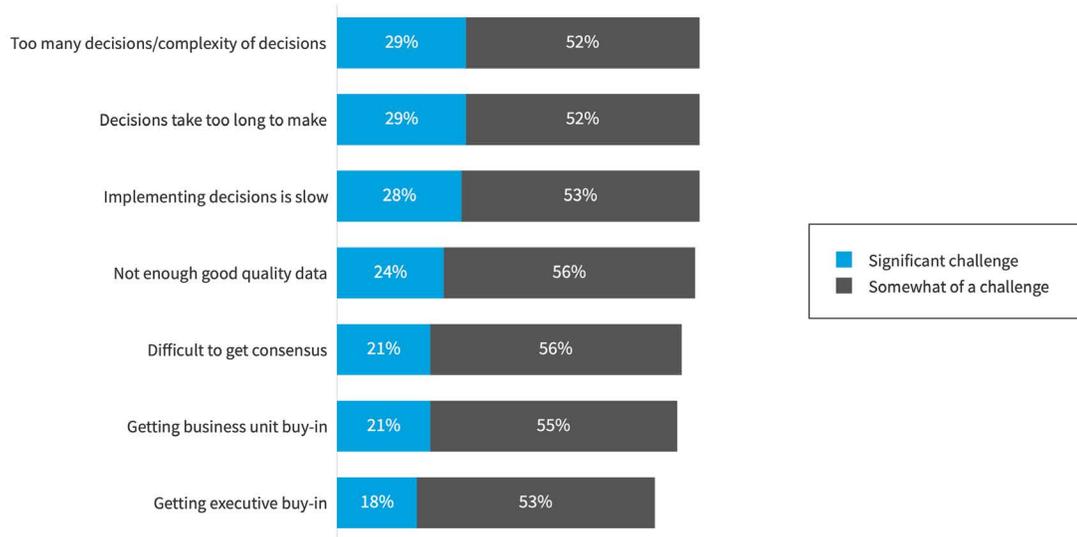
N=506
Source: Flexera 2023 Tech Spend Pulse (Figure 27)
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See what else
is changing
in technology
investments

» TREND

Poor data quality hinders decisions

Challenges in IT decision making



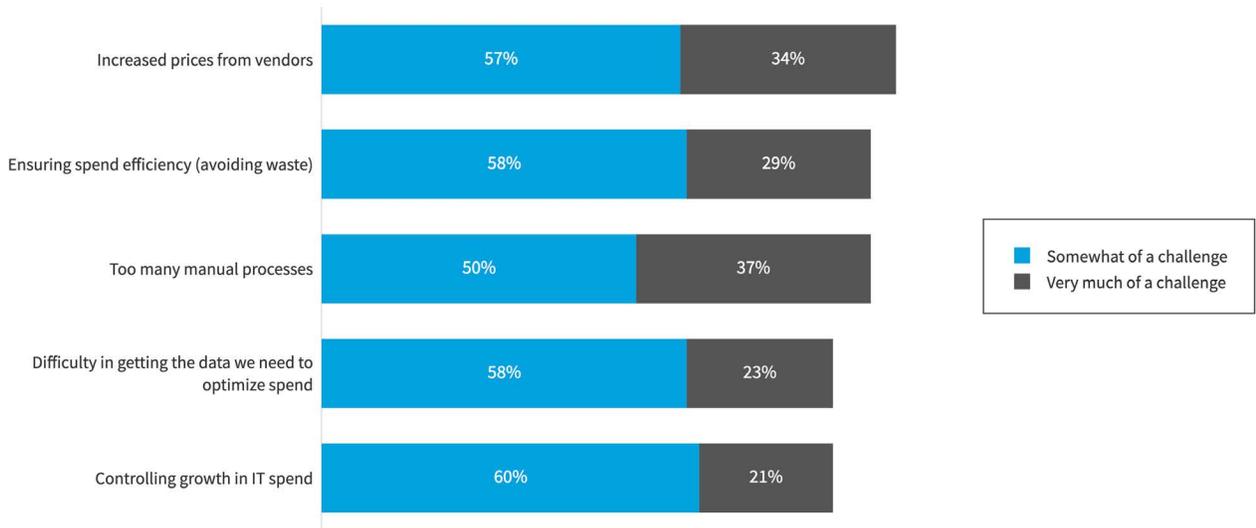
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Source: Flexera 2023 Tech Spend Pulse (Figure 22)

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»TREND

IT vendor pricing increases

Top spend optimization challenges

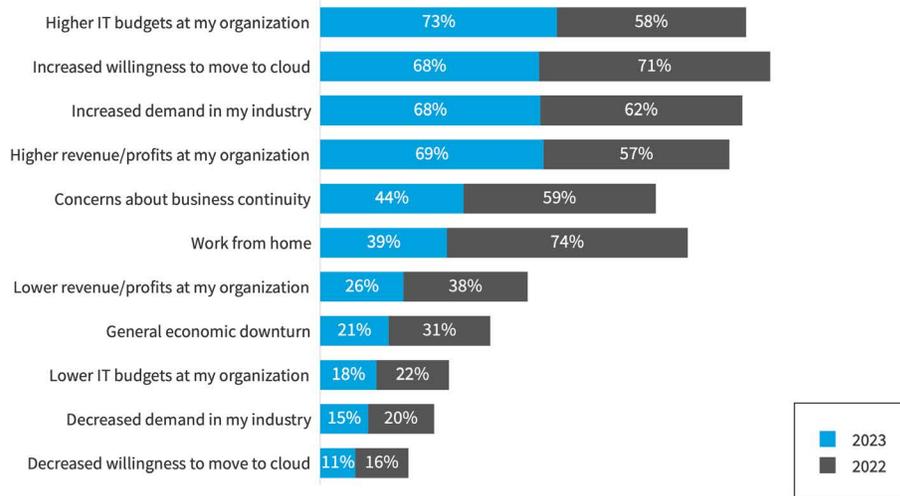


N=506
Source: Flexera 2023 Tech Spend Pulse (Figure 23)
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» TREND

IT work-from-home rates plunge

How has your pace of digital transformation been impacted by economic uncertainty?



2023: N=506, 2022: N=501
Source: Flexera 2023 Tech Spend Pulse (Figure 8)

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Discover
more
workplace
trends

This *Pulse* provides a high-level perspective on technology and spend issues that concern senior procurement and IT leaders as they develop strategies and make decisions that influence the trajectory of their businesses.

The *Flexera 2023 Tech Spend Pulse* reveals:

- Demographics
- Key initiatives for 2023
- IT spend benchmarks
- Digital transformation/shift to the cloud
- Challenges in spend optimization
- Consumption of IT vendors
- IT organizations' adaptation to changing workforces
- European spotlight
- Looking forward

Methodology

506 technical professionals and executive leaders worldwide participated in the *Flexera 2023 Tech Spend Pulse* survey in the summer of 2023. Survey participants included professionals across industries and context areas. All numbers and percentages are rounded to nearest whole number.

Reuse

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Demographics

This year's survey targets organizations with more than 2,000 employees, with nearly half (46%) exceeding 10,000 employees.

What size is your organization?

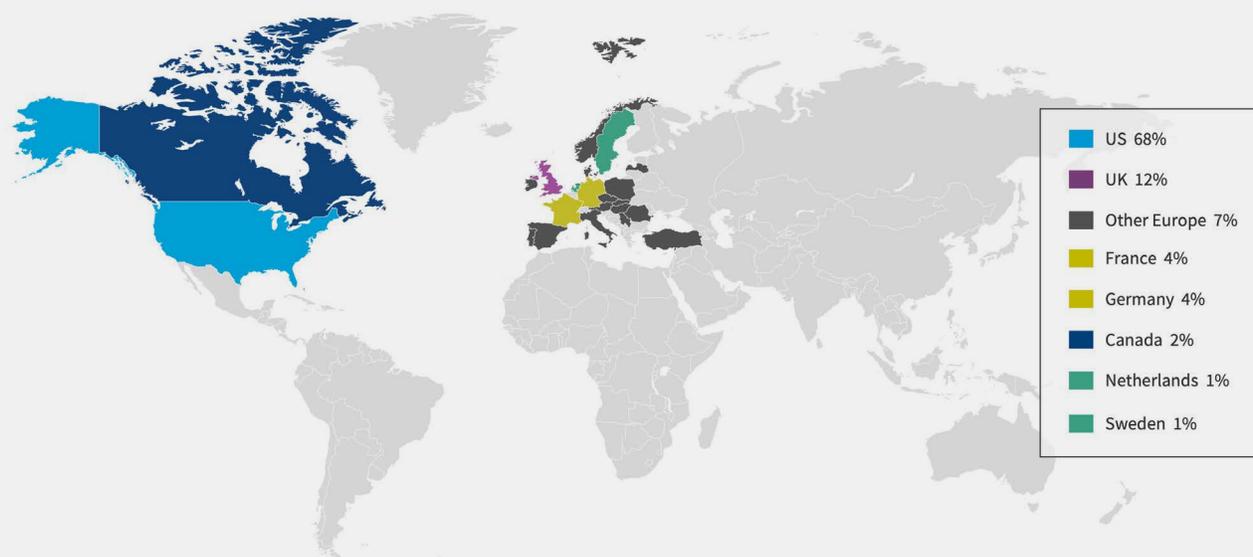


N=506
Source: Flexera 2023 Tech Spend Pulse (Figure 1)
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Similar to previous years, more than two-thirds of respondents were from the Americas, with the vast majority of those from the U.S.

European respondents comprised 29% of the total respondent pool, with the UK contributing 12%.

Where are you located?



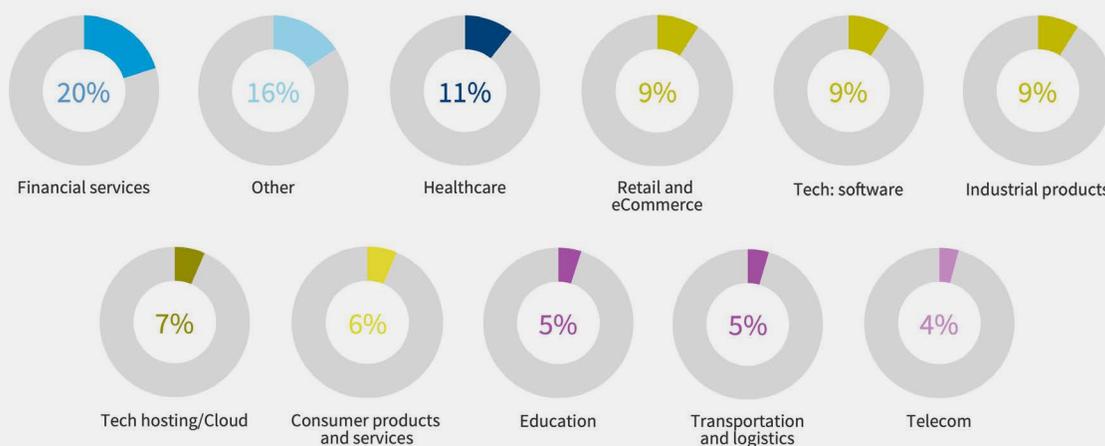
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Source: Flexera 2023 Tech Spend Pulse (Figure 2)

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This year's *Tech Spend Pulse* encompasses a diverse range of industry sectors, led by *financial services* (20%) and *healthcare* (11%). *Retail and eCommerce, tech: software* and *industrial products* each made up 9% of respondents. Industries with less than 4% representation in the survey are included in the "other" category.

What's your industry?



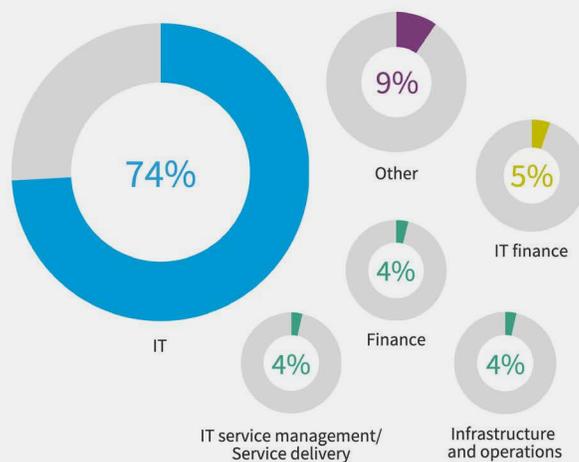
N=506

Source: Flexera 2023 Tech Spend Pulse (Figure 3)

flexera

Most respondents (74%) work in the IT organization, but only 5% identify as *IT finance*. Departments with a representation of less than 4% are aggregated into the “*other*” category.

What's your department?



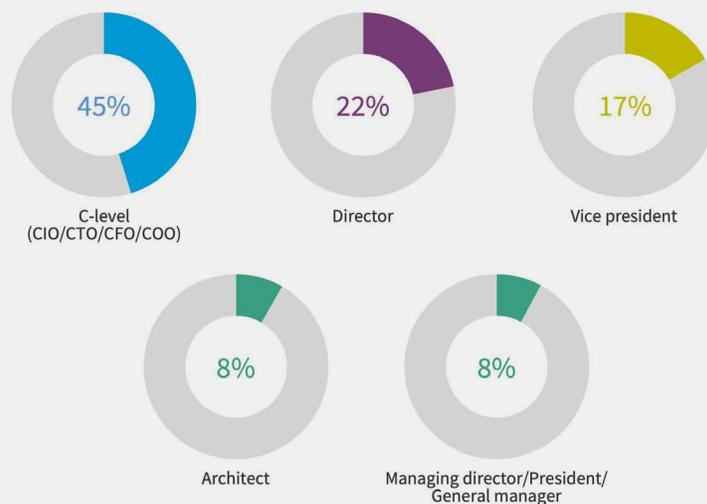
N=506

Source: Flexera 2023 Tech Spend Pulse (Figure 4)

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The vast majority of respondents work in IT

What's your level?



N=506

Source: Flexera 2023 Tech Spend Pulse (Figure 5)

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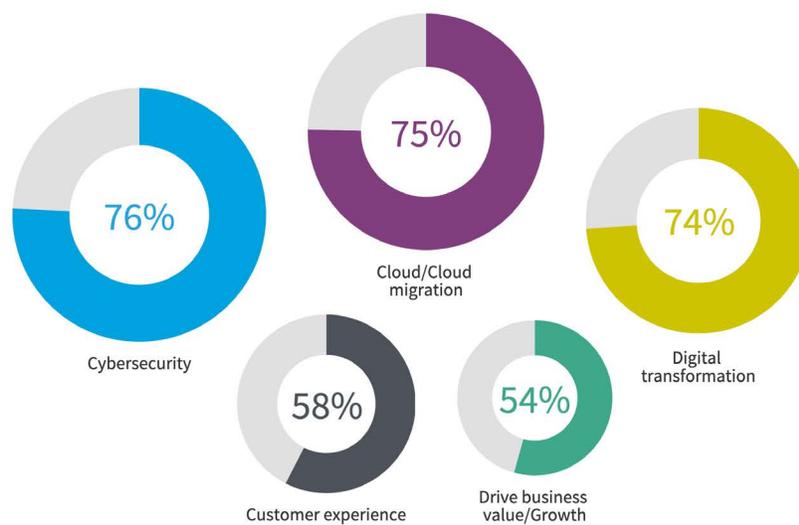
62%

Almost two-thirds of respondents are C-level executives or vice presidents. An additional 22% are directors within their organization.

Key initiatives for 2023

Cybersecurity (76%) and cloud/cloud migration (75%) are top of mind for respondents. Digital transformation (74%) followed closely behind.

Top 5 priorities for IT initiatives



N=506
Source: Flexera 2023 Tech Spend Pulse (Figure 6)
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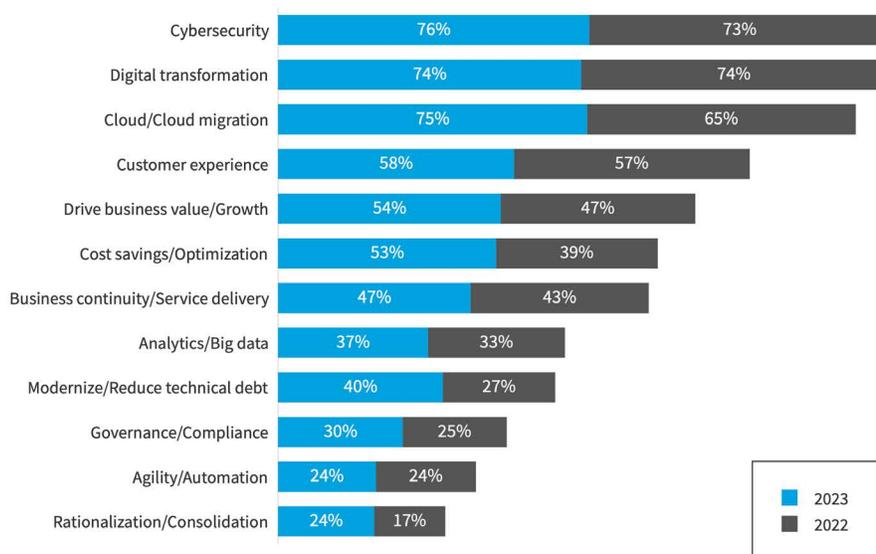
»FLEXERA POV

While digital transformation is still a critical initiative, the use of open source software (OSS) and the explosion of artificial intelligence underscore the importance of security prioritization.

The largest year-over-year (YoY) changes were the increase of *cloud/cloud migration* (from 65% to 75%), *business value/growth* (from 47% to 54%), *cost savings/optimization* (from 39% to 53%) and *modernize/reduce technical debt* (from 27% to 40%).

Interestingly, there was no decline in any initiatives from 2022 to 2023, suggesting that IT is layering new initiatives onto already existing ones.

Top technology initiatives year over year



2023: N=506, 2022: N=501

Source: Flexera 2023 Tech Spend Pulse (Figure 7)

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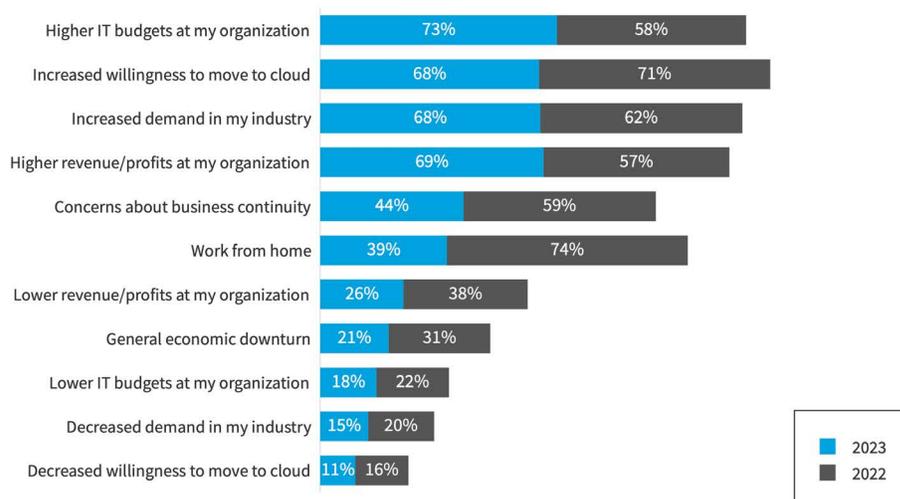
» FLEXERA POV

While cloud initiatives have experienced a notable shift in priority, cybersecurity continues to dominate the agenda, underscoring the critical need for immediate action in safeguarding digital assets. This enduring focus on cybersecurity signals an industry-wide acknowledgment of its vital role in today's digital landscape.

Cost savings as a top initiative increased by 14 percentage points YoY.

Amid the backdrop of economic uncertainty, which recently has seen tech layoffs in various sectors, the influence of remote work on digital transformation efforts dropped from 74% to 39% YoY as employees returned to offices. Meanwhile, IT budgets surged from 58% to 73% YoY, influenced by greater cloud adoption, which often requires significant initial investments.

How has your pace of digital transformation been impacted by economic uncertainty?



2023: N=506, 2022: N=501

Source: Flexera 2023 Tech Spend Pulse (Figure 8)

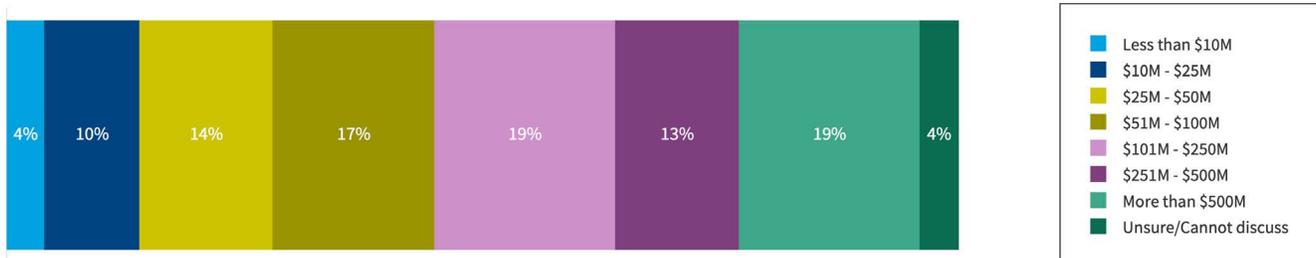
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Work from home plummeted from 74% to 39% YoY

IT spend benchmarks

When asked about the level of IT spend, the percentage of respondents spending over \$500 million USD annually increased from 14% to 19% YoY.

How much does your organization spend on IT?



N=506
Source: Flexera 2023 Tech Spend Pulse (Figure 9)
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Nearly one in five respondents **spend half a billion dollars on IT**

But regardless of an organization's headcount, IT spending varies considerably. Over a third (34%) of enterprises with more than 10,000 employees spend upwards of \$500 million annually.

IT spend by organization size



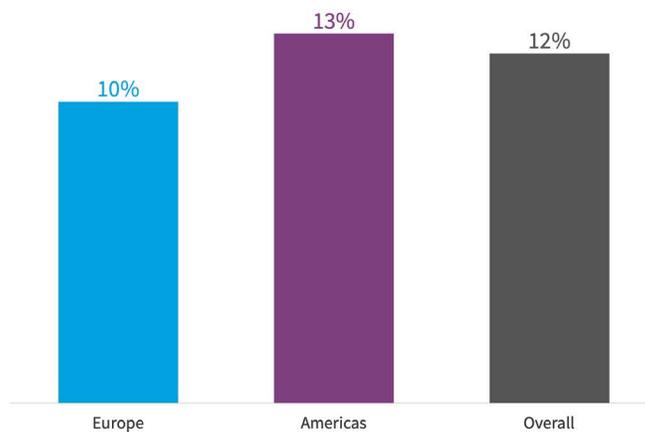
N=506

Source: Flexera 2023 Tech Spend Pulse (Figure 10)

flexera

Overall, respondents' organizations spend 12% of their revenue on IT, with enterprises in the Americas spending more than their European counterparts.

What percentage of your revenue is spent on IT?

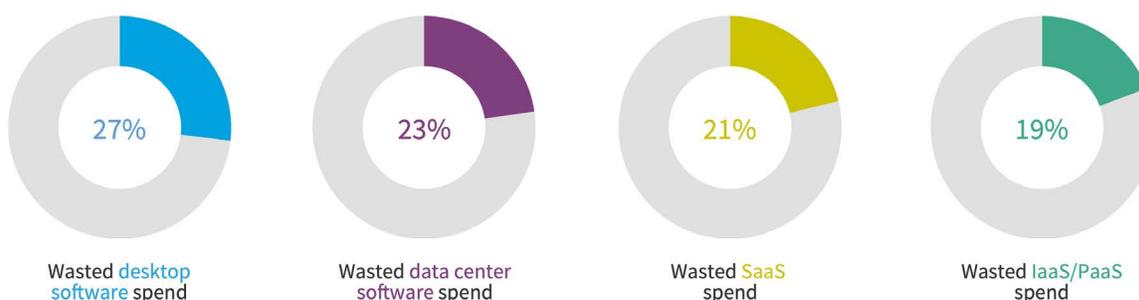


N=506
Source: Flexera 2023 Tech Spend Pulse (Figure 11)
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Previous Flexera industry reports have shown estimated wasted spend around 30%. Respondents in this year's *Tech Spend Pulse* indicated an improvement in wasted spend across desktop software, data center software, SaaS and IaaS/PaaS, which likely stems from organizations implementing cost optimization measures.

However, these figures are respondent estimates, not precise values, possibly influenced by optimistic views as enterprises continue to refine cost-saving processes.

Estimated wasted technology spend



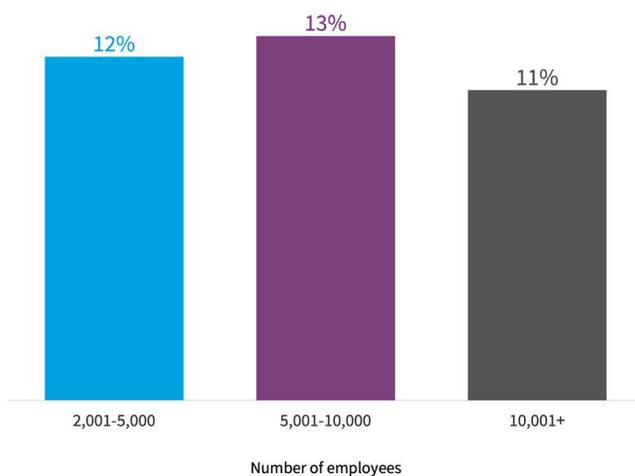
N=431 Desktop, N=435 Data center, N=449 SaaS, N=425 IaaS/PaaS
Source: Flexera 2023 Tech Spend Pulse (Figure 12)

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Estimated wasted spend is improving

Enterprises with more than 10,000 employees nearly doubled the percentage of revenue spent on IT, from 6% to 11% YoY. Organizations with 5,001 to 10,000 employees also increased IT spend from 8% to 13% YoY.

Percentage of revenue spent on IT by size



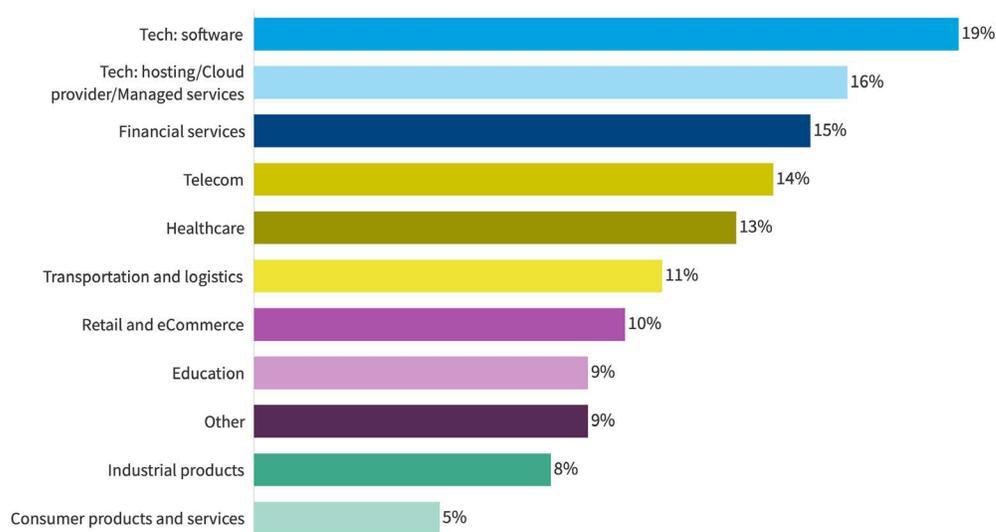
N=506
Source: Flexera 2023 Tech Spend Pulse (Figure 13)

flexera

The largest organizations nearly doubled their percentage of revenue spent on IT

It's no surprise that technology companies, seeking continued innovation, spend more of their revenue on IT. Product-related industries are more focused on the production of physical goods and therefore spend less.

Percentage of revenue spent on IT by industry



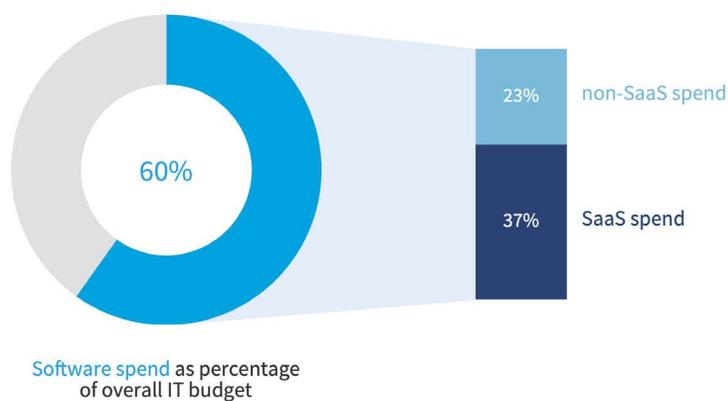
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Source: Flexera 2023 Tech Spend Pulse (Figure 14)

flexera

Respondents report spending 60% of their IT budget on software, which includes 37% spent on SaaS.

Percentage of IT spend on software

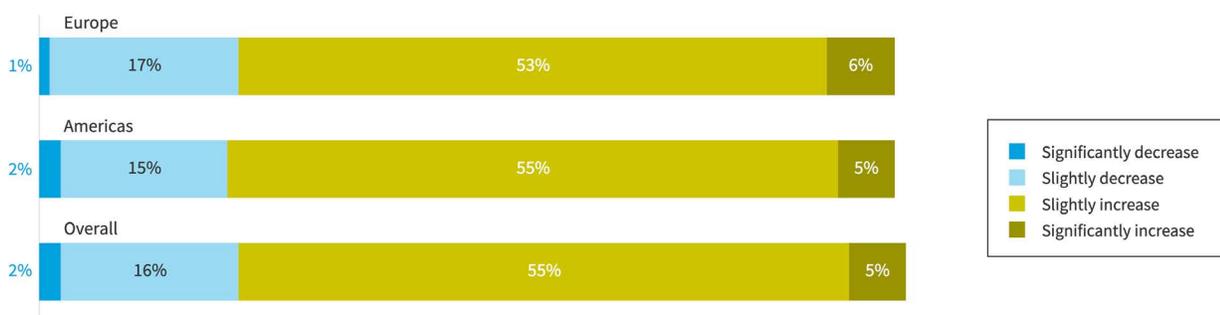


N=506
Source: Flexera 2023 Tech Spend Pulse (Figure 15)
flexera

Of the 60% of software spend in overall IT budgets, for the first time nearly two-thirds is spent specifically on SaaS

Across the board, more than half of respondents expect IT budgets to slightly increase. Expectations of significantly increasing IT budget dropped by more than half from last year (from 13% to 5% overall).

Percentage of respondents expecting a change in their IT budgets



N=506: 359 Americas, 147 Europe
Source: Flexera 2023 Tech Spend Pulse (Figure 16)

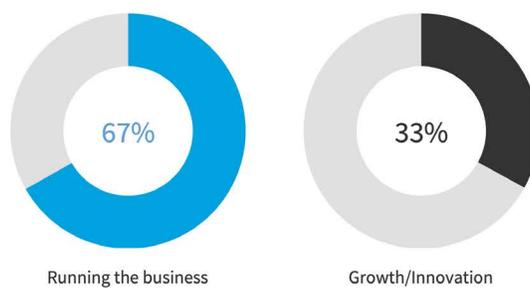
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Leverage ITAM, SaaS cost management and FinOps tools to build a blueprint of your IT estate, ensuring you have complete visibility to keep costs down.

Industry analysts often estimate the cost of running the business to be as high as 70%, which aligns with respondents' estimates of 67%.

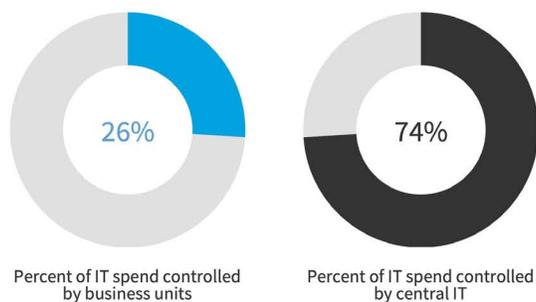
Percentage of budget allocated to running the business vs. growth



N=506
Source: Flexera 2023 Tech Spend Pulse (Figure 17)
flexera

Decentralization of IT spend has remained flat over the past two *Tech Spend Pulses*, with 26% of spend controlled by business units (up from 25% YoY) and 74% by central IT (down from 75% YoY).

IT spend decentralization



N=506

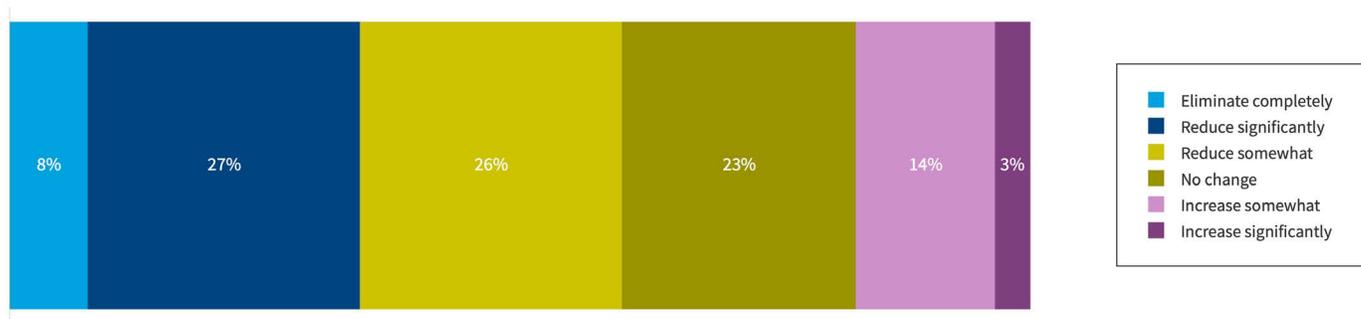
Source: Flexera 2023 Tech Spend Pulse (Figure 18)

flexera

Digital transformation/shift to the cloud

As enterprises shift to the cloud, many are attempting to reduce the number of data centers they own and operate. Eight percent plan to eliminate data centers entirely, and 61% plan to reduce their data center footprint to some degree.

Plans for number of data centers in the next 24 months



N=506
Source: Flexera 2023 Tech Spend Pulse (Figure 19)

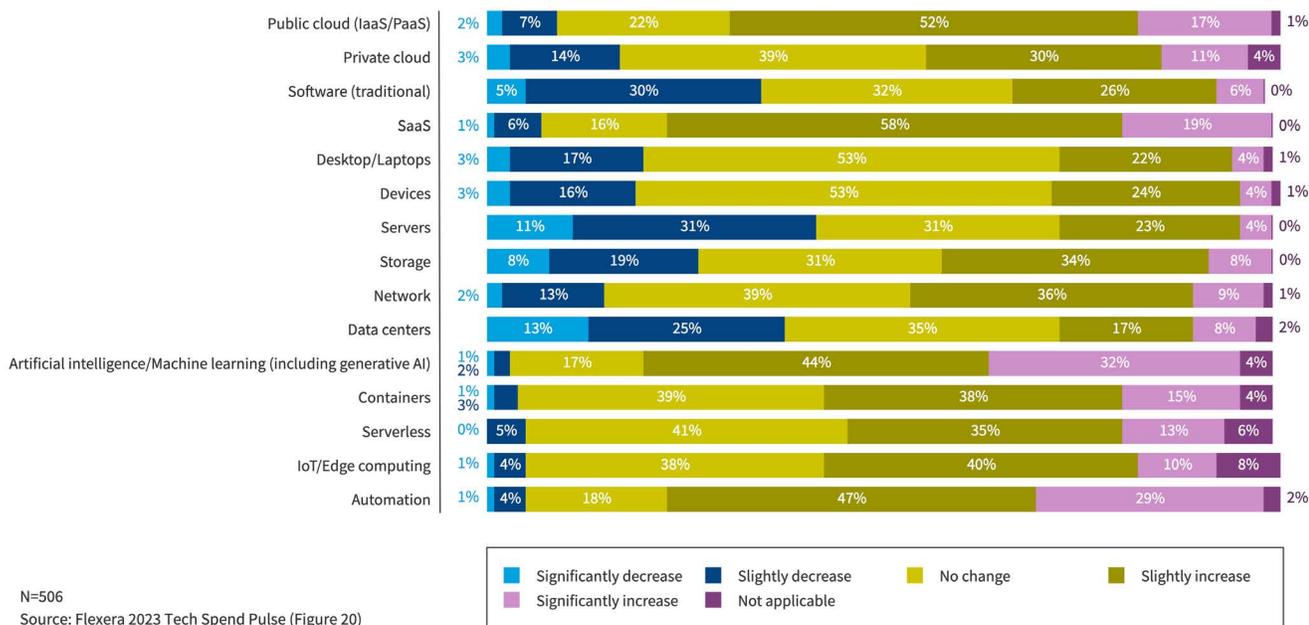
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Nearly two-thirds of respondents are reducing their data center footprint

Respondents expect a massive increase in *artificial intelligence (AI)/machine learning* over the next twelve months, with 32% expecting a significant increase and 44% expecting a slight increase. *Public cloud (IaaS/PaaS)* spend is expected to increase (69%) along with *SaaS* (77%).

Data centers, servers and storage systems are projected to see the most significant declines.

Expected change in technology investments in the next 12 months

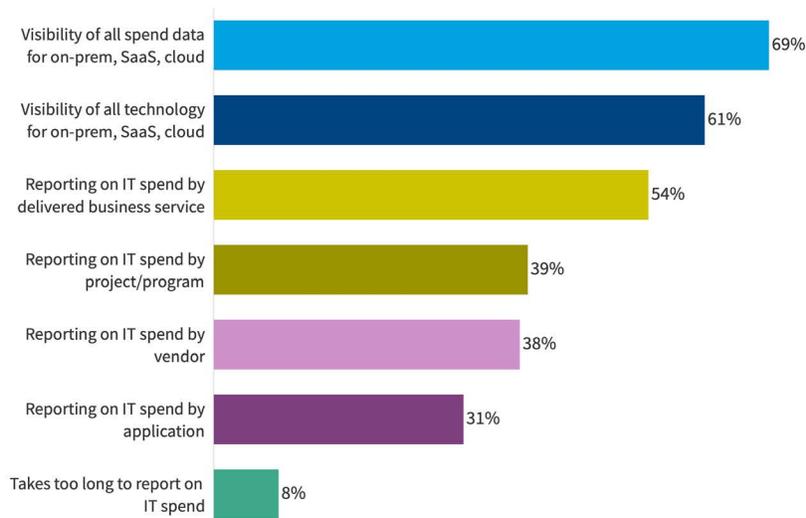


N=506
 Source: Flexera 2023 Tech Spend Pulse (Figure 20)
flexera

In an uncertain economic climate, nearly one-third of respondents expect **significant increases in AI budgets**

As IT spend shifts more toward SaaS, cloud and other non-on-premises resources, visibility into that spend becomes more challenging. New tools and processes are required to keep track of all IT assets in the organization—and how much the business is spending on those assets.

IT spend visibility challenges



N=506

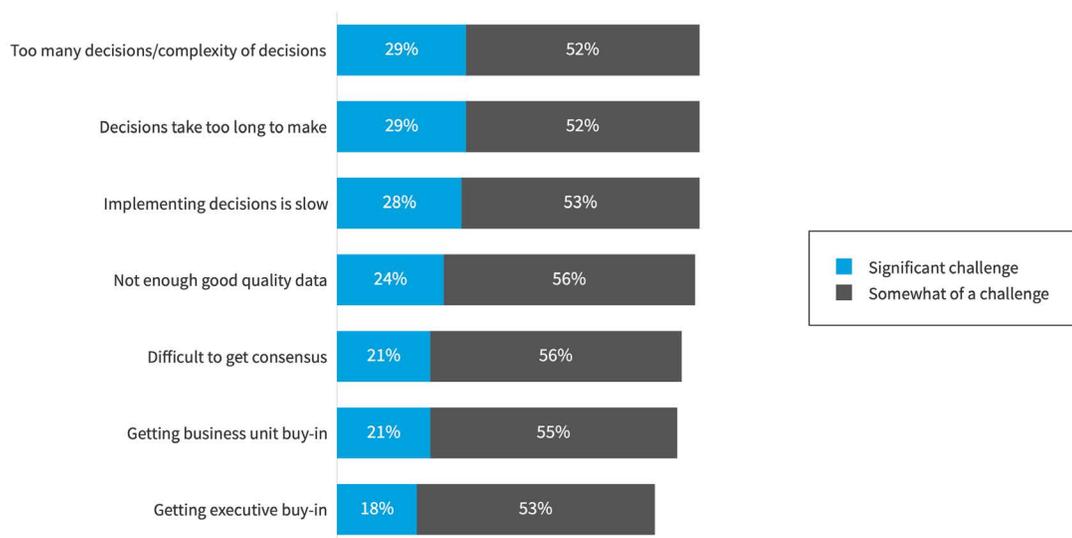
Source: Flexera 2023 Tech Spend Pulse (Figure 21)

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More than **two-thirds** struggle with cost visibility across SaaS, cloud and on-premises assets

When questioned about their biggest IT decision-making challenges, respondents indicated *too many decisions/complexity of decisions* and *decisions taking too long to make* were the top challenges (81%). *Not enough good quality data* also continued to be a top challenge.

Challenges in IT decision making



N=506

Source: Flexera 2023 Tech Spend Pulse (Figure 22)

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80%
view not having good quality data
on IT spending as a top challenge

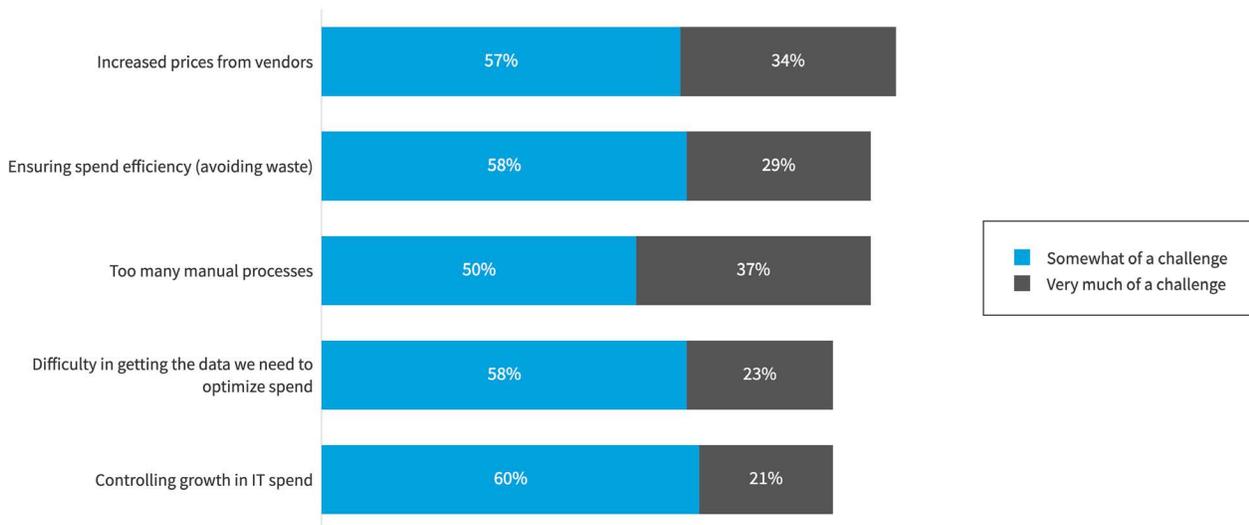
» FLEXERA POV

Making sound business decisions requires comprehensive IT visibility and data you can trust. A lack of insight into your hybrid IT estate can complicate the decision-making process and delay strategic initiatives.

Challenges in spend optimization

For the first time, more than 90% of respondents chose the same top challenge: *increased prices from vendors*. The number-two challenge—*ensuring spend efficiency*—increased from 81% to 87% YoY.

Top spend optimization challenges



N=506
Source: Flexera 2023 Tech Spend Pulse (Figure 23)
flexera

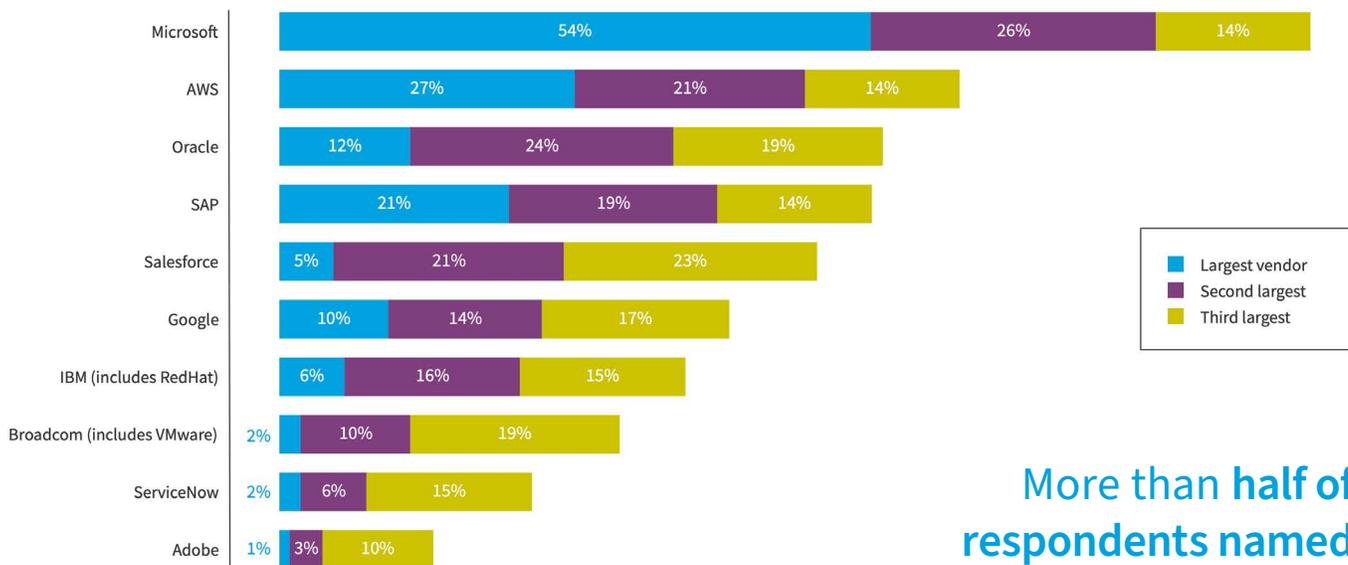
For the first time, 9 of 10 respondents cite increased prices from vendors as a top challenge

Consumption of IT vendors

This year's survey questioned respondents about their current and future use of leading technology vendors across traditional on-premises software, SaaS and public cloud.

With products that touch virtually every part of the IT stack, *Microsoft* takes the top spot on this list year after year, and over half of respondents (54%) said the vendor is their largest by spend. *AWS* increased from 21% to 27% YoY, and *SAP* increased from 13% to 21% YoY.

Top 3 technology vendors



More than half of respondents named **Microsoft** as their top vendor

N=506
Source: Flexera 2023 Tech Spend Pulse (Figure 24)
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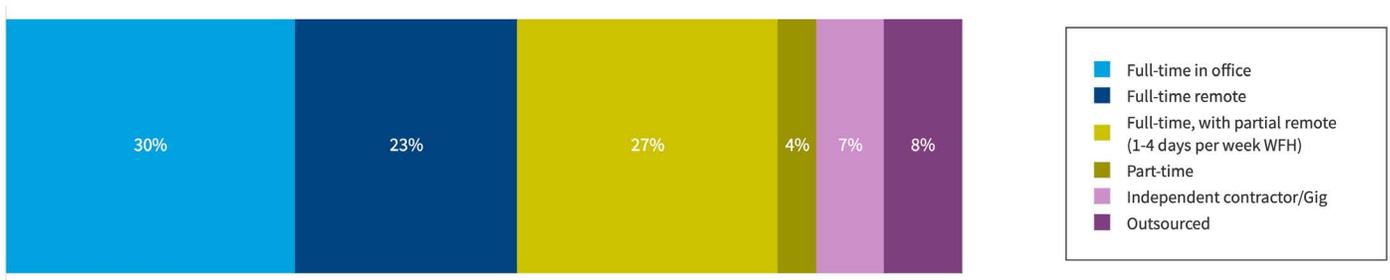
» FLEXERA POV

Major vendors sell a mix of on-premises, SaaS and cloud software. To reduce your costs, you need comprehensive visibility across your entire hybrid IT estate. You can't make strategic, data-driven decisions about what you can't see, and without insight into technology assets you'll miss out on optimization opportunities.

IT organizations' adaption to changing workforces

The pendulum has swung back to *full-time in office* (30%) as the most common IT staffing structure, up from 26% last year. The largest YoY gain was *full-time with partial remote*, which increased from 16% to 27%. *Full-time remote* dropped significantly from 45% to 23% YoY.

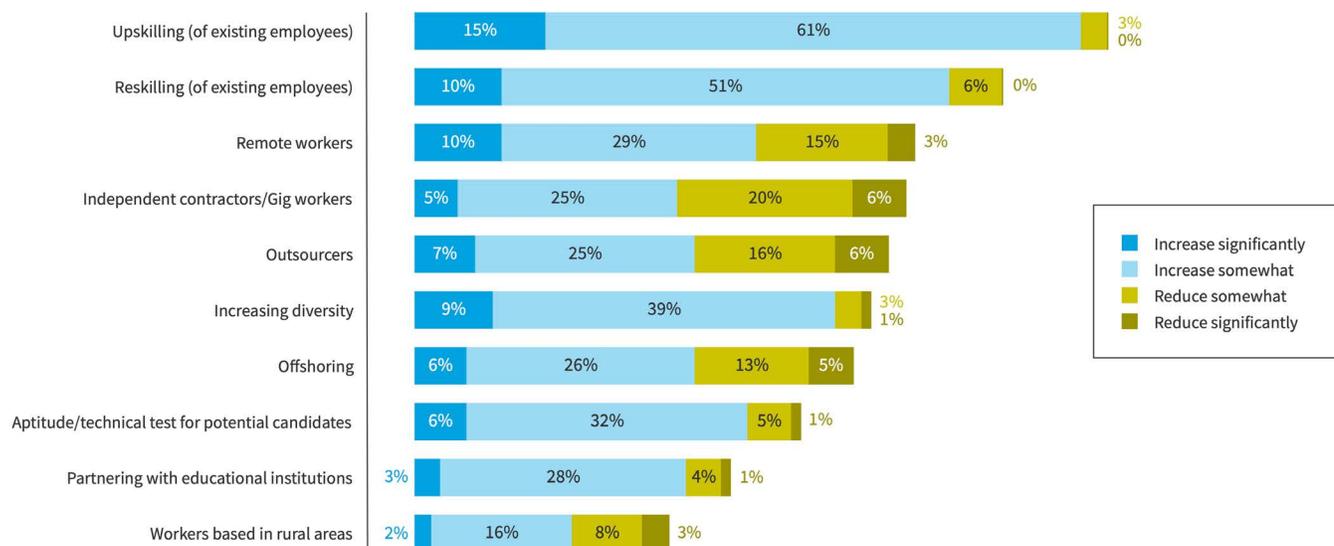
Breakdown of IT staff



N=506
Source: Flexera 2023 Tech Spend Pulse (Figure 25)
flexera

When asked about changes to investments in IT staffing, respondents indicated that *upskilling* (76%) and *reskilling* (61%) of existing employees are top initiatives that will increase. The dependence and focus on *remote workers* dropped significantly from 72% to 39% YoY.

Planned changes to investments in IT staffing



N=506
Source: Flexera 2023 Tech Spend Pulse (Figure 26)

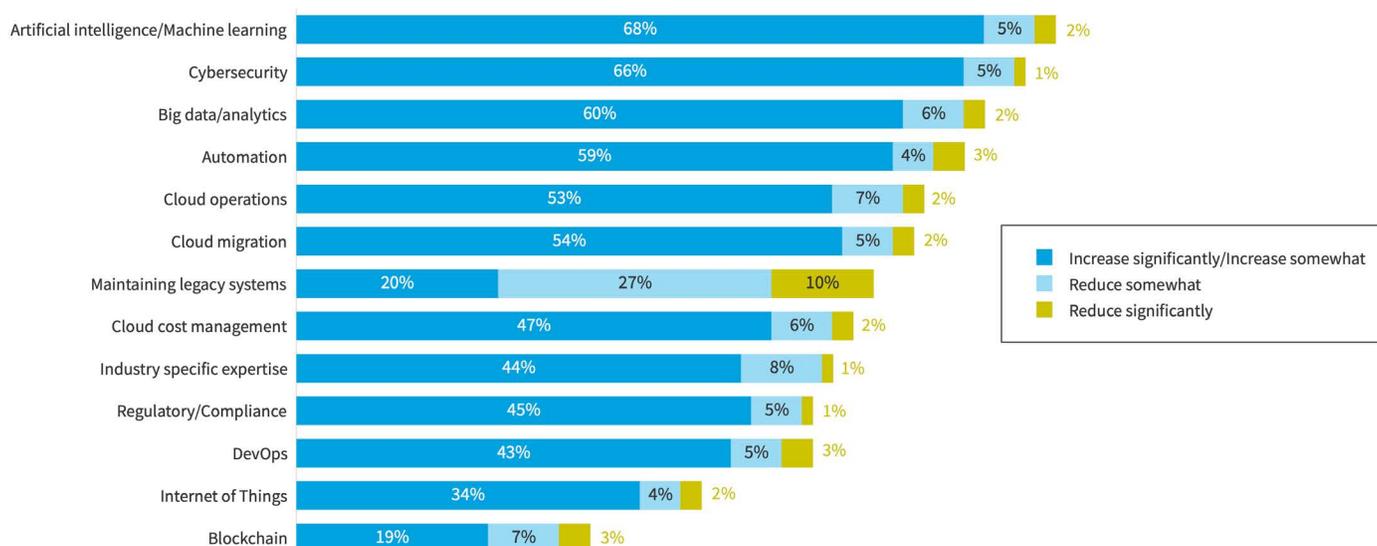
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Companies prioritize training their existing staff

Similar to last year, enterprises are increasingly utilizing technologies that offer supplemental functionality but require specialized skillsets and training. *Artificial intelligence/machine learning* leads the pack, increasing from 59% to 68% YoY.

Notably, organizations are less dependent on external resources for some tasks as they gain experience and are able to bring these in-house, such as with *cloud operations* (down from 60% to 53% YoY) and *DevOps* (down from 48% to 43% YoY).

Planned changes to use of external IT resources



N=506

Source: Flexera 2023 Tech Spend Pulse (Figure 27)

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More than two-thirds plan to increase external artificial intelligence/machine learning resources

European spotlight

This section highlights responses gathered from European respondents, which represent approximately 29% of the total respondent pool.

The distribution of the European respondents by organization size closely mirrors that of the global respondents. More than half (59%) of European respondents are from organizations with over 10,000 employees.

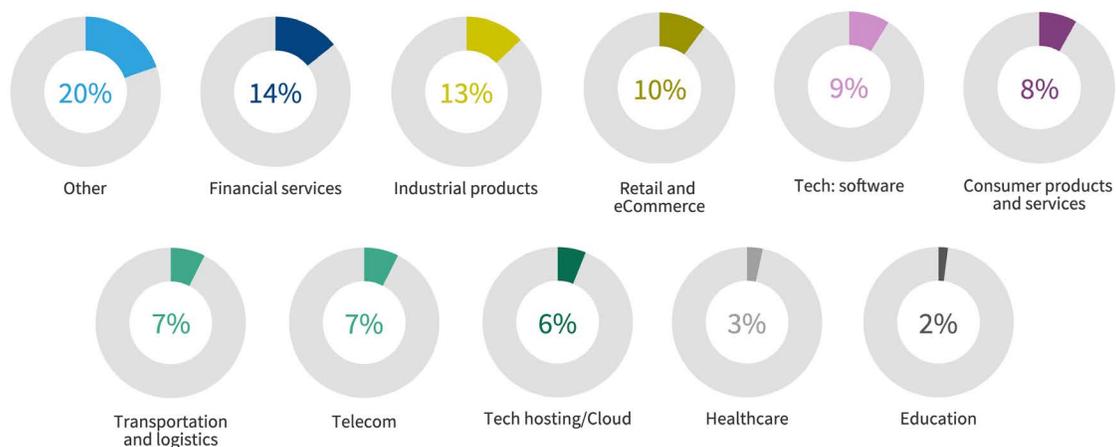
What size is your organization?



N=147
Source: Flexera 2023 Tech Spend Pulse (Figure 28)
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Financial services, industrial products and retail and eCommerce are the three most represented industries for European respondents.

What's your industry?



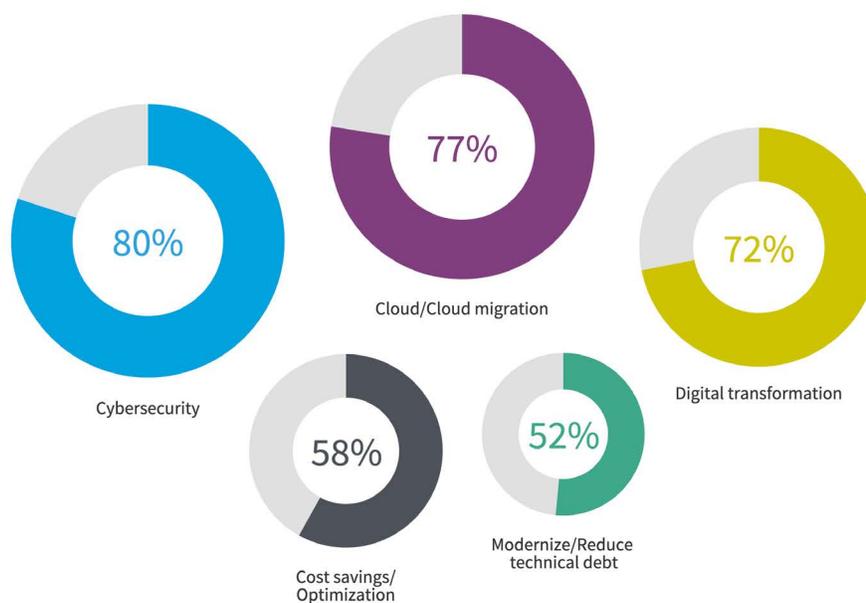
N=147

Source: Flexera 2023 Tech Spend Pulse (Figure 29)

flexera

Similar to global results, *cybersecurity*, *cloud/cloud migration* and *digital transformation* are the top European IT priorities.

Top 5 European priorities for technology initiatives



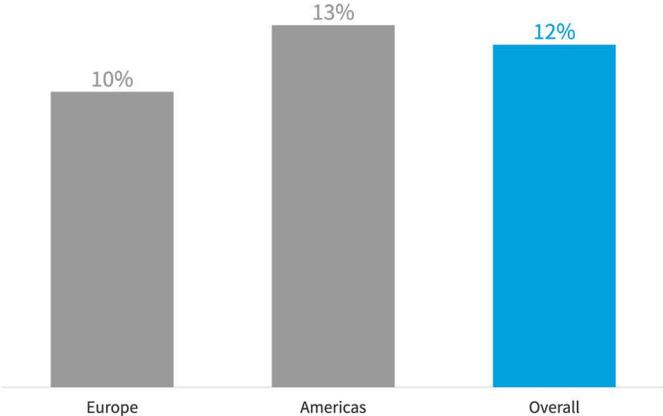
N=147

Source: Flexera 2023 Tech Spend Pulse (Figure 30)

flexera

European respondents spend 10% of revenue on IT, compared to 12% globally.

Percentage of revenue spent on IT for European respondents



N=506: 359 Americas, 147 Europe
Source: Flexera 2023 Tech Spend Pulse (Figure 31)
flexera

European respondents are expecting very similar changes in IT budgets as their counterparts in the Americas. Overall, the percentage of European respondents reporting an increase in IT budgets dropped from 70% last year to 59% this year.

Percentage of European respondents expecting a change in their IT budgets



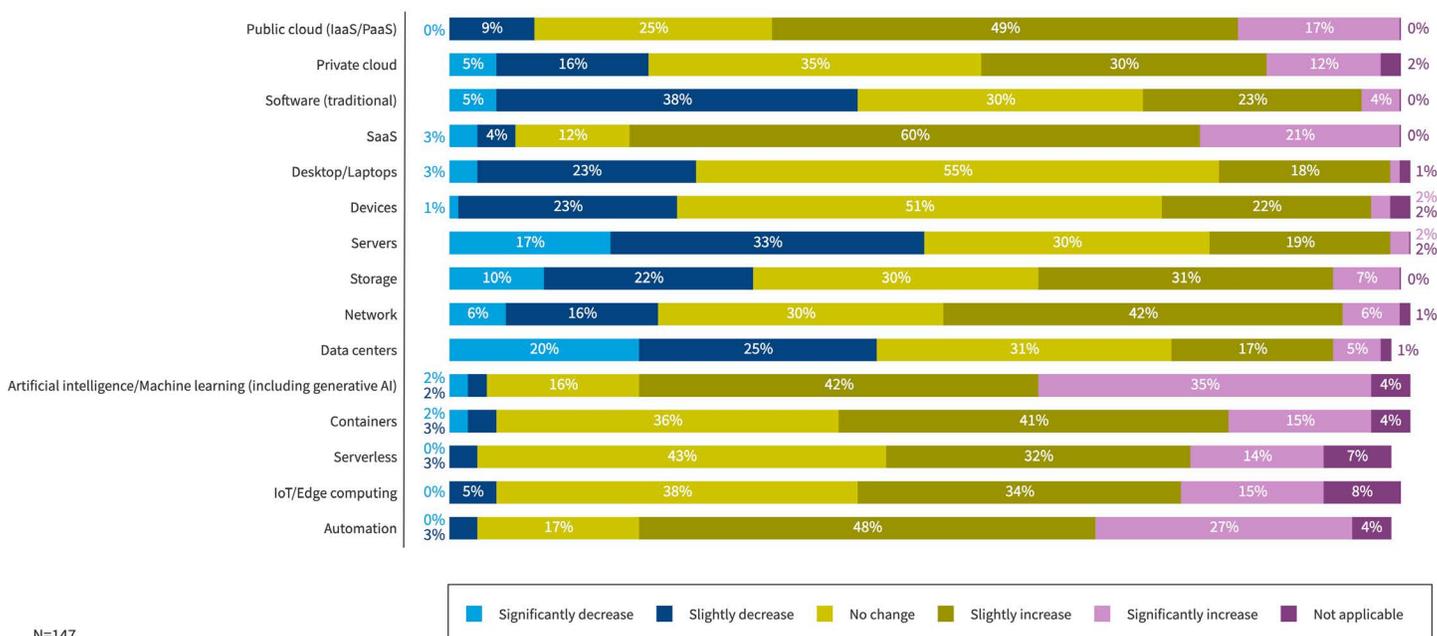
N=506: 359 Americas, 147 Europe
Source: Flexera 2023 Tech Spend Pulse (Figure 32)

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Organizations continue to decrease investment in legacy on-premises technologies while increasing spend in cloud and SaaS. In Europe, technology investments are expected to increase the most around *SaaS* (81%) followed by *artificial intelligence/machine learning* (77%).

Additionally, emerging services continue to see the most significant gains among European respondents, as seen with *artificial intelligence/machine learning* and *automation*.

Expected change in technology investments in the next 12 months for European respondents

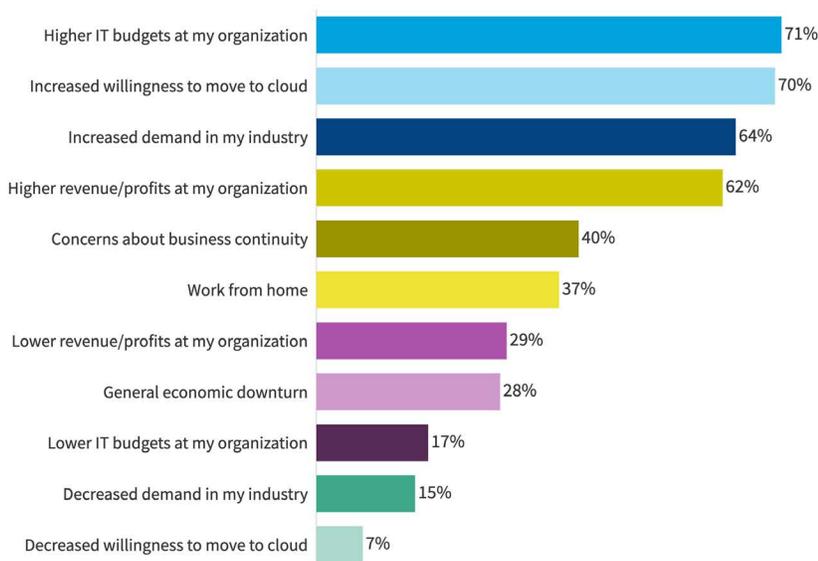


N=147
 Source: Flexera 2023 Tech Spend Pulse (Figure 33)
flexera

35%
 of European respondents expect to significantly increase investment in artificial intelligence/machine learning

Similar to global results, there is a significant decrease in *work from home* among European respondents (80% to 37% YoY). *Concerns about business continuity* dropped significantly (63% to 40% YoY).

How economic uncertainty has impacted digital transformation for European respondents



N=147

Source: Flexera 2023 Tech Spend Pulse (Figure 34)

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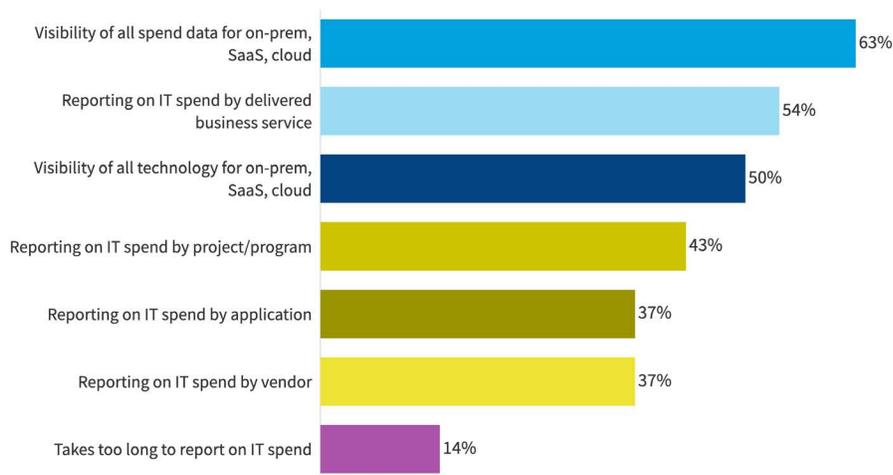
Europeans are heading back to the office

»FLEXERA POV

European organizations are getting more comfortable with the cloud as they gain experience with the disaster recovery/business continuity options it provides.

European challenge rankings align closely with global results, with the largest discrepancy being *visibility of all technology for on-premises, SaaS, cloud* (50% Europe vs. 61% global). *Reporting on spend by vendor* and *application* saw an uptick in Europe, suggesting challenges in spend allocation as workloads share cloud environments and resources.

Challenges in IT spend visibility for European respondents



N=147

Source: Flexera 2023 Tech Spend Pulse (Figure 35)

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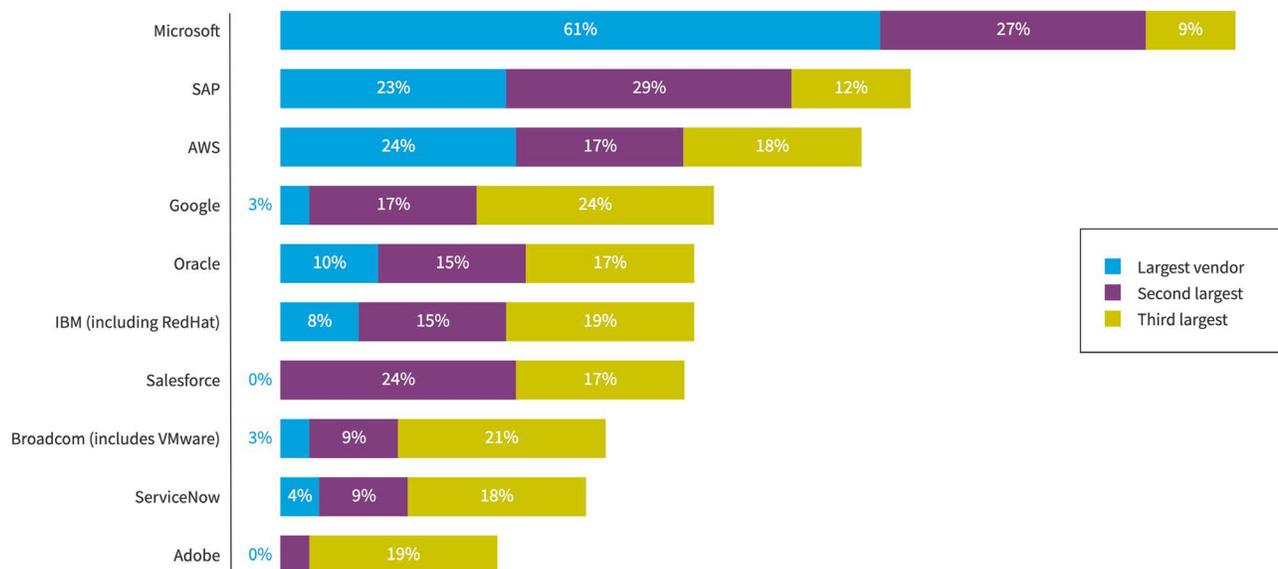
Despite having slightly better visibility over technology assets compared to the Americas, **European respondents still struggle with comprehensive visibility of hybrid IT estates**

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The percentage of European respondents experiencing challenges related to spend increased as organizations move more workloads to the cloud.

Similar to global results, *Microsoft* dominates as the top vendor in Europe (61% compared to 54% globally). *SAP*, *AWS*, *Google* and *Oracle* round out the top vendors in Europe, compared to *AWS*, *Oracle*, *SAP* and *Salesforce* globally.

Top 3 technology vendors for European respondents



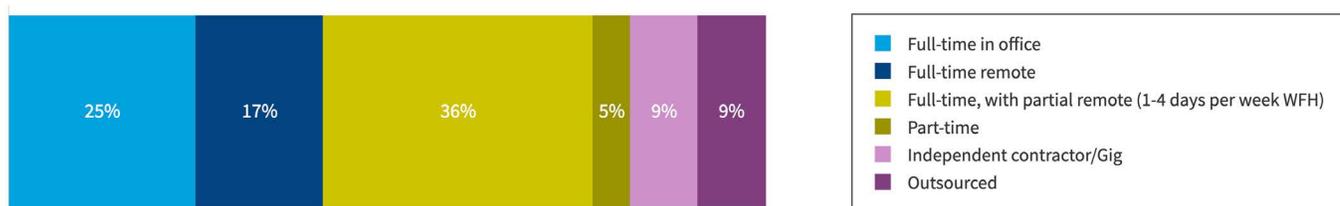
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Source: Flexera 2023 Tech Spend Pulse (Figure 36)

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European respondents report fewer employees returning full-time to the office (25% vs. 30% globally) and fewer working entirely remotely (17% vs. 23% globally). However, they have a higher percentage working in a hybrid environment (36% vs. 27% globally), suggesting a more flexible workforce that balances both office and remote settings compared to their global counterparts.

Breakdown of European IT staff



N=147

Source: Flexera 2023 Tech Spend Pulse (Figure 37)

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Looking forward

What's next for technology spend?

Digital transformation continues to evolve at an ever-increasing pace. Enterprises are adapting to continued inflationary pressures, shifting workplace dynamics, increased spend and the demand for innovation. Economic uncertainty is shifting priorities in digital transformation, with many IT professionals transitioning back to the office. At the same time, vendor prices continue to rise, leaving organizations struggling to optimize spend and cloud commitments, which often require significant initial investments.

While juggling these priorities, enterprises face numerous obstacles: wasteful IT expenditure is on the decline, but decision making is hampered by a lack of clear and trusted IT visibility. A comprehensive grasp of IT assets—including their connections, interdependencies, licensing nuances and optimization opportunities—is indispensable. Leading organizations utilize data to inform crucial decisions, with a focus on spend optimization while fully investing in the potential of artificial intelligence.

About Flexera

Flexera saves customers billions of dollars in wasted technology spend. A pioneer in Hybrid ITAM and FinOps, Flexera provides award-winning, data-oriented SaaS solutions for technology value optimization (TVO), enabling IT, finance, procurement and cloud teams to gain deep insights into cost optimization, compliance and risks for each business service. Flexera One solutions are built on a set of definitive customer, supplier and industry data, powered by Technopedia, that enables organizations to visualize their Enterprise Technology Blueprint™ in hybrid environments—from on-premises to SaaS to containers to cloud.

More than 50,000 customers subscribe to our technology value optimization solutions, delivered by 1,300+ passionate team members worldwide.

To learn more, visit flexera.com

» NEXT STEPS

Find out how we can help you get a complete blueprint of your IT estate so you can make more impactful decisions.

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