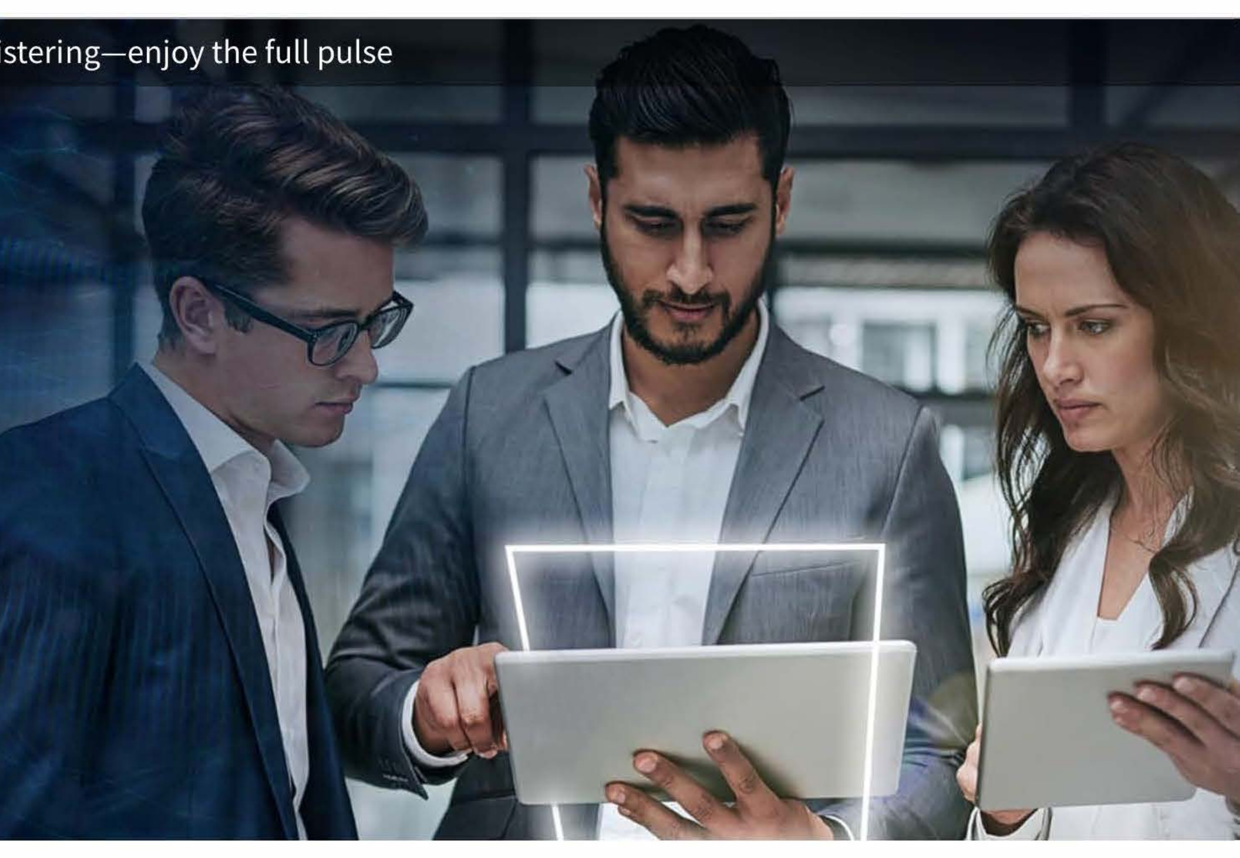
Thank you for registering—enjoy the full pulse

FLEXERA™ 2022

Tech Spend Pulse

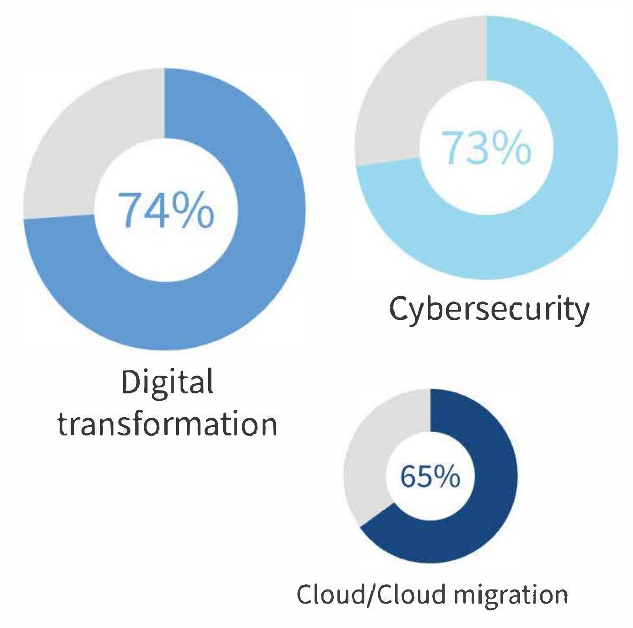
We're now well into 2022, so it's a good time to take the pulse of how procurement managers and the IT industry are spending budgets, and how it's helped their digital transformation initiatives.



Pulse highlights

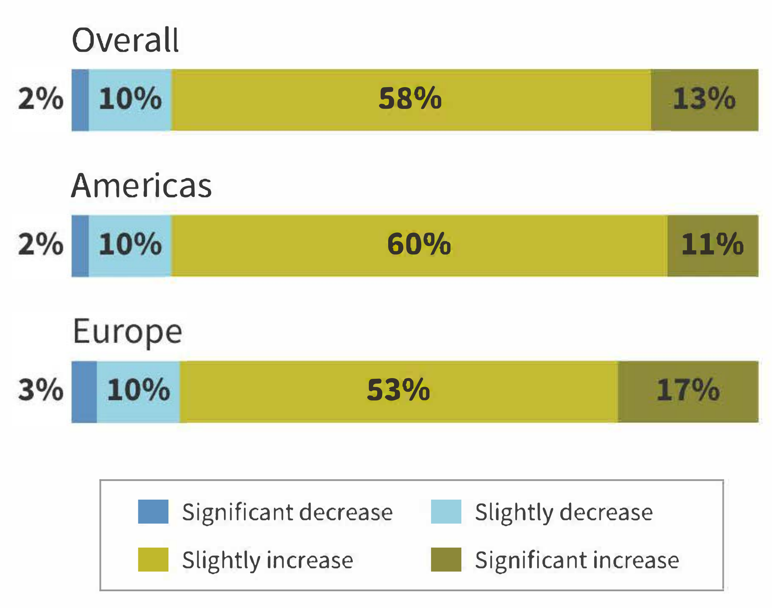
Here's a sample of key findings from this year's pulse report based on an IT spending survey of 501 IT executives from around the world. Scroll to find out more.

Top 3 priorities for technology initiatives



N=501
Source: Flexera 2022 Tech Spend Pulse
Flexera

Percentage of respondents expecting a change in their IT budgets



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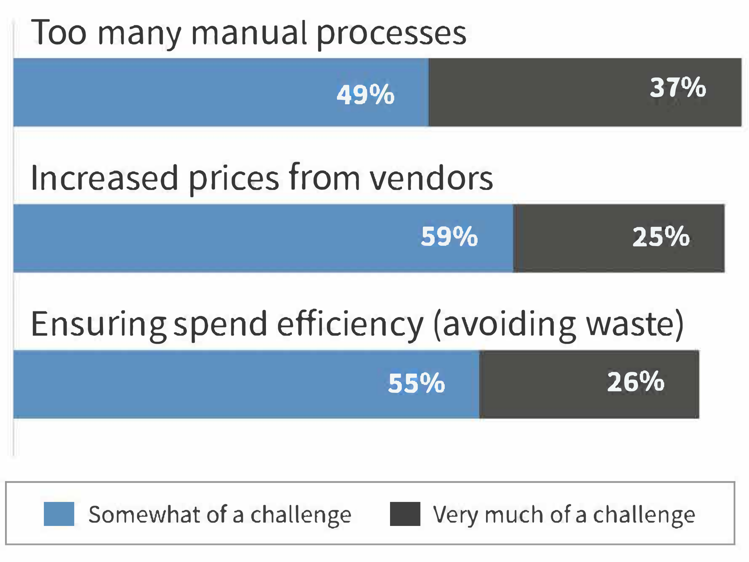
Source: Flexera 2022 Tech Spend Pulse
Flexera

Top spend optimization challenges



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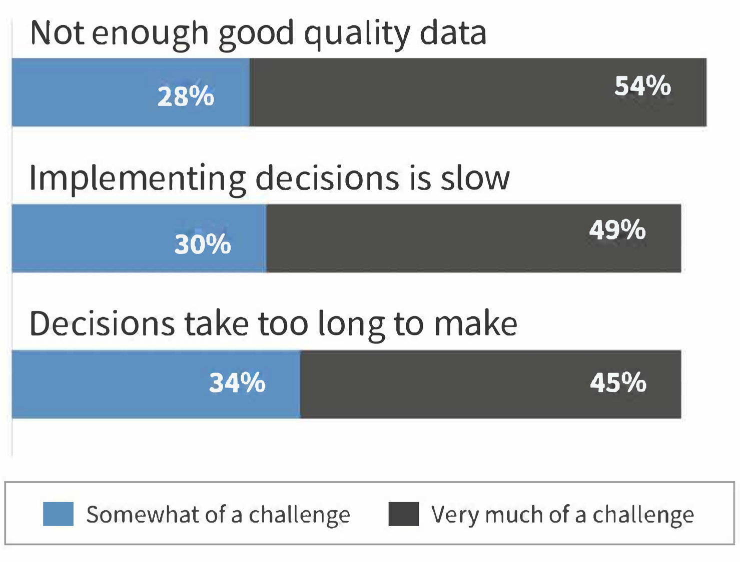
Source: Flexera 2022 Tech Spend Pulse
Flexera

Challenges in IT decision making



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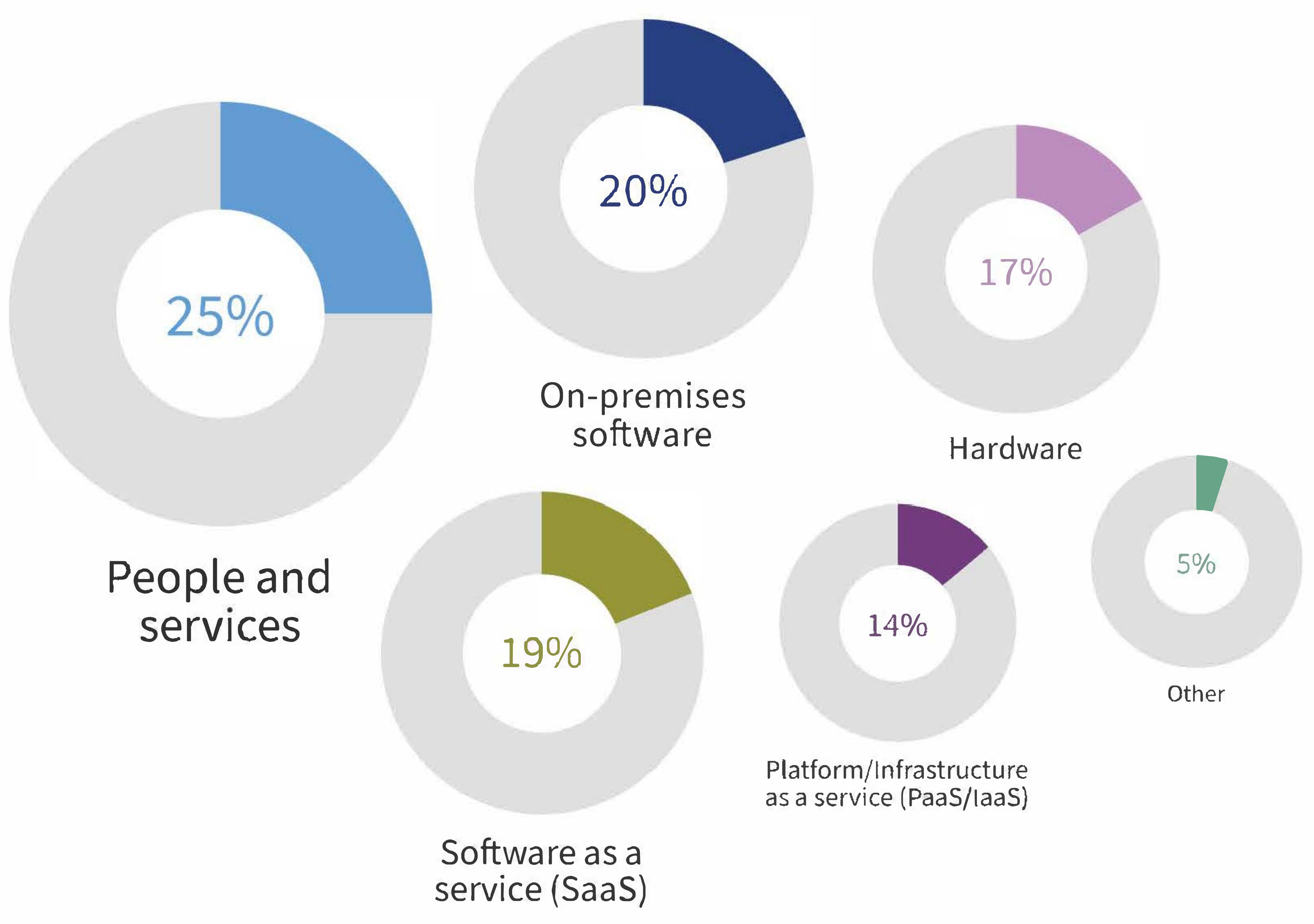
Source: Flexera 2022 Tech Spend Pulse
Flexera

Percent of annual spend in the following categories



N=411
Source: Flexera 2022 Tech Spend Pulse
Flexera

This pulse picks up where previous Flexera State of Tech Spend reports left off, providing 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 *2022 Tech Spend Pulse* illuminates:

- **Key initiatives for 2022 ›**
- **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 ›**
- **Global IT response to Russia/Ukraine conflict ›**

Methodology

The *Flexera 2022 Tech Spend Pulse* survey tapped 501 global technology executives and high-level managers with significant knowledge of their organizations' overall budgets. They represent a broad cross-section of industries.

Reuse

This year's respondents come from organizations of 2,000 or more employees, with almost half (48%) from organizations with more than 10,000 employees.

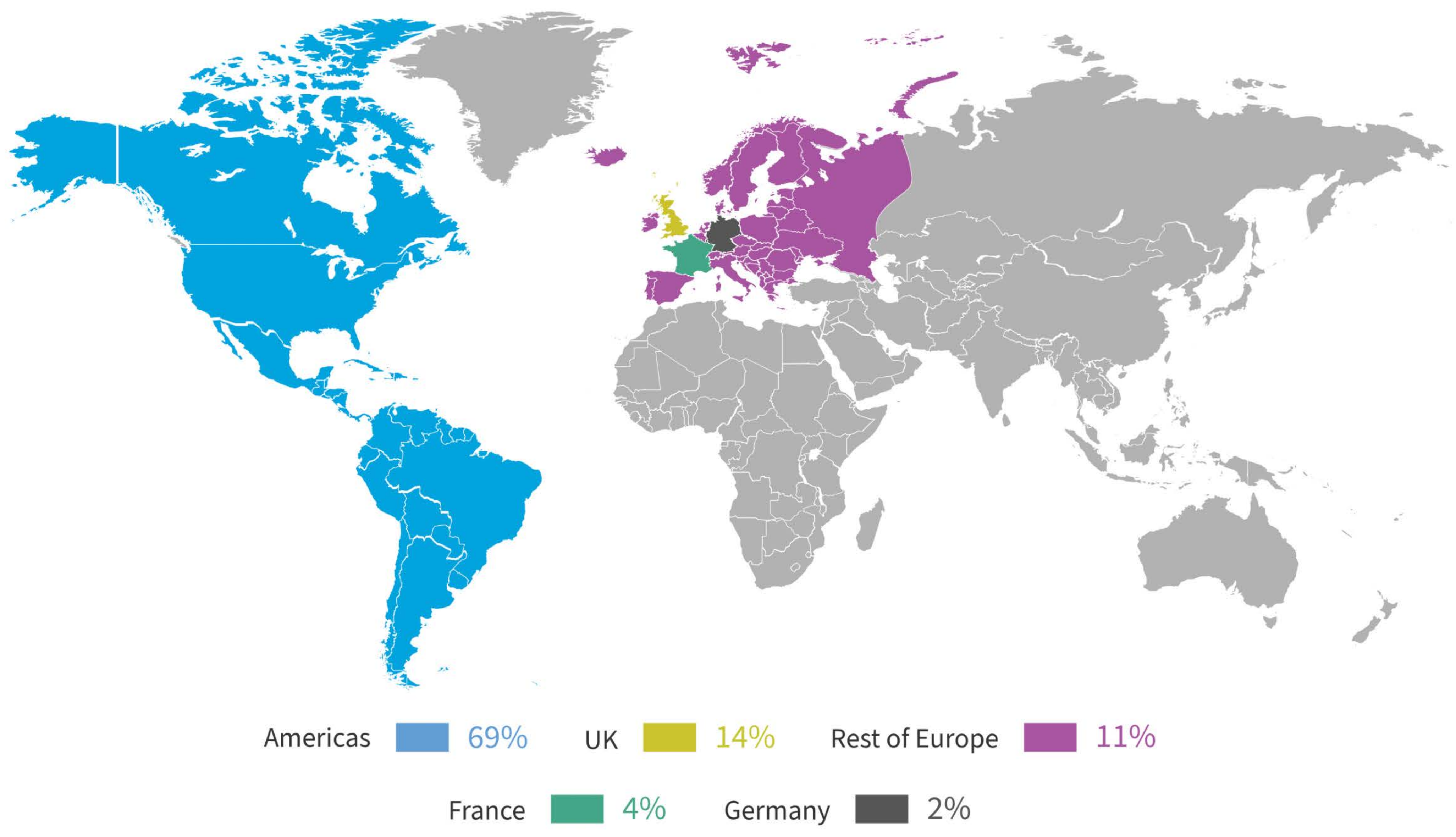
What size is your organization?

27%	25%	48%
2,001–5,000	5,001–10,000	10,001+

N=501
Source: Flexera 2022 Tech Spend Pulse
Flexera

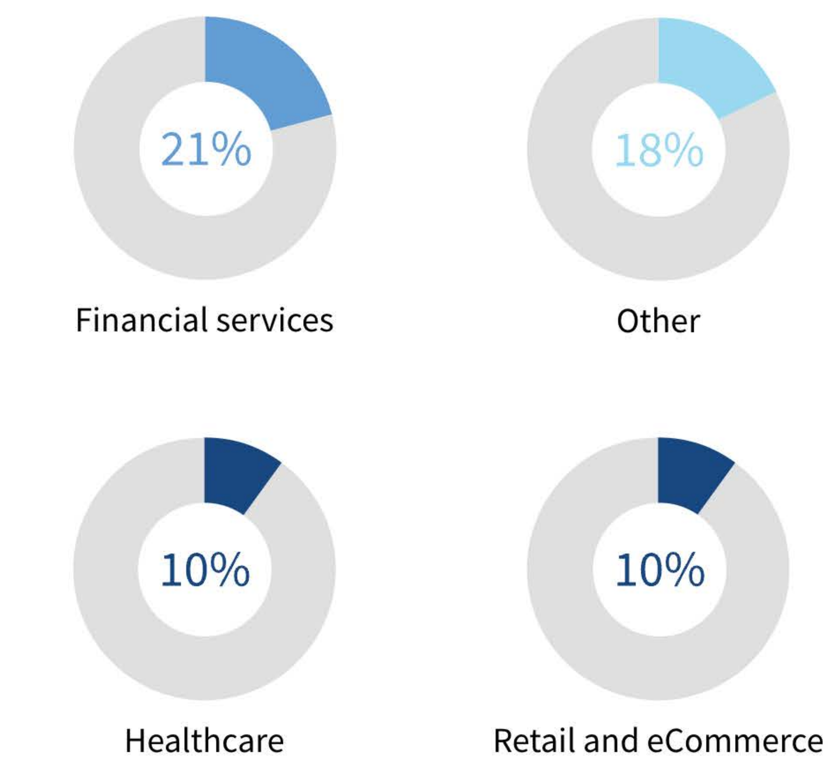
Much like last year, more than two-thirds of respondents were from the Americas, with the vast majority of those from the U.S. European respondents comprised 31% of the total respondent pool, with the UK contributing 14%.

Where are you located?

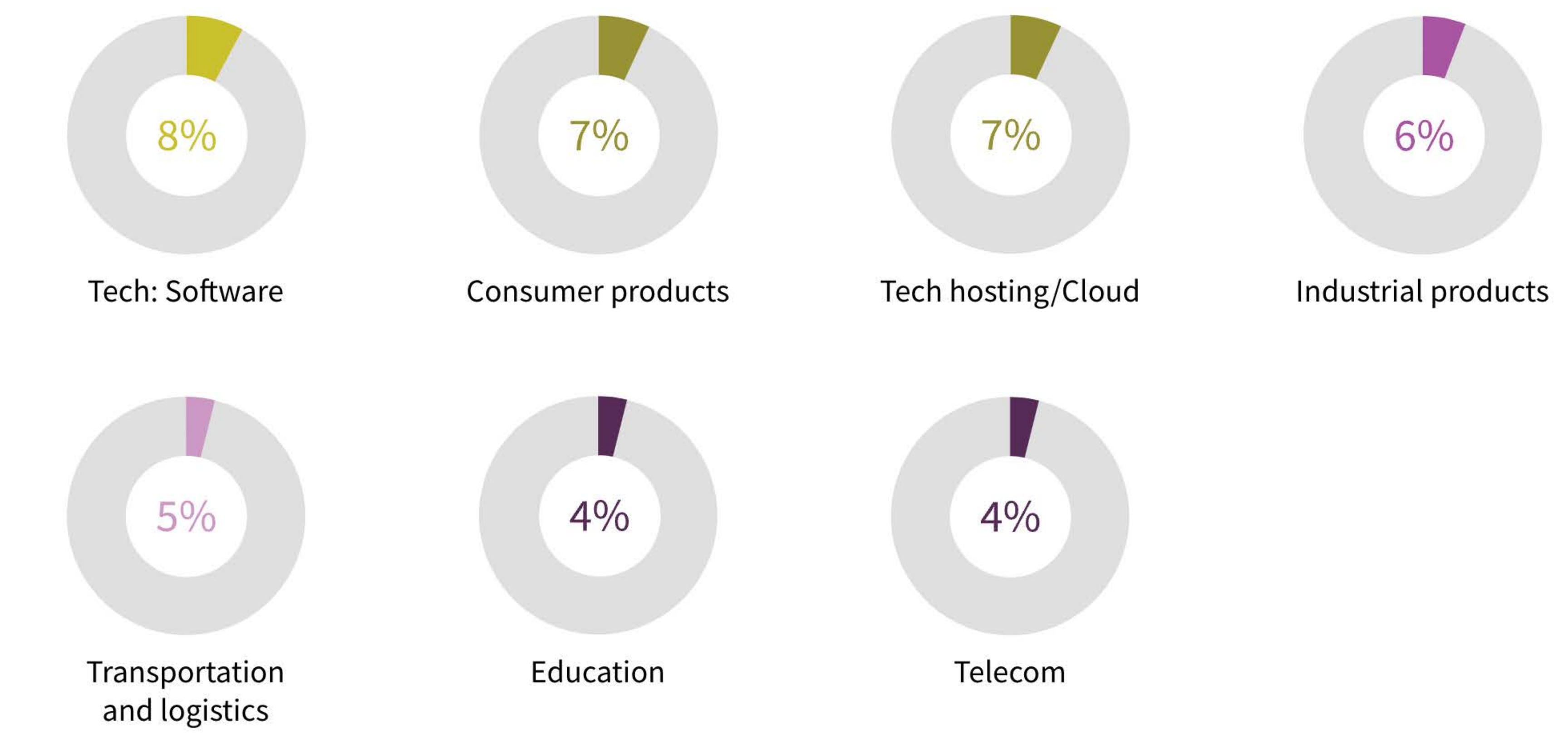


N=501
Source: Flexera 2022 Tech Spend Pulse
Flexera

What's your industry?



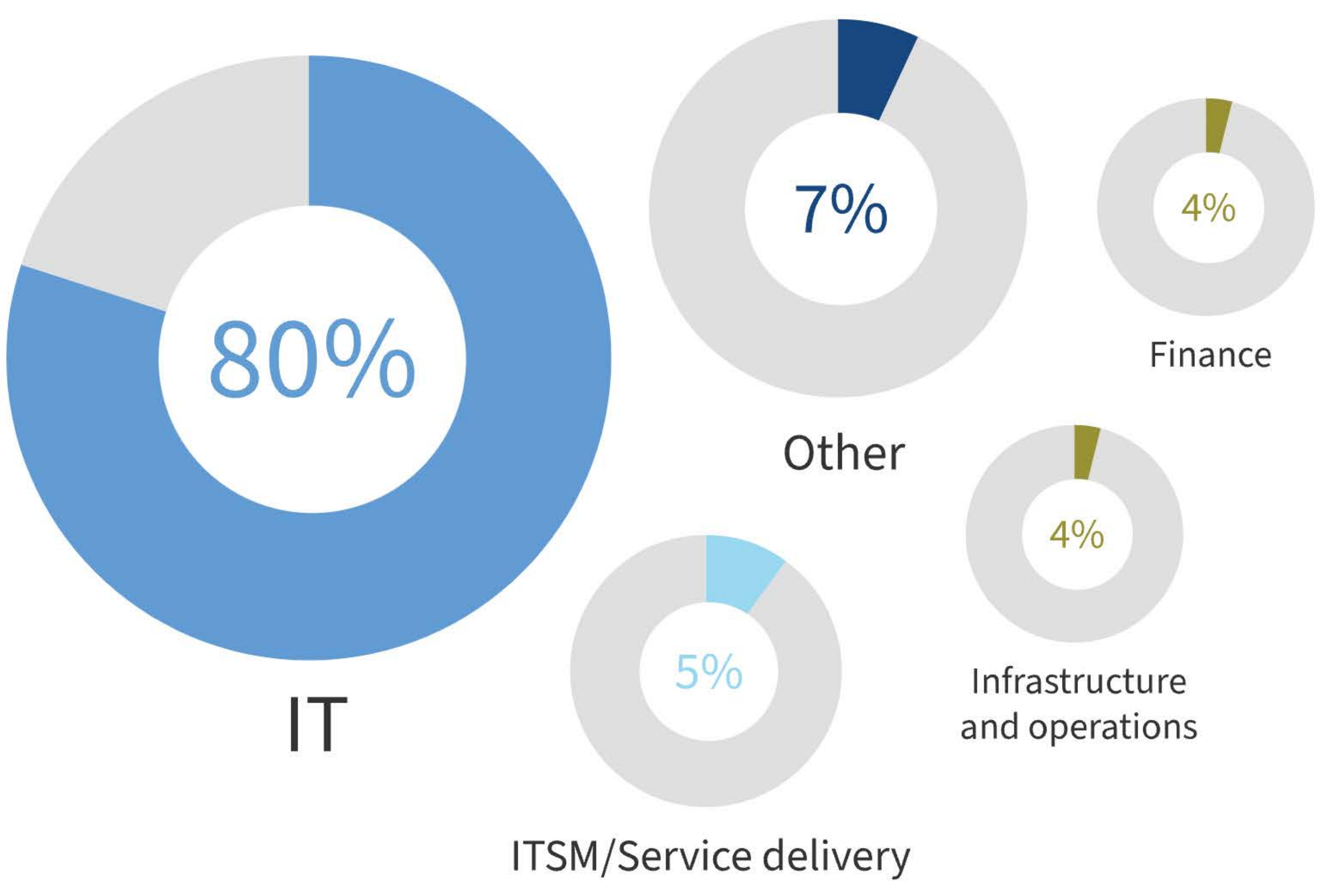
A wide array of industry verticals is represented, led by *financial services* (21%), *healthcare* (10%) and *retail and eCommerce* (10%). Industries with less than 4% representation are included in the *other* category.



N=501
Source: Flexera 2022 Tech Spend Pulse
Flexera

80% The vast majority of respondents work in the IT organization.

What's your department?



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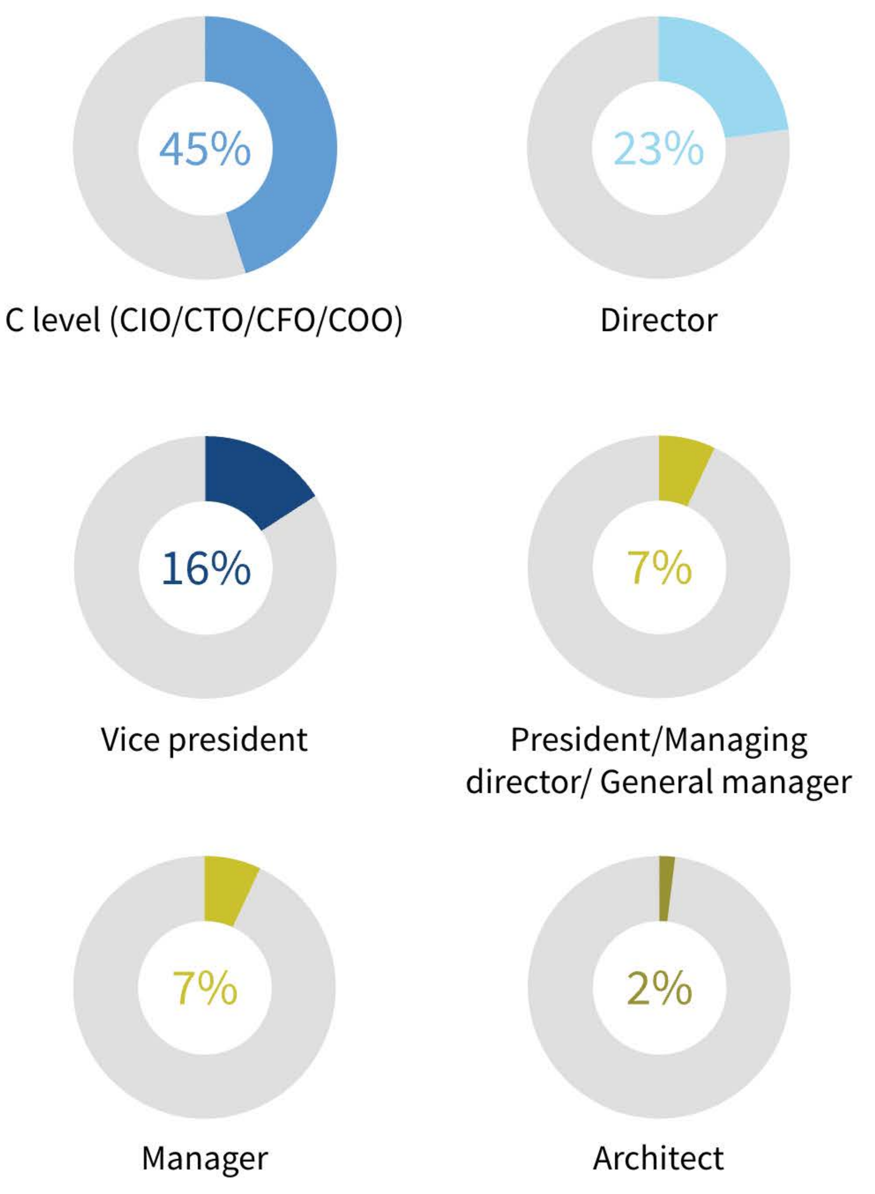
Source: Flexera 2022 Tech Spend Pulse
Flexera

What's your level?



68%

More than two-thirds of respondents are senior executives.

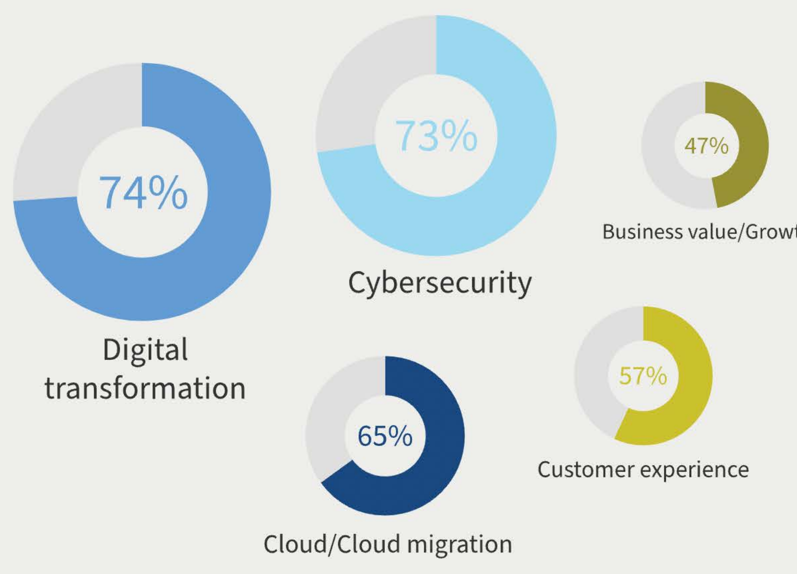
An additional 23% fill director roles within their organizations.

N=501
Source: Flexera 2022 Tech Spend Pulse
Flexera

Key initiatives for 2022

Digital transformation, *cybersecurity* and *cloud/cloud migration* are top priorities, growing more so year-over-year. These top three initiatives are identical to last year and all have increased significantly over the past 12 months.

Top 5 priorities for technology initiatives



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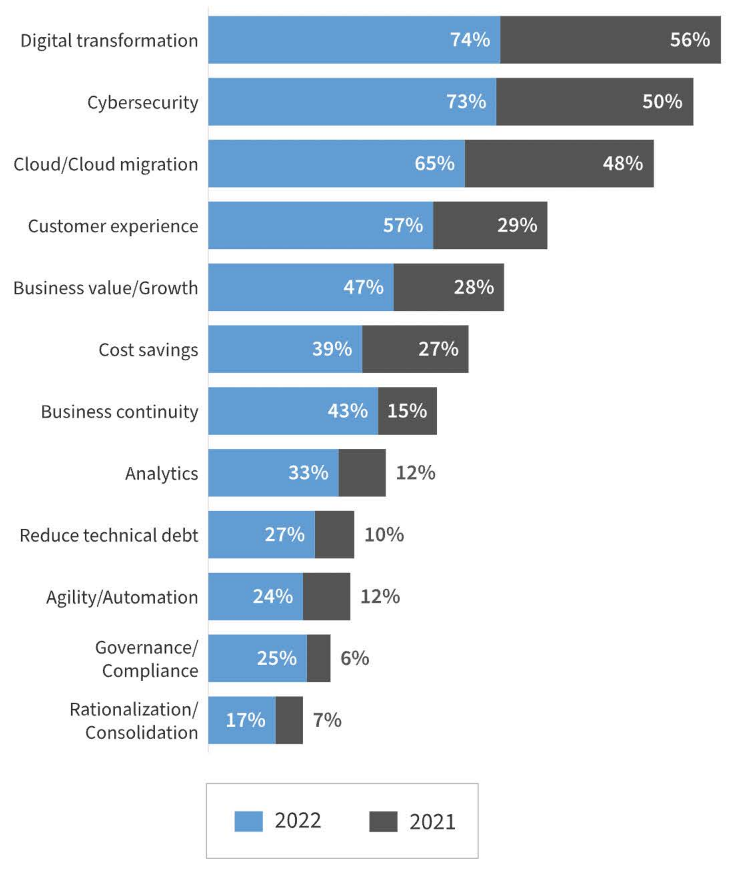
Source: Flexera 2022 Tech Spend Pulse

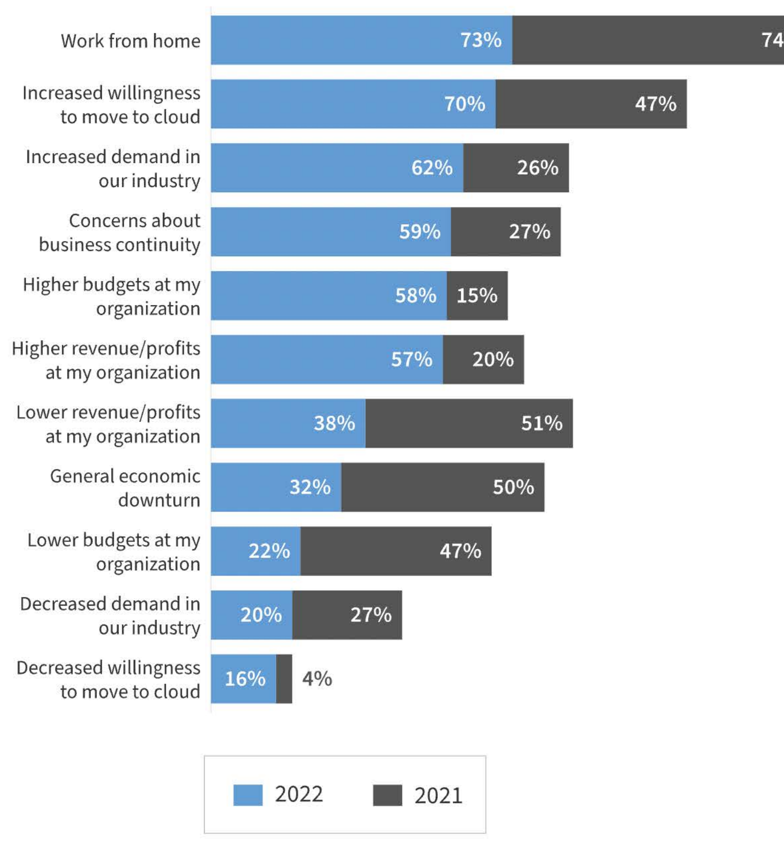
Top technology initiatives year-over-year



N=501
Source: Flexera 2022 Tech Spend Pulse

Both the 2021 and 2022 IT spending surveys included questions about the known impacts of the COVID-19 pandemic and how these will affect digital transformation activities. The negative impacts (such as *lower revenue/profits at my organization* and *general economic downturn*) all decreased significantly compared to previous years. Conversely, the more positive impacts such as *higher budgets at organization*, *higher revenue/profits at organization* and *increased demand in our industry* all increased significantly.

How has your pace of digital transformation been impacted by the pandemic/recession?



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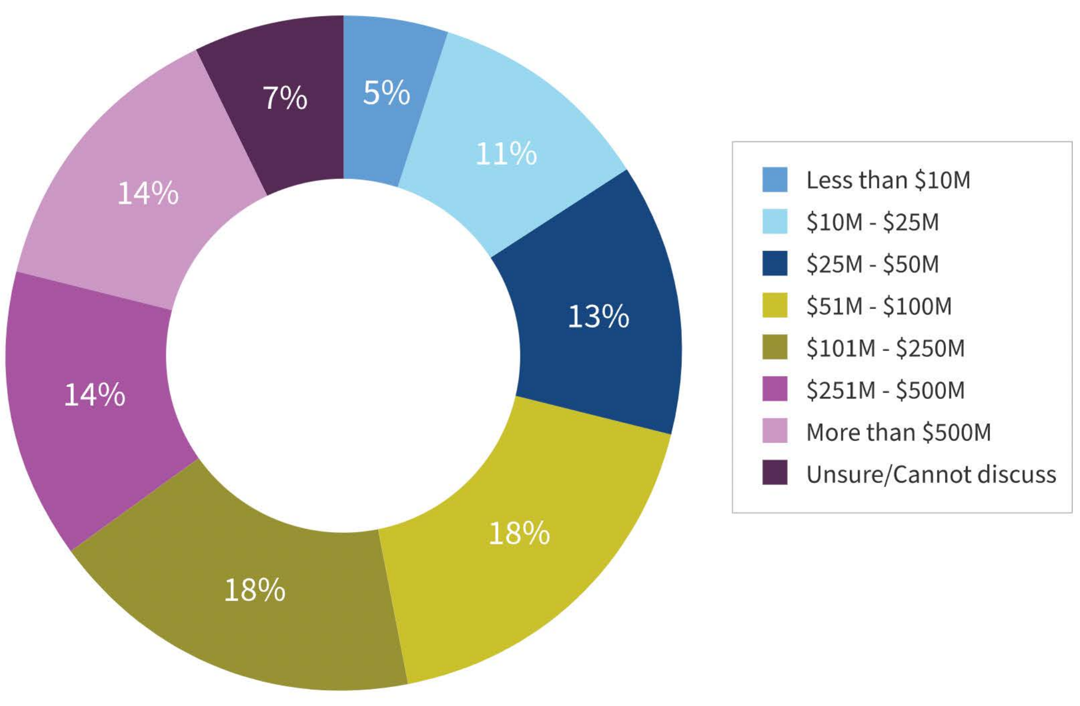
Source: Flexera 2022 Tech Spend Pulse

IT spend benchmarks

How much does your organization spend on IT?

When asked about level of IT spend, more than three-quarters (77%) of respondents indicated their organizations spent more than $25 million USD annually on IT, with 14% spending more than $500 million USD annually.



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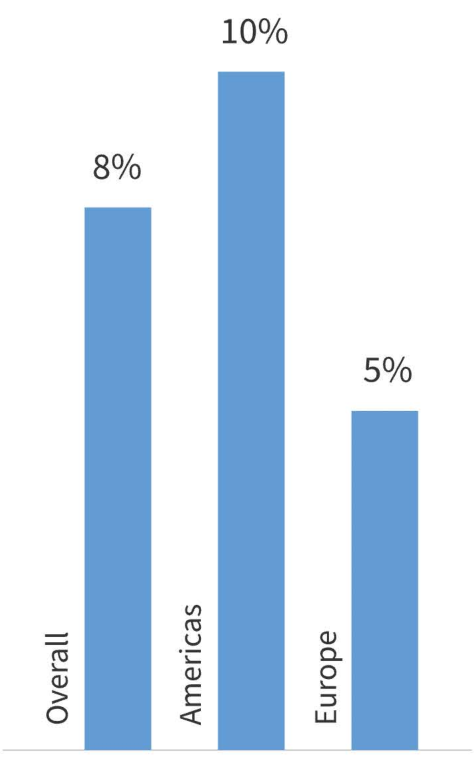
Source: Flexera 2022 Tech Spend Pulse

Overall, IT organizations spend 8% of their revenue on IT. Those in the Americas spend at a rate twice that of their European counterparts (10% vs. 5%). Organizations with 2,001-5,000 employees spend a considerably higher percentage (10%) of their revenue than the largest organizations (6%).

What percentage of your revenue is spent on IT?

Median percentage of revenue



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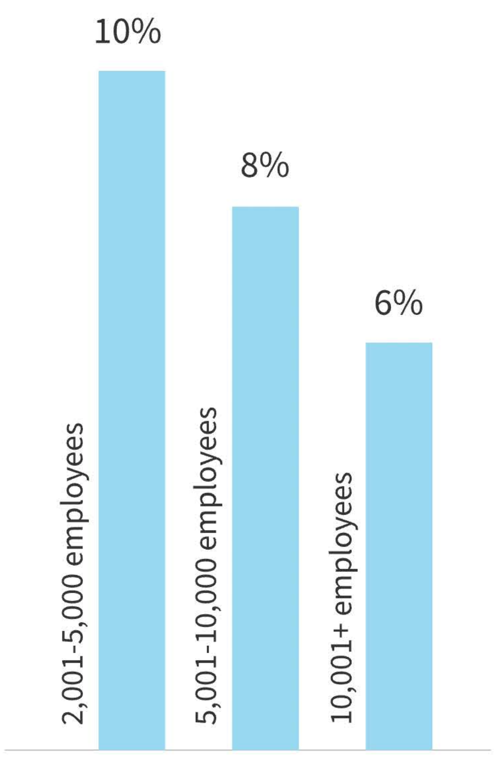
Source: Flexera 2022 Tech Spend Pulse

Percentage of revenue spent on IT, by company size

Median percentage of revenue

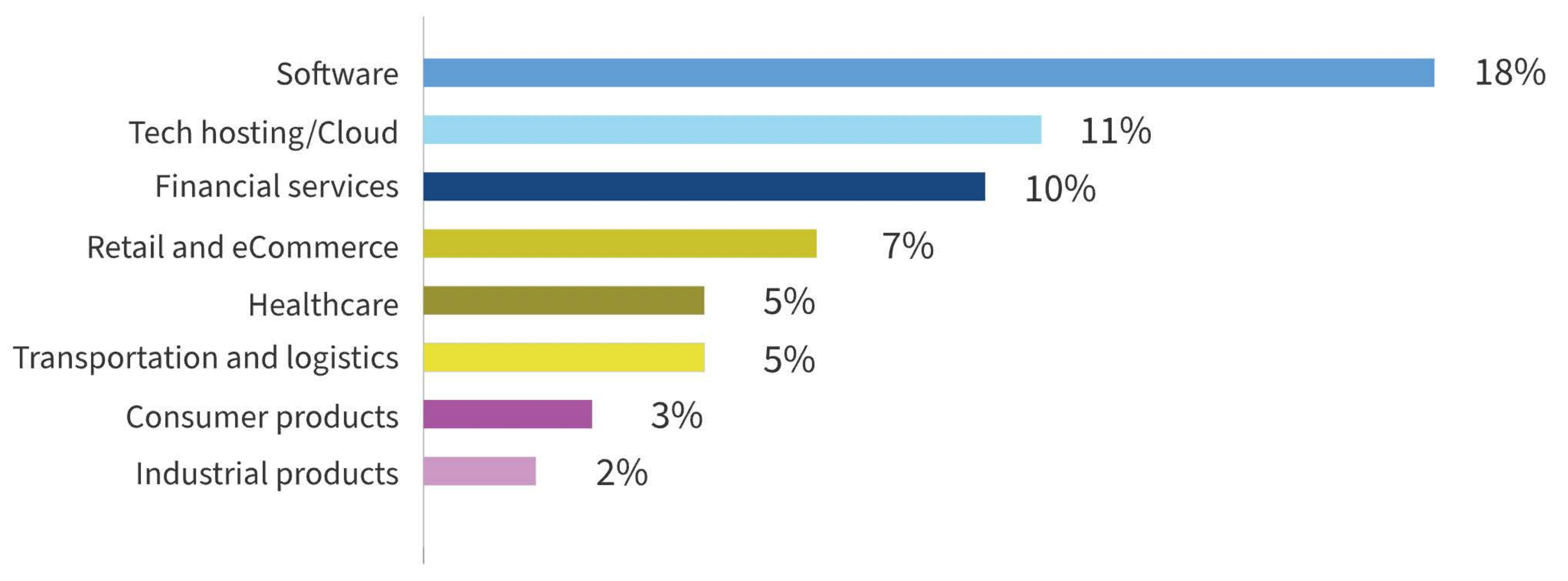


N=501
Source: Flexera 2022 Tech Spend Pulse

As expected, technology companies spend more of their revenue on IT since they focus on innovation. Product-related industries spend less on IT because they focus on producing physical goods.

Percentage of revenue spent on IT, by industry

Median percentage of revenue



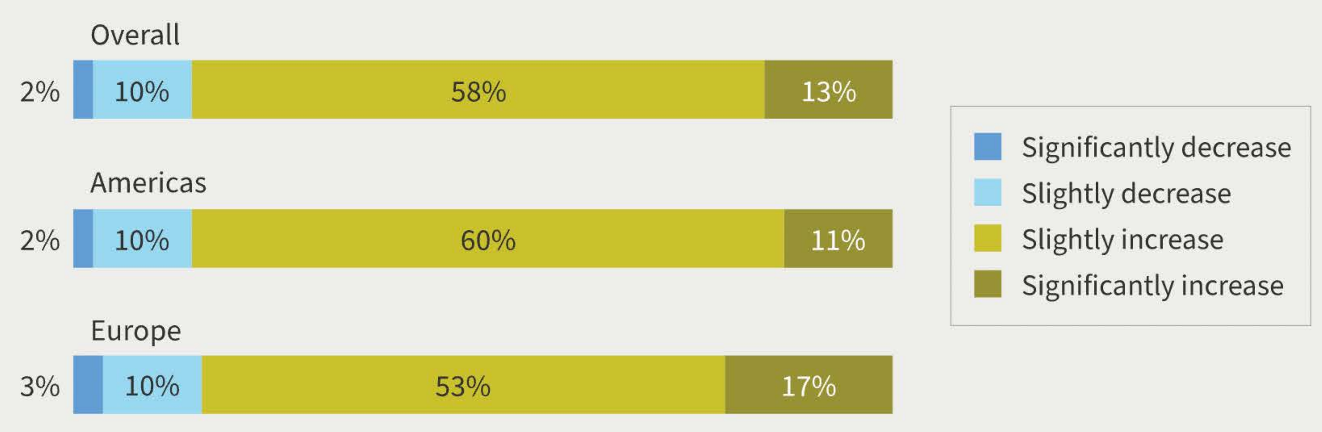
N=501
Source: Flexera 2022 Tech Spend Pulse
Flexera

71%

The vast majority expect their IT budgets to increase in the next year, regardless of their region of the world.

Please note: In a follow-up survey fielded after sanctions were imposed on Russia due to conflict in Ukraine, ***expected increase in budgets*** decreased by 7%, as shown in the graph labeled "Percentage of respondents expecting a change in their IT budgets."

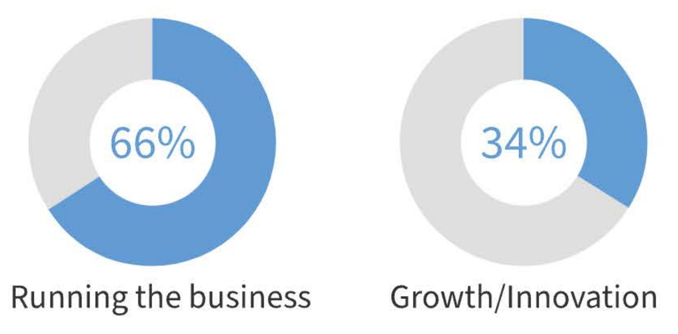
Percentage of respondents expecting a change in their IT budgets



N=501
Source: Flexera 2022 Tech Spend Pulse
Flexera

Percentage of budget allocated to running the business vs. growth

Industry analysts often estimate the costs of running the business to be as high as 70%, which aligns with respondents' estimates of 66%.



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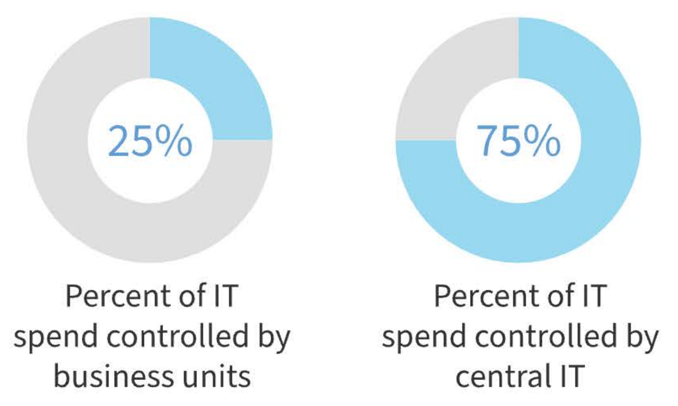
Source: Flexera 2022 Tech Spend Pulse
Flexera

IT spend decentralization



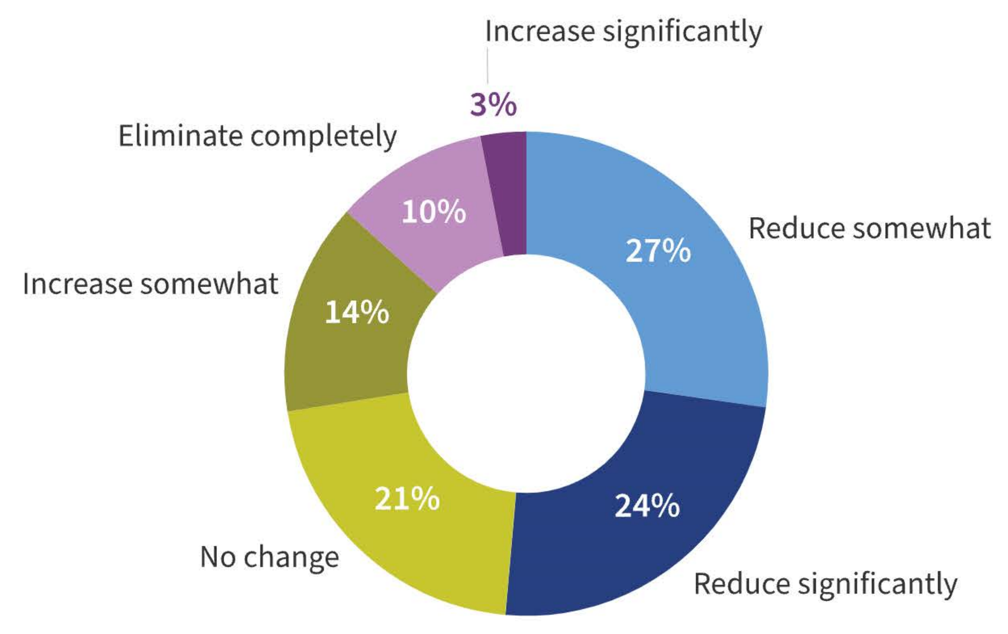
Decentralization of IT spend has remained flat over the past two Tech Spend reports, with 26% of spend controlled by business units in 2021, and 25% in 2022.

N=501
Source: Flexera 2022 Tech Spend Pulse
Flexera

Digital transformation/ shift to the cloud

As organizations shift to the cloud, many are attempting to reduce the number of data centers they own and operate. Ten percent plan to eliminate data centers completely and 51% plan to reduce their data center footprint to some degree.

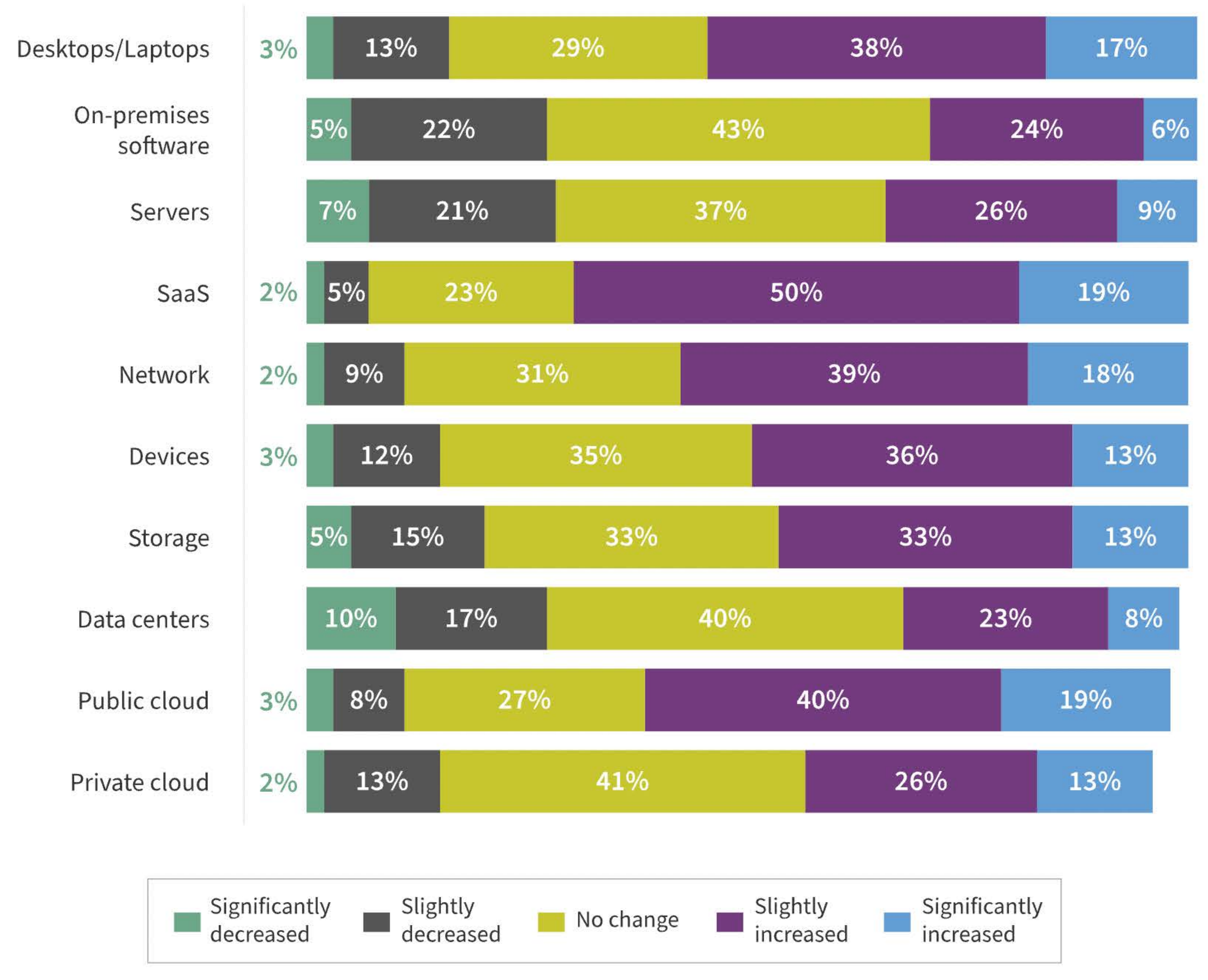
Plans for number of data centers in the next 24 months



N=501
Source: Flexera 2022 Tech Spend Pulse
Flexera

COVID-19 continues to drive up cloud spend and drive down on-premises software spend. Organizations turn to SaaS and move more apps and data to the cloud to support remote employees. These trends are continuing as budgets for items more directly related to enabling a remote work force increase, such as *SaaS* (69%), *public cloud* (59%) and *desktops/laptops* (55%). Conversely, spending associated with legacy office environments has decreased, such as *data centers* (-27%), *servers* (-28%) and *on-premises software* (-27%).

Percentage experiencing budget impacts to date due to COVID-19



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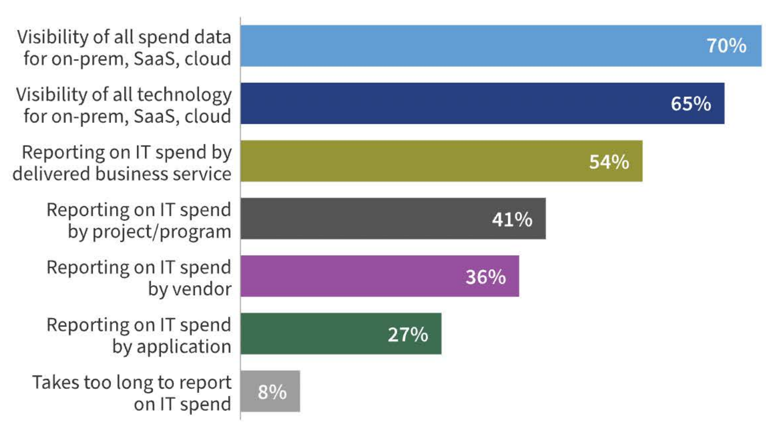
Source: Flexera 2022 Tech Spend Pulse
Flexera

IT spend visibility challenges

As IT spend moves more toward SaaS, cloud and other non-on-premises expenditures, visibility into that spend becomes more challenging. This includes keeping track of all IT assets in the organization and keeping track of how much the business is spending on those assets.



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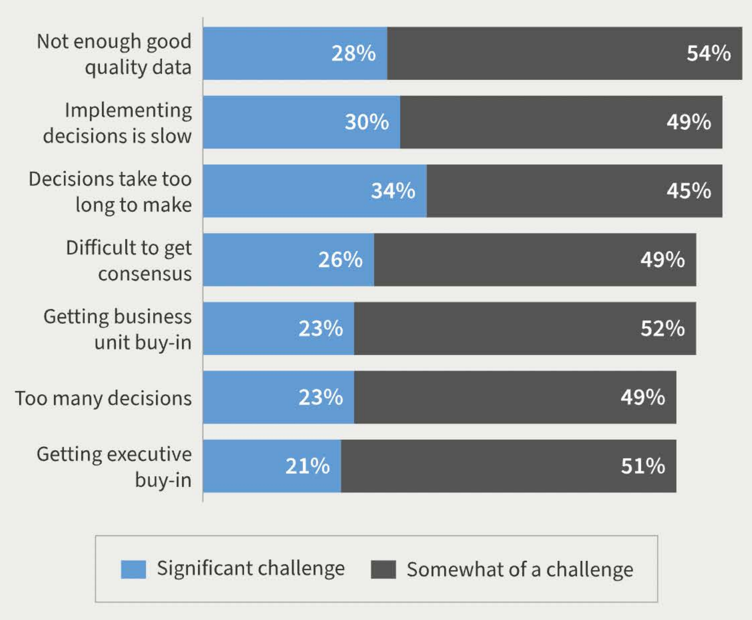
Source: Flexera 2022 Tech Spend Pulse
Flexera

Challenges in IT decision making



The biggest challenges in making IT-related decisions

82% Not enough good quality data

79% Implementing decisions is slow

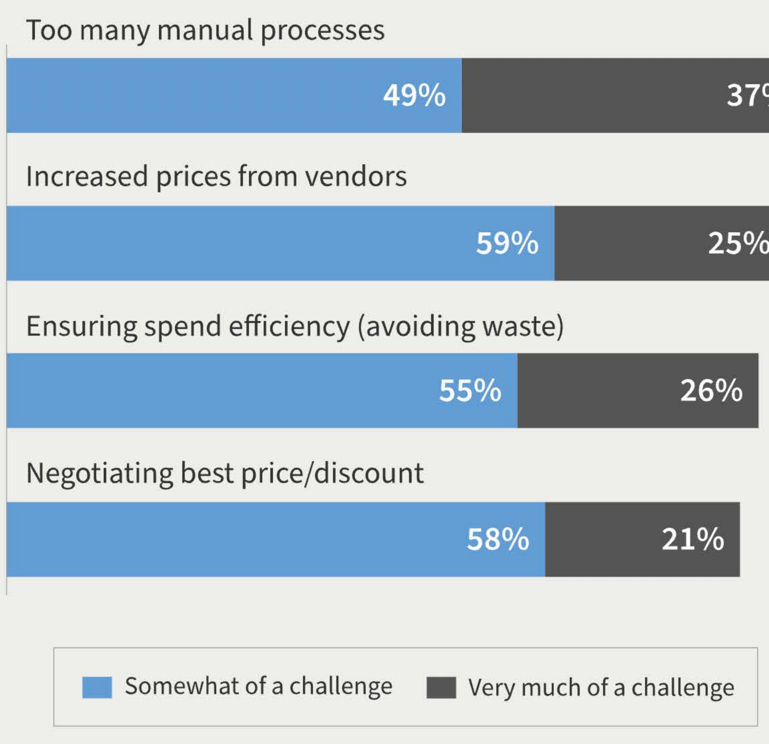
79% Decisions take too long to make

N=501
Source: Flexera 2022 Tech Spend Pulse
Flexera

Challenges in spend optimization

IT organizations often face challenges managing and optimizing the cost of services they deliver to the business. The top four spend-optimization challenges continue to be led by *too many manual processes*. But this year, *negotiating best price/discount* and *increased prices from vendors* moved into the top group, each increasing 10% or more from last year. This shows interactions with vendors will gain importance as organizations move toward the subscription-based model.

Top spend optimization challenges

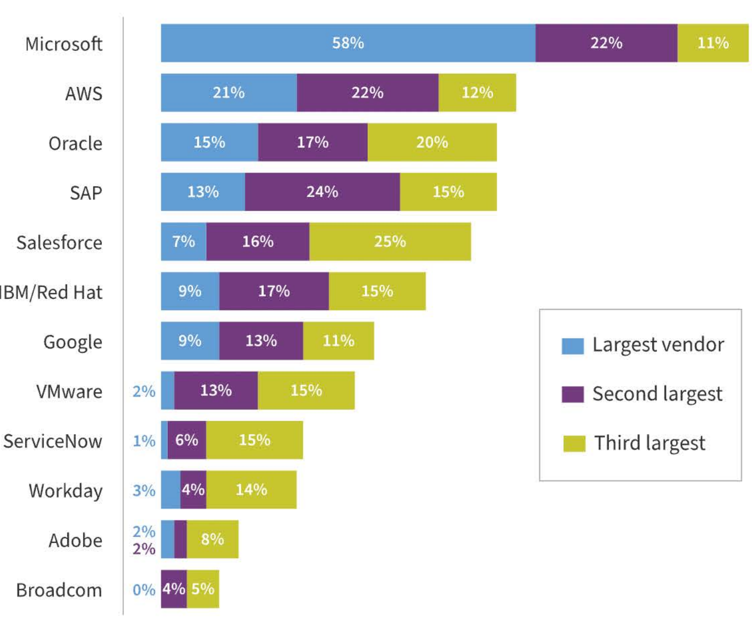


N=501
Source: Flexera 2022 Tech Spend Pulse
Flexera

Consumption of IT vendors

Top 3 technology vendors

When respondents were asked about their current and future use of leading technology vendors across traditional on-premises software, SaaS and public cloud, Microsoft continues to dominate the top spot. Another 22% say Microsoft is their second largest vendor based on spend. Both Oracle and SAP made gains (Oracle up to 15% from 6% last year, and SAP up to 13% from 6%), closing the gap with AWS.

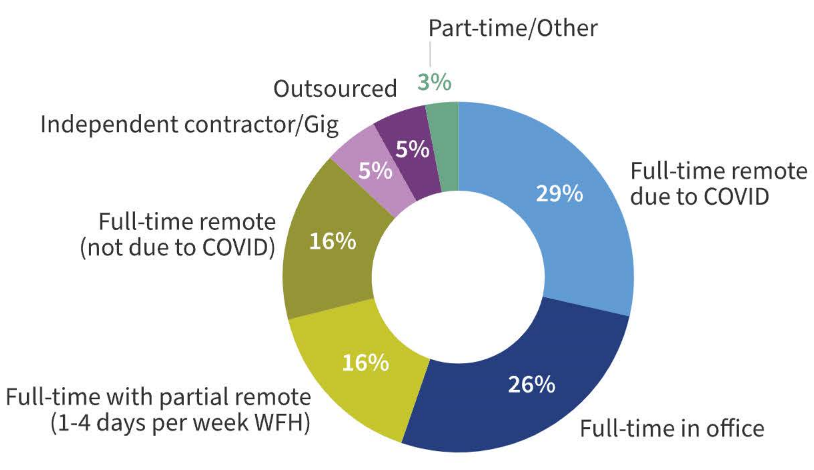


N=501
Source: Flexera 2022 Tech Spend Pulse
Flexera

IT organizations' adaptation to changing workforces

COVID-19 accelerated a push to a remote workforce. But as the world slowly starts to reopen, more IT workers are either returning to the office or working remotely less often. In last year's survey, 45% of IT staff worked remotely full-time. This year that number has dropped to 29%.

Breakdown of IT staff



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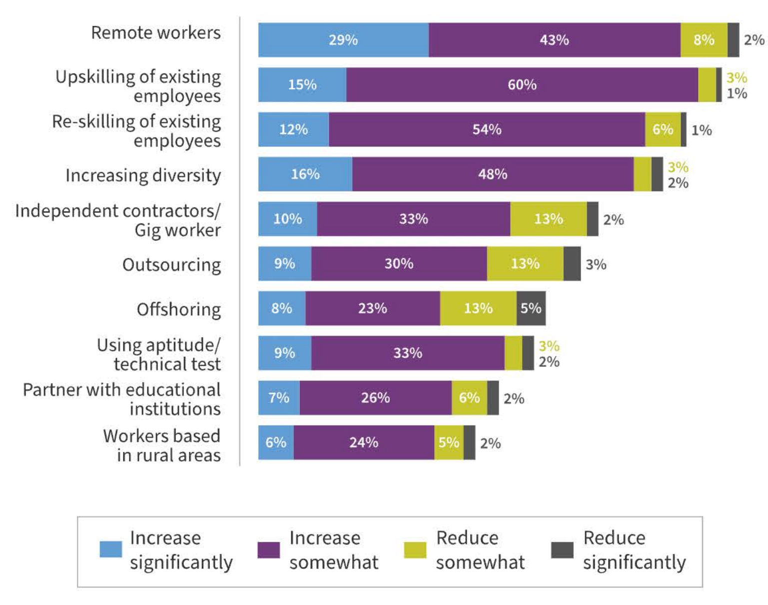
Source: Flexera 2022 Tech Spend Pulse
Flexera

Planned changes to investments in IT staffing

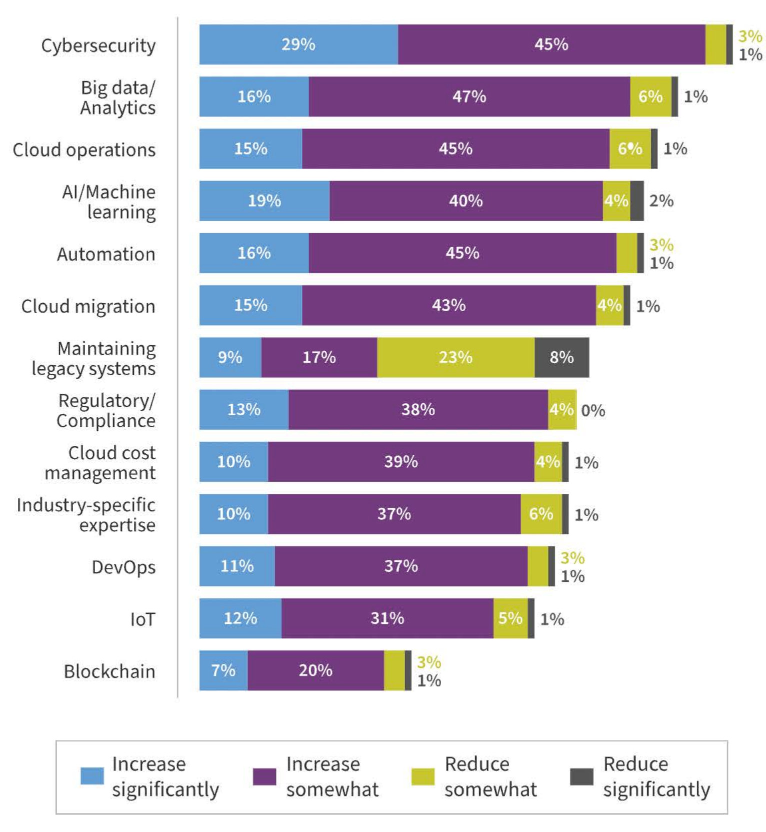


The pandemic and the ensuing Great Resignation forced organizations to rethink their investments in IT staff. Investment in remote workers remains at the top, but both the *upskilling of existing employees* and *re-skilling of existing employees* are top of mind as well.

N=501
Source: Flexera 2022 Tech Spend Pulse
Flexera

Planned changes to use of external IT resources

The top five areas in which external partners will play a supplemental role are *cybersecurity*, *big data/analytics*, *cloud operations*, *AI/machine learning* and *automation*. All five are rapidly growing areas requiring specialized skill sets.



N=501
Source: Flexera 2022 Tech Spend Pulse
Flexera

European Spotlight

This section highlights responses gathered from European respondents, representing approximately 31% of the total pool.

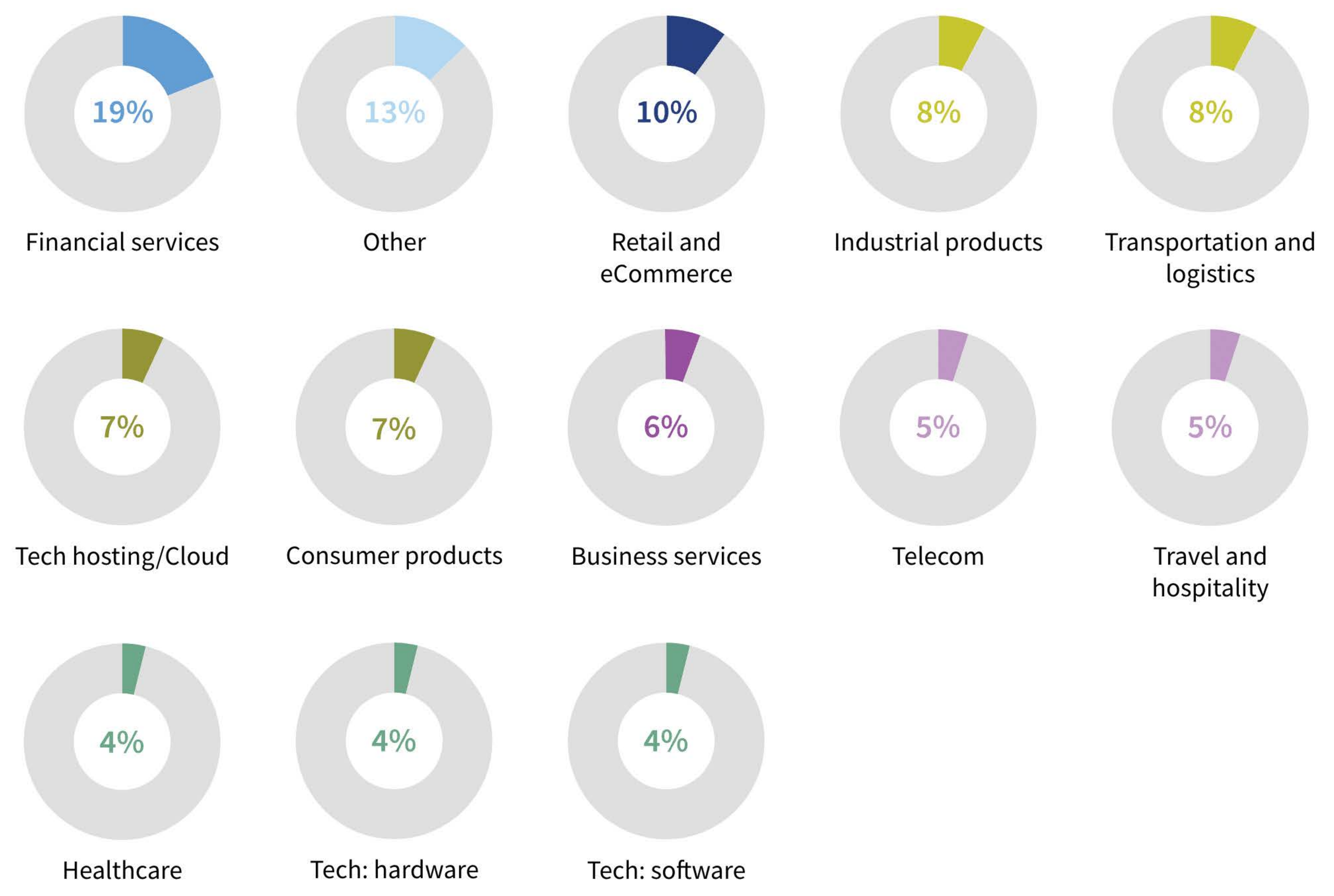
The distribution of the European respondents by organization size closely mirrors the global respondents. More than half (51%) of European respondents are from organizations with more than 10,000 employees.

What size is your organization?

N=155
Source: Flexera 2022 Tech Spend Pulse
Flexera

In the breakdown of European respondents by industry, *financial services* and *retail and eCommerce* are the most represented industries, similar to the global respondents.

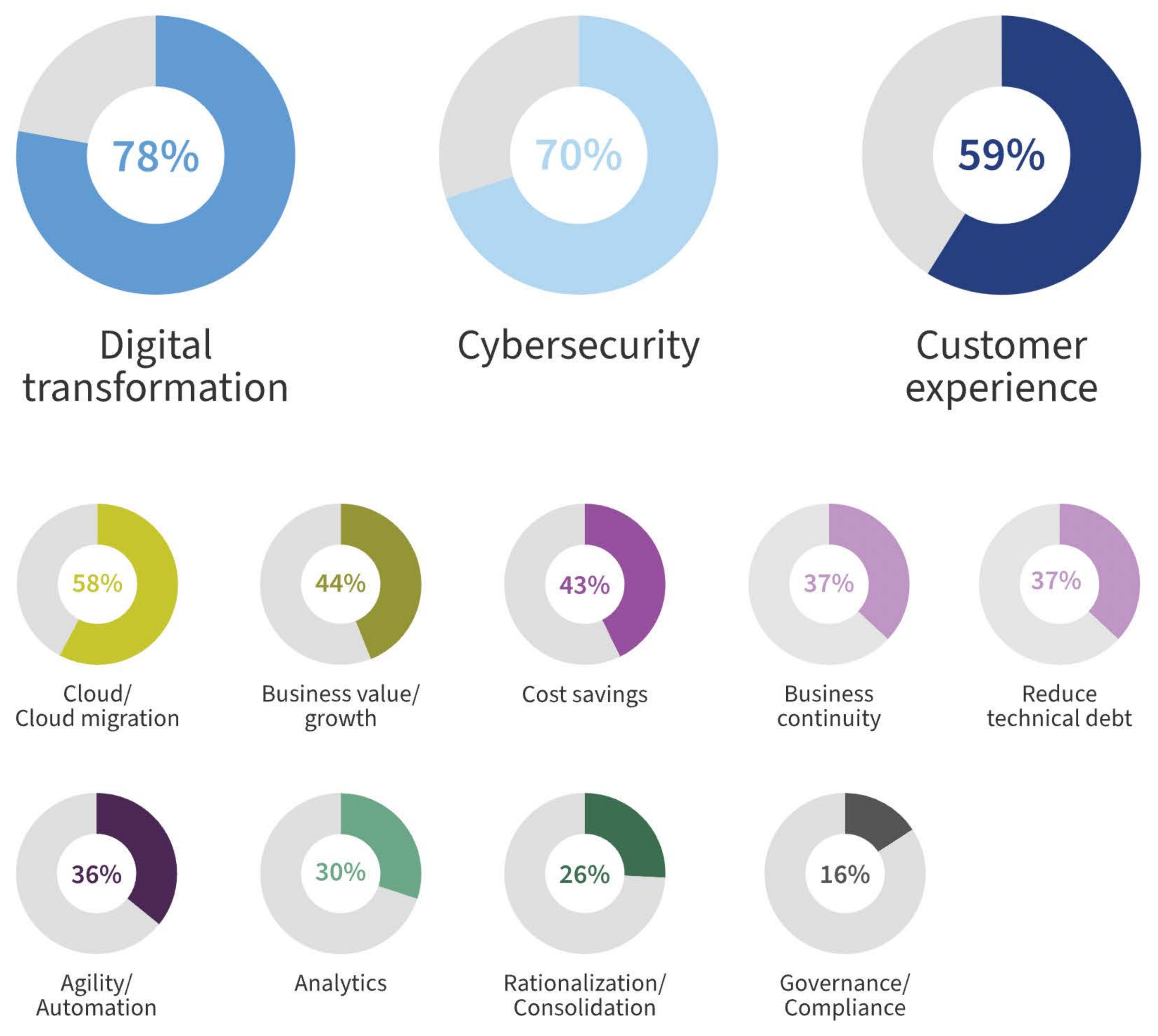
What's your industry?



N=155
Source: Flexera 2022 Tech Spend Pulse
Flexera

European respondents were asked for their top three priorities for technology initiatives. *Agility/automation* was chosen by 36% of the European respondents vs. 24% globally, and *reduce technical debt* was selected by 37% vs. 27% globally. This implies that European organizations are more focused than global respondents on automating their IT processes, and reducing their technical debt as a result of automating their existing (and possibly manual) processes.

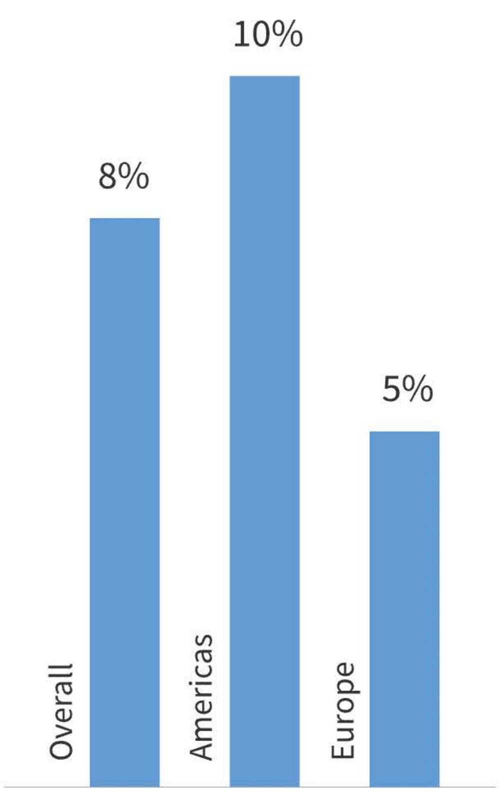
Top 3 European priorities for technology initiatives



N=155
Source: Flexera 2022 Tech Spend Pulse
Flexera

What percentage of your revenue is spent on IT?

Median percentage of revenue

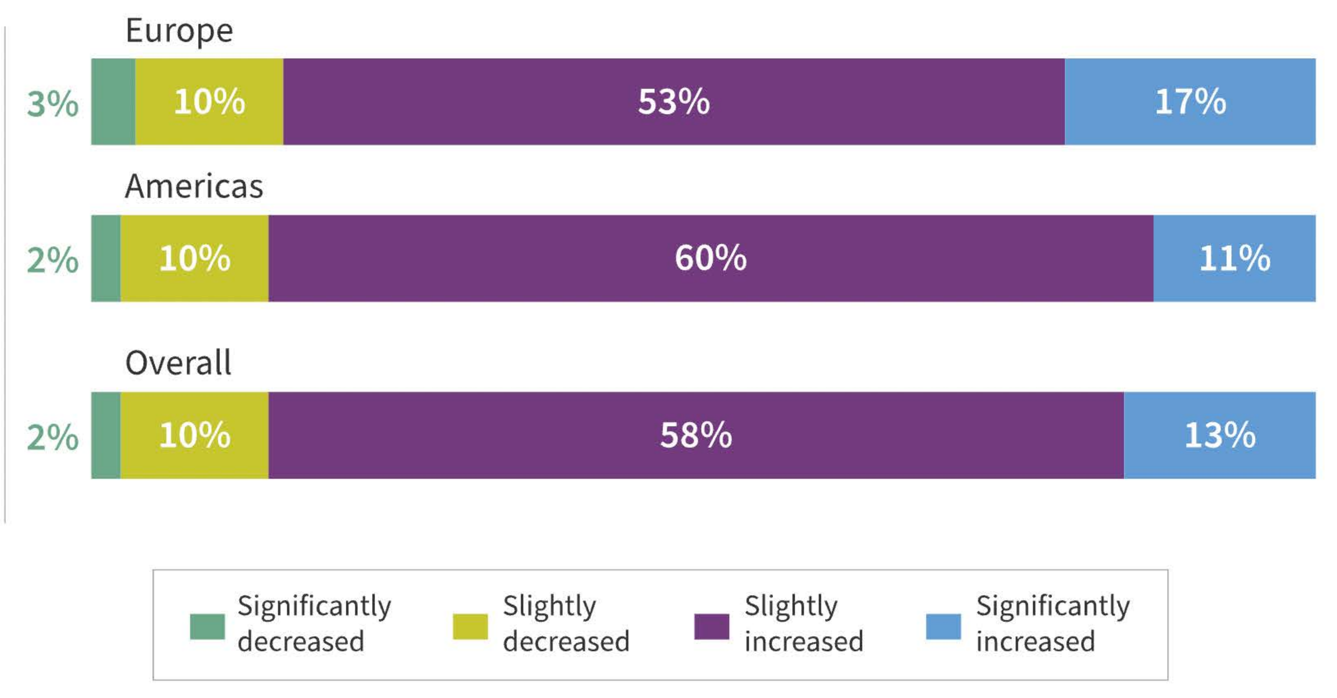


European organizations spend half as much of their revenue on IT as organizations in the Americas.

N=501: 346 Americas, 155 Europe
Source: Flexera 2022 Tech Spend Pulse
Flexera

European respondents are expecting very similar changes in IT budgets compared to the Americas and the overall global respondent pool.

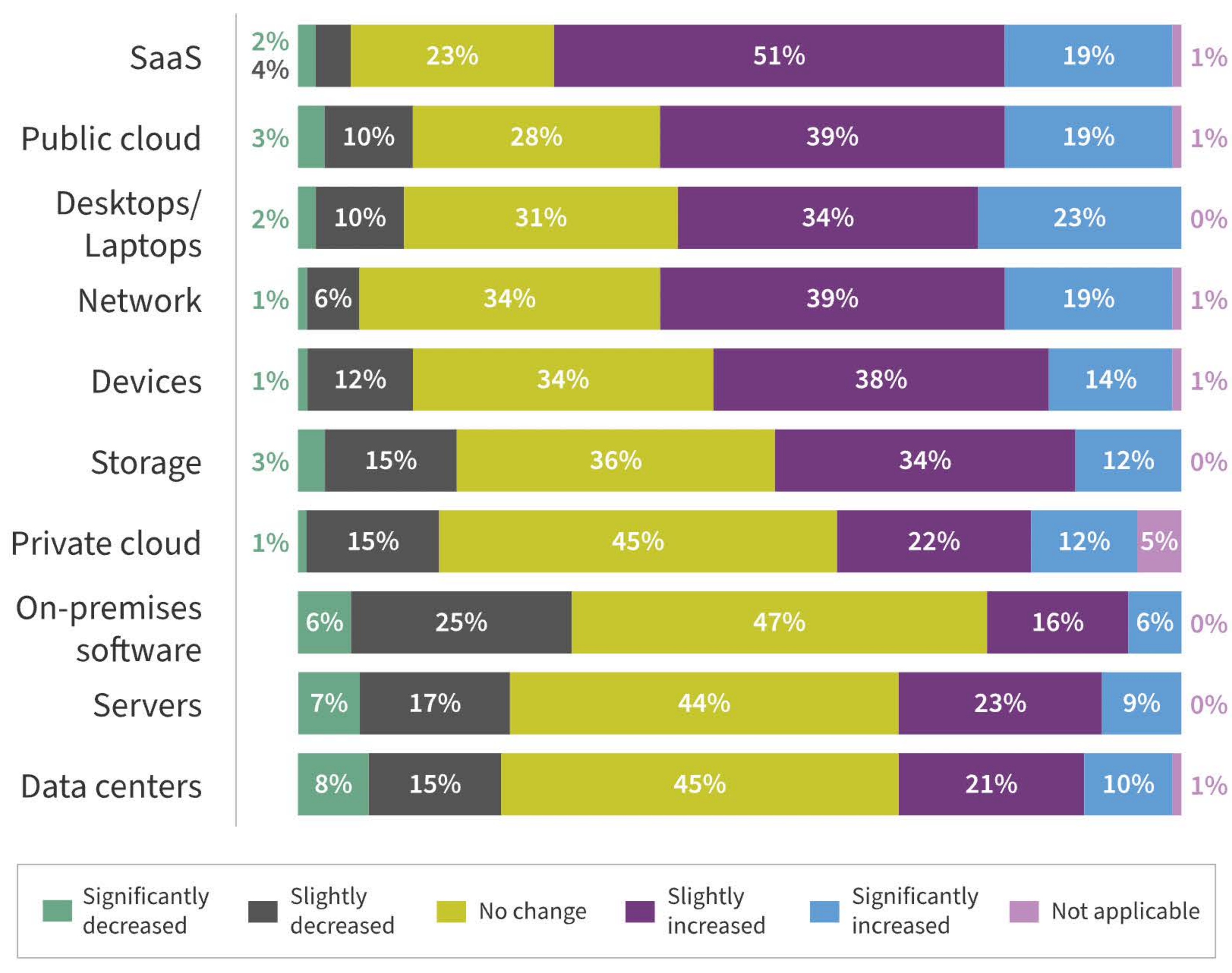
Percentage of respondents expecting a change in their IT budgets



N=501: 346 Americas, 155 Europe
Source: Flexera 2022 Tech Spend Pulse
Flexera

For European organizations, COVID-19 continues to drive cloud spend up and on-premises software spend down. Budget impacts for European respondents closely align with those of global respondents as budgets for items more directly related to enabling a remote workforce increase, and budgets associated with on-premises resources have decreased.

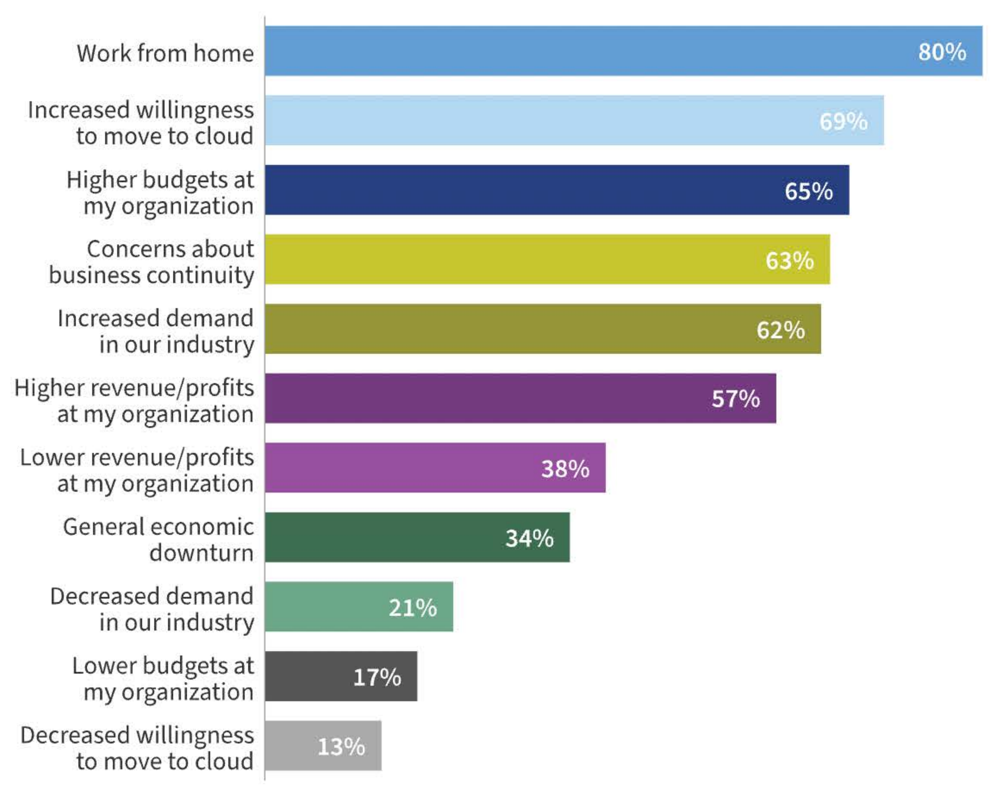
Percentage experiencing budget impacts to date due to COVID-19



N=155
Source: Flexera 2022 Tech Spend Pulse

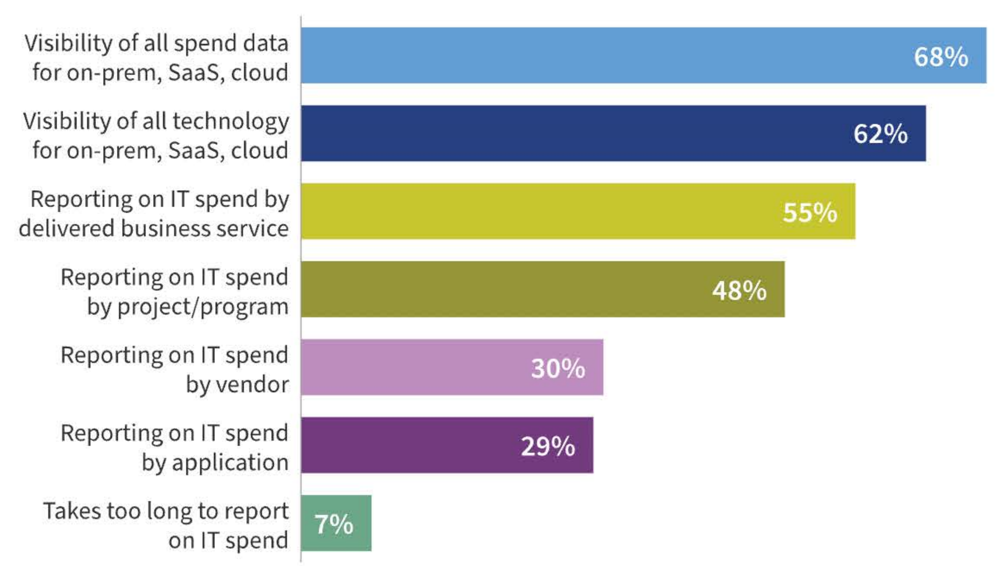
Factors impacting organizations due to COVID-19

The pandemic's impact on the pace of digital transformation in Europe was similar to global respondents. *Work from home* (80%) and *higher budgets at organization* (65%) were somewhat higher (7% for each) compared to their global counterparts.



N=155
Source: Flexera 2022 Tech Spend Pulse

Challenges in IT spend visibility

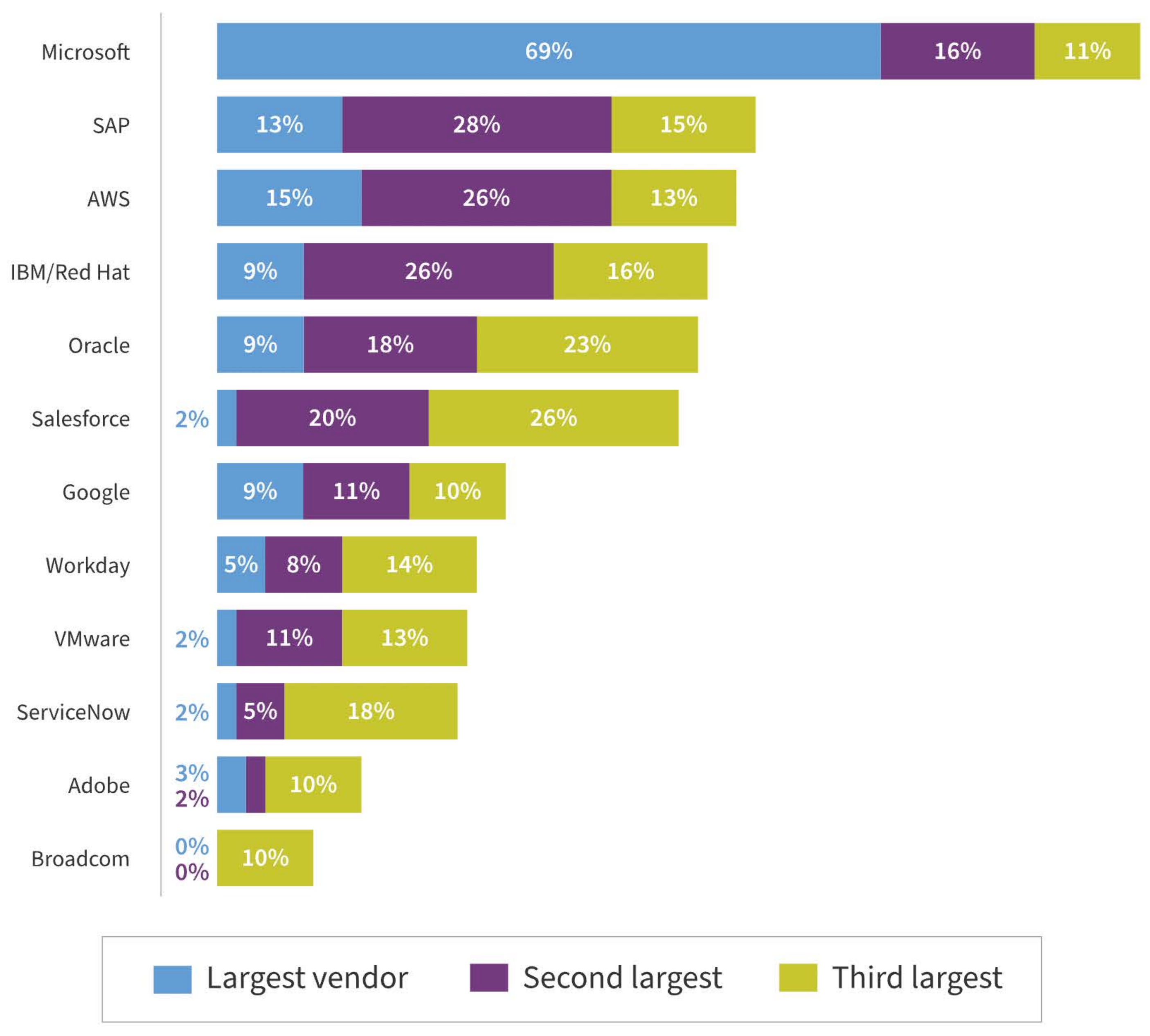


N=155
Source: Flexera 2022 Tech Spend Pulse

European organizations faced similar challenges in IT spend visibility as global organizations. European organizations differed the most in *reporting on IT spend by project/ program* (48% vs. 41% globally), and *reporting on IT spend by vendor* (30% vs. 36% globally). This may be due to European organizations focusing more on initiative-based reporting than vendor/product-based reporting.

The vendors European organizations spend their IT dollars on are similar to global organizations, with notable exceptions. *Microsoft* holds the top spot for European organizations, with 69% indicating it's their largest vendor by spend, compared to 58% globally. *SAP* and *AWS* round out the top three (with the order reversed globally). However, in the fourth spot *IBM/Red Hat* appears with 51% of European organizations ranking it in the top three vendors by spend vs. just 41% globally.

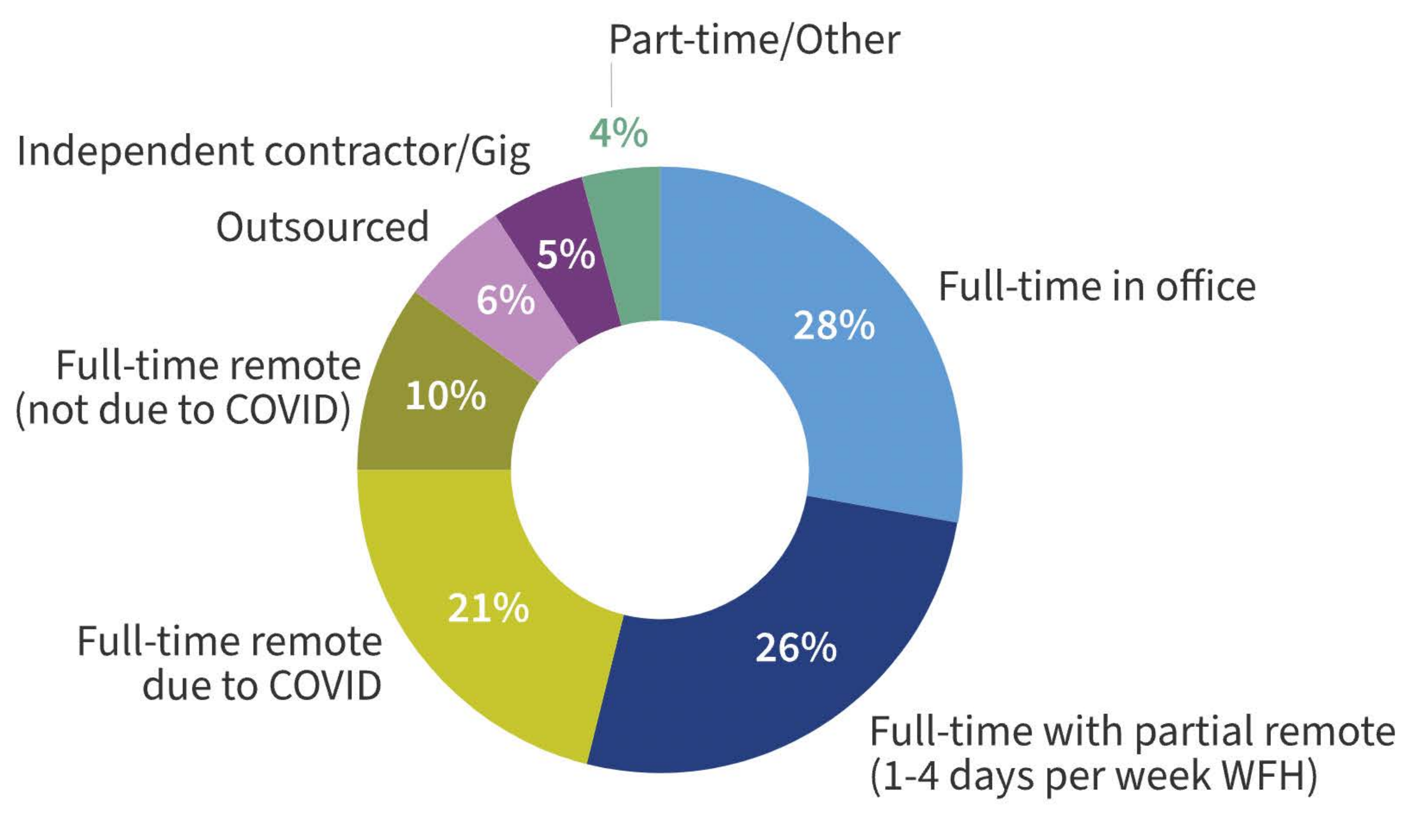
Top 3 technology vendors



N=155
Source: Flexera 2022 Tech Spend Pulse

The COVID-19 pandemic altered the work environments of European IT staff much as it did global IT staff. While many of the data points shown closely relate to the global values, there's a significant difference in *full-time with partial remote (1-4 days per week work from home)* with European organizations having 26% of their staff working in this model vs. just 16% globally.

Breakdown of European IT workforces



N=155
Source: Flexera 2022 Tech Spend Pulse

Global IT response to Russia/Ukraine conflict

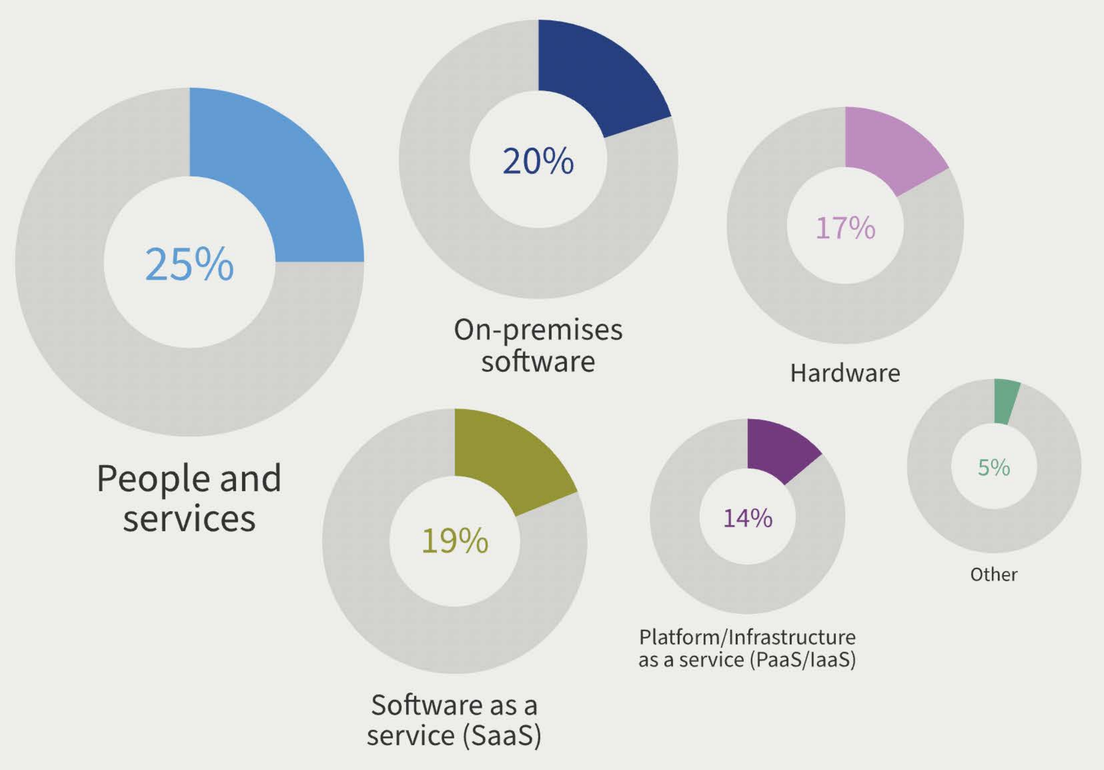
Response to macroeconomic effects of sanctions on Russia and the conflict in Ukraine

The Flexera Tech Spend Pulse survey was undertaken before global sanctions were imposed on Russia due to actions taken in Ukraine. As a result, we followed up with 411 respondents to gauge the effect of these global events on IT spend.

We see that a considerable percentage of IT spend—53%—is allocated to software and related assets, including SaaS, IaaS and PaaS. This represents a steady overall investment compared to 2021 (54%), however, SaaS has increased significantly from 10% to 19% from 2021 to 2022.

Also notable, *people and services* makes up the greatest investment for IT organizations at 25%.

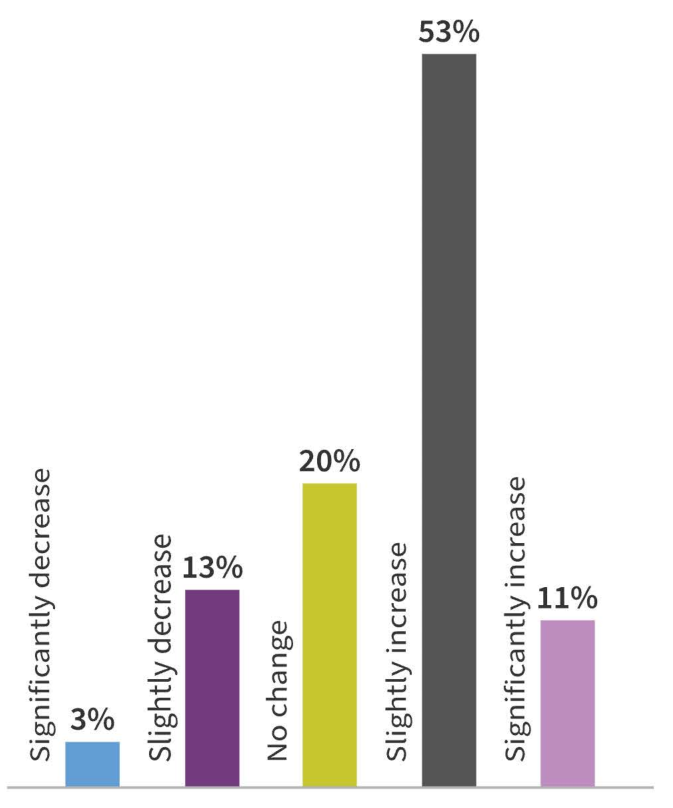
Percent of annual spend in the following categories



N=411
Source: Flexera 2022 Tech Spend Pulse
Flexera

Percentage of respondents expecting a change in their IT budgets

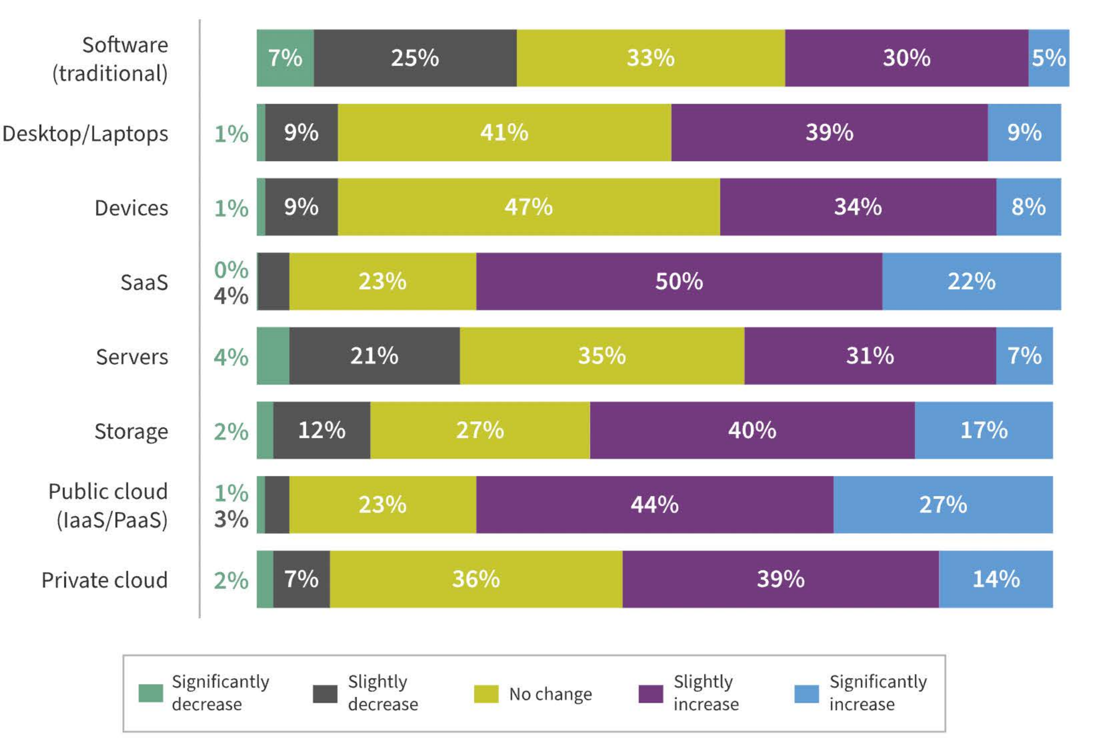
Expected change in overall IT budget shifted with *slightly and significantly increase* dropping from 71% to 64%. This included 16% of respondents expecting a decrease in IT budgets overall (vs. 12% in the first survey). Of note, 20% of respondents expected no change in their budgets (compared to 17%), which may indicate that original expectations remain on projection.



N=411
Source: Flexera 2022 Tech Spend Pulse
Flexera

Expected change in technology investments saw movement away from the center (no change), with significant expansion on *public cloud (IaaS/PaaS)* at 71% (vs 59% as a result of COVID-19), and *SaaS* (72% vs 69%), and a reduction in expected decreased spending on *servers* (25% vs. 28%).

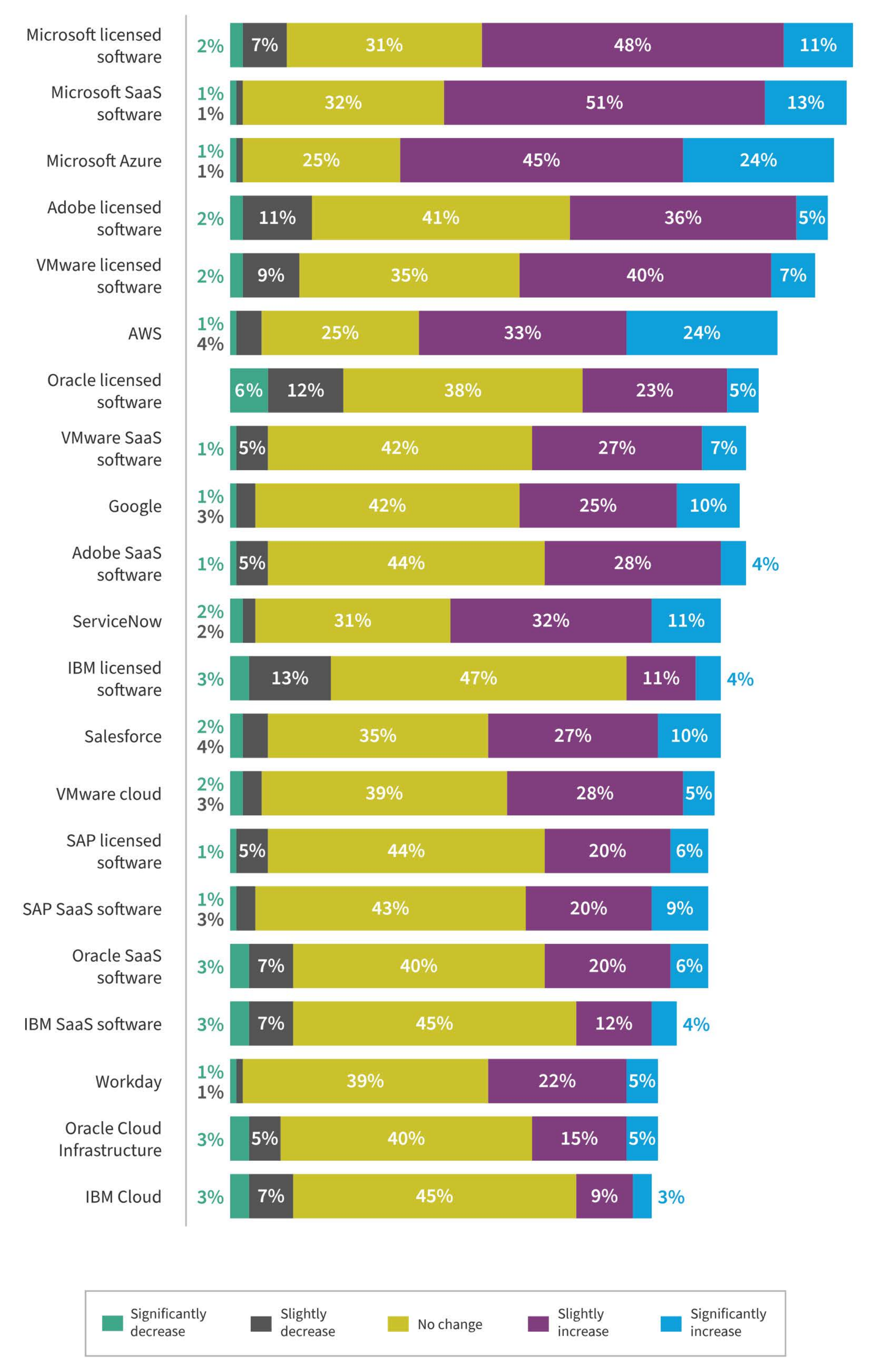
Expected change in technology investments



N=411
Source: Flexera 2022 Tech Spend Pulse
Flexera

When looking at the expected change in specific vendors and their offerings, Microsoft showed the highest percentage of increase across all categories (licensed software, SaaS and cloud), followed by *Adobe licensed software*. The highest decrease in investment was expected in *Oracle licensed software*.

Expected change in investments in vendors in 2022



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Source: Flexera 2022 Tech Spend Pulse
Flexera

What's next for technology spend in 2022 and beyond

As the pace of change accelerates, it's becoming harder for organizations to keep up. But those that leverage data are making the most impactful and successful decisions.

Companies need a unified view of their IT assets, connections, dependencies, license positions and optimization opportunities in order to maximize their return on IT investments.

Tech spend is key to powering the business initiatives that drive revenue and growth for the organization; effective adaptation to a changing technology environment creates consistent and efficient tech spend.

Tech spend continues to rise in the cloud and drop in on-premises software as organizations turn to SaaS and update infrastructure to support remote working. As we've seen with the Great Resignation and across the globe, workforces are adapting, and we expect those trends to continue as budgets continue to skew toward increases for SaaS, public cloud and remote IT devices like laptops and away from data centers, servers and on-premises software.

The top three priorities—digital transformation, cybersecurity and cloud/cloud migration—remain constant from the *Flexera 2021 State of Tech Spend Report* findings. And it's likely these priorities will continue into 2023 as these all showed significant increases from 2021.

NEXT STEPS

Gain more insight and control of your tech spend

CONTACT US

Flexera delivers SaaS-based IT management solutions that enable enterprises to accelerate digital transformation and multiply the value of their technology investments. We help organizations ***inform their IT*** with definitive visibility into complex hybrid IT ecosystems, providing unparalleled IT insights that allow them to seize technology opportunities. And we help them ***transform their IT*** with tools that deliver actionable intelligence across an ever-increasing range of dimensions to effectively manage, govern and optimize their hybrid IT estate.

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