

2020

Flexera™

STATE OF TECH SPEND REPORT

Optimizing IT spend offers a major opportunity to redirect savings to invest in high-priority transformational initiatives

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Table of Contents

Executive summary	1
The highlights	2
Methodology	3
Respondent demographics	4
IT spend breakdown	6
Key IT initiatives	11
Spend optimization challenges	13
The shift to cloud	17
IT investments by vendor	21
IT organization	26
Summary	29
About Flexera	30

Table of Figures

Figure 1. Respondents by company size	4	Figure 20. IT spend breakdown by software type	17
Figure 2. Respondents by region	4	Figure 21. Expected IT spend change by software type	17
Figure 3. Respondents by industry	4	Figure 22. Number of data centers	18
Figure 4. Respondents by department	5	Figure 23. Plans for number of data centers	19
Figure 5. Respondents by level	5	Figure 24. Cloud workload breakdown	20
Figure 6. IT spend reported by respondents	6	Figure 25. Predominant technology vendors	21
Figure 7. IT spend as a percent of revenue —by region	7	Figure 26. Expected change in use of technology vendors	22
Figure 8. IT spend as a percent of revenue —by company size	7	Figure 27. Top 3 vendors of respondents by spend	23
Figure 9. IT spend as a percent of revenue —by industry	8	Figure 28. Respondents' largest vendors by spend	24
Figure 10. Percentage of respondents expecting change in IT spend	8	Figure 29. Type of software used from vendors	25
Figure 11. IT spend decentralization	9	Figure 30. Percentage of employees in IT —by region	26
Figure 12. IT spend controlled by business units —by region	10	Figure 31. Percentage of employees in IT —by company size	26
Figure 13. IT spend controlled by business units —by company size	10	Figure 32. CIO reporting structures	27
Figure 14. Ranking of technology initiatives	11	Figure 33. Centers of Excellence by type	28
Figure 15. Priority of initiatives	12		
Figure 16. Wasted technology spend	13		
Figure 17. Top challenges in IT spend visibility	14		
Figure 18. Top challenges managing IT spend	15		
Figure 19. Spend optimization process maturity	16		

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Executive summary

Organizations of all sizes, in virtually every industry and every region around the world, are investing heavily in technology to drive growth and increase competitiveness. In this first annual *Flexera 2020 State of Tech Spend Survey*, we found that, overall, respondents are spending 8.2 percent of revenue on IT.

Where is the money going? The top three initiatives cited by survey participants are **digital transformation, cybersecurity** and **cloud first/cloud migration**. These large-scale projects require substantial technology investments, so it's not surprising that more than half of respondents say they expect to increase IT spend over the next year.

As companies make these large tech investments, however, are they getting maximum return? It's likely that many are not. Survey respondents estimate that 12 percent of their technology spend is wasted. But research by Flexera and other industry experts puts the amount of waste at 30 percent or higher. For a company with a \$250 million IT budget, that can be as much as \$75 million down the drain. Consequently, there's a strong case for putting more emphasis on identifying and eliminating waste. A decrease of even five or 10 percent would free up a lot of money for critical initiatives that create value for the organization.

Survey respondents say increasing spend efficiency and cutting waste are challenging because it's so difficult to gain visibility into costs and manage IT spend effectively. The biggest obstacle to visibility—cited by 61 percent of respondents—is reporting on spend by IT business service delivered. Respondents also say the large number of manual processes represents a significant challenge to effective spend management. Considering the magnitude of potential savings, tackling these challenges can have a major impact on the bottom line.

The highlights

The State of Tech Spend survey questionnaire was designed to offer insight into how companies are spending on technology, the major initiatives in which they're investing, how they're tracking and managing IT spend, and the challenges they face in optimizing spend. Among the most interesting findings:

IT benchmarks

- Overall, respondents report their IT spend is just above eight percent of revenue, and IT headcount represents nearly 14 percent of the workforce
- While respondents estimate 12 percent of IT spend is wasted, industry sources put that number 2.5 times higher
- 56 percent plan to increase IT spend in the next year compared with 20 percent who plan to decrease it
- In Europe, 25 percent plan to decrease IT spend compared with only 17 percent in North America
- 26 percent of IT spend is controlled by business units
- 54 percent of chief information officers (CIOs) report to the chief executive officer (CEO)

State of IT

- The top three initiatives are digital transformation, cybersecurity and cloud
- The top three challenges in gaining visibility of IT spend are reporting on spend by IT business service (61 percent), collecting IT spend data (43 percent) and reporting on IT spend by application (38 percent)
- In citing what they consider significant challenges to managing IT spend, 43 percent say *too many manual processes*, 38 percent say it's *avoiding waste* and 31 percent say it's *understanding the cost of delivered services*
- Although nearly half of respondents say their organizations are mature in maintaining software license compliance, less than one-fourth say they're mature in optimizing software license spend, identifying shadow IT and identifying wasted IT spend

The shift to cloud

- Cloud spend has surpassed on-premises software spend, with 22 percent going for on-premises software and 25 percent for cloud, with seven percent for software as a service (SaaS), and 18 percent for infrastructure as a service (IaaS) and platform as a service (PaaS) combined
- While 40 percent of respondents currently have six or more data centers, 33 percent of respondents plan to significantly reduce the number of data centers next year
- 32 percent of workloads are already in the cloud, across SaaS, IaaS and PaaS, and cloud workloads are expected to increase to 43 percent in the next year

Shifting use of IT vendors

- The most heavily used software and cloud technology vendors are Microsoft, VMware, SAP and ServiceNow, followed by AWS and Oracle, tied for number five
- 65 percent of respondents expect to increase their use of AWS in the next year
- 30 percent expect to decrease their use of Oracle in the next year
- 43 percent of respondents report their largest spend is with Microsoft, while 13 percent cited SAP and 10 percent cited AWS
- Of the large vendors that offer on-premises software, SaaS and public cloud IaaS/PaaS solutions, Microsoft is the on-premises vendor with the largest adoption of SaaS (39 percent) and public cloud (25 percent)

Methodology

The Flexera 2020 State of Tech Spend Survey leveraged a large panel network that included 303 global professionals across industries. The panel was composed of vetted respondents with detailed profiles. Respondents selected for the survey were executives and high-level managers in IT with visibility into their organizations' overall IT budgets. The survey included only organizations with at least 2,000 employees.

Respondent demographics

The survey included organizations with at least 2,000 employees. More than half of survey respondents work in organizations with 10,000 or more employees, as **Figure 1** shows. This heavier weighting toward large companies is reflected in responses to budget, spend and employee headcount questions.

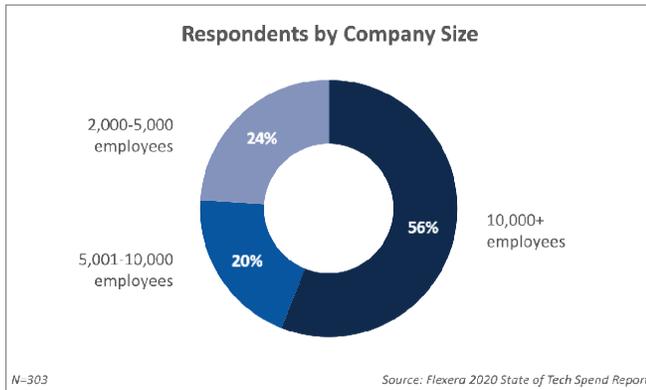


Figure 1. Respondents by company size

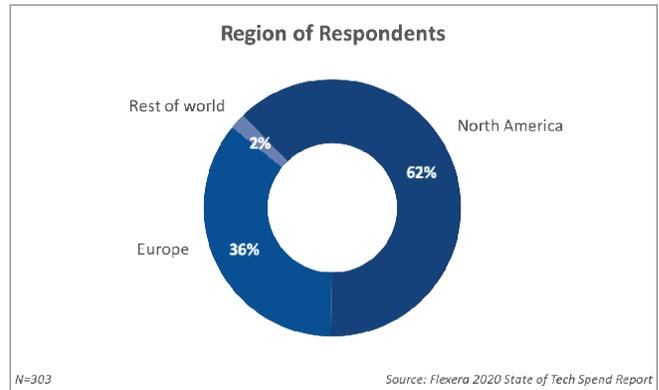


Figure 2. Respondents by region

The survey targeted organizations in North America and Europe. As **Figure 2** shows, 62 percent are based in North America and 36 percent are spread across Europe. The larger organizations often have offices in multiple geographies. The locations cited in the survey, however, are headquarters locations.

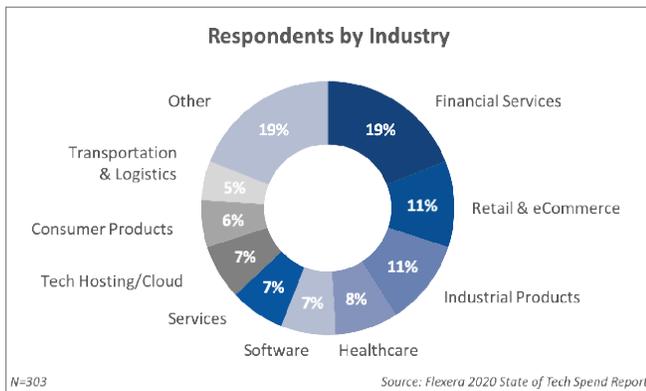


Figure 3. Respondents by industry

Figure 3 summarizes participation by industry. While the survey encompasses a cross-section of industries, three have double-digit representation: financial services, retail and eCommerce, and industrial products. The “Other” category represents a variety of industries with each representing less than five percent of respondents.

A preponderance of the respondents, 83 percent, work in the broader IT organization, as **Figure 4** indicates. Another six percent identify as infrastructure and operations, which is not represented in the IT segment, and another two percent identify as finance. In some cases, IT finance could be based in IT but with dotted-line reporting to the chief financial officer (CFO).

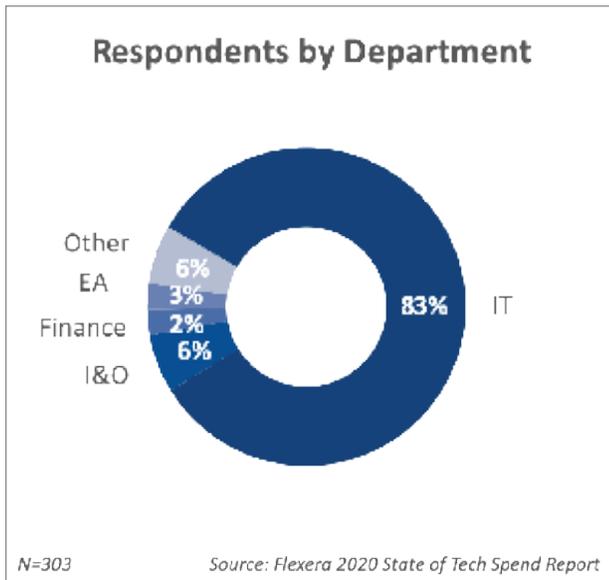


Figure 4. Respondents by department

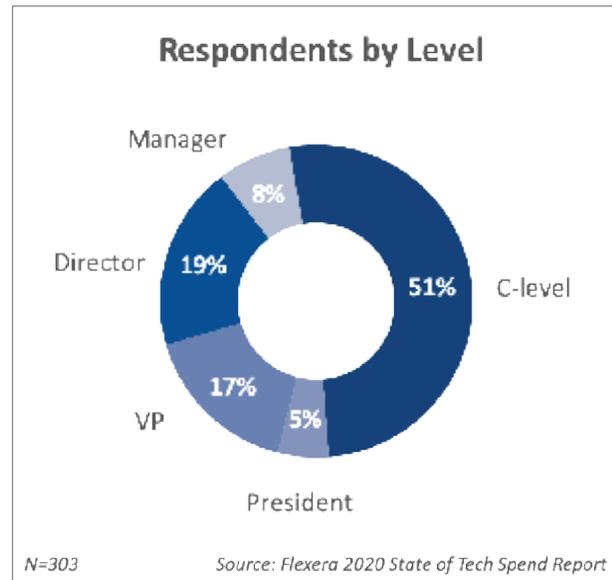


Figure 5. Respondents by level

Figure 5 shows the breakdown of respondents by level. Nearly three-fourths of respondents are senior leaders, with 51 percent C-level executives, five percent presidents and 17 percent vice presidents. These senior executives have the broadest visibility into the costs of running IT, and leverage that insight to guide business decisions aligned with budget allocations.

IT spend breakdown

Companies of all sizes are embracing digital transformation, cybersecurity, cloud computing and numerous other initiatives. Investment in these technologies can drive growth and provide a competitive advantage in many of the industries represented by this survey, especially healthcare, financial services, consumer and industrial products and, of course, the high-tech sector. These initiatives require sizeable investments in technology.

This survey queried respondents on the level of IT spend. Given that 56 percent of survey participants are from large enterprises, it isn't surprising that 39 percent report IT spending in their respective enterprises exceeds \$251 million.

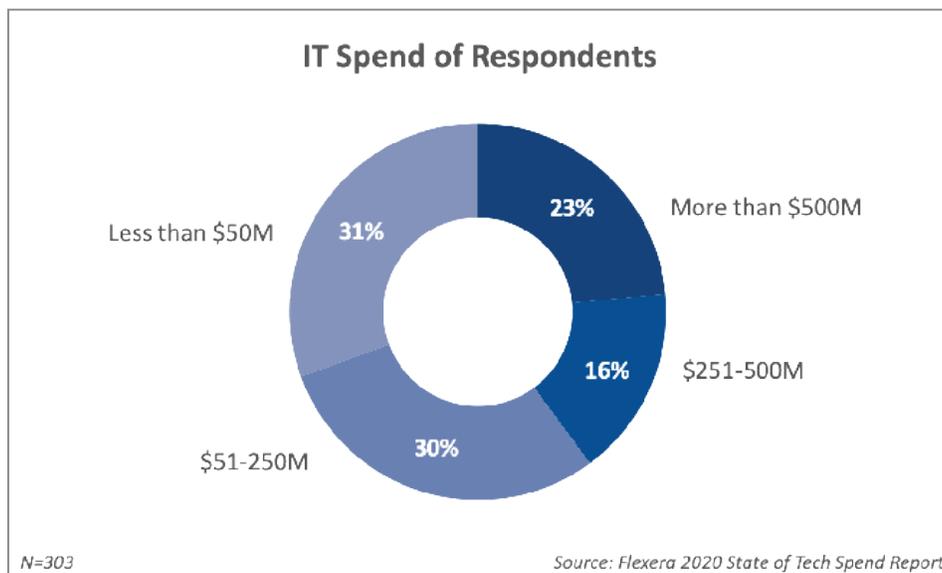


Figure 6. IT spend reported by respondents

Survey responses put overall IT spend at 8.2 percent of revenue, a figure considerably higher than the four percent often reported by industry analysts. This difference is driven by the mix of large and small organizations and of industry sectors.

This Flexera 2020 State of Tech Spend Report includes a significant number of large enterprises with 10,000-plus employees and companies in North America, which report higher levels of IT spend relative to revenue.

Figure 7 shows North American enterprises are investing in technology at higher levels than their European counterparts. This difference may be the result of macro-economic conditions that affect business investment of all types, including technology.

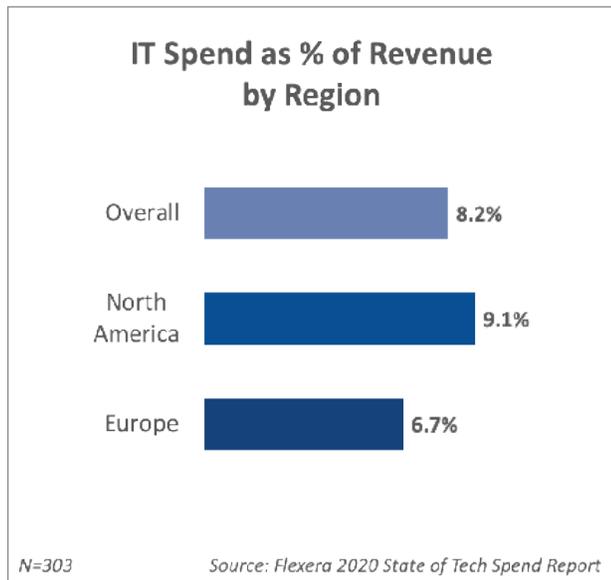


Figure 7. IT spend as a percentage of revenue —by region

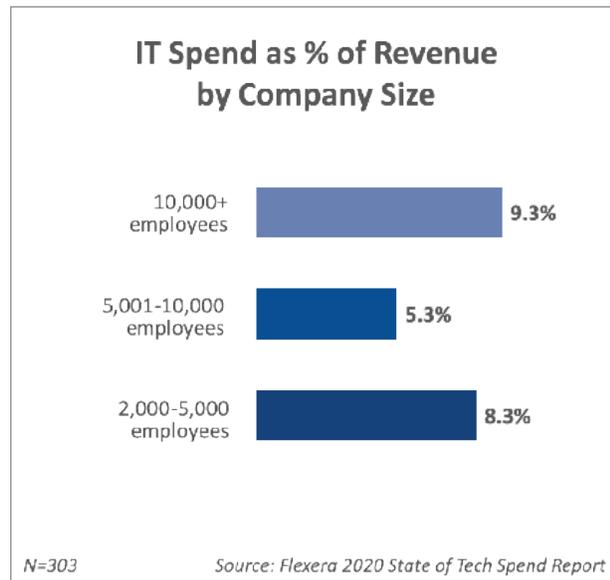


Figure 8. IT spend as a percentage of revenue —by company size

IT spend as a percentage of revenue varies somewhat based on company size. Interestingly, however, companies with 2,000 to 5,000 employees and those with more than 10,000 employees are relatively comparable with respect to the percentage of revenue spent on technology.

As Figure 8 shows, smaller companies spend 8.3 percent of revenue while larger companies are at 9.3 percent. For smaller companies, it's possible that headcount constraints are driving up technology spend. For larger enterprises, major business initiatives aimed at gaining competitive advantage may be driving heavier investments. Midsize companies, by contrast, are spending a significantly lower percentage of revenue, potentially due to a focus on efficiency.

Figure 9 shows the breakdown of IT spend as a percentage of revenue by industry. Unsurprisingly, technology companies such as software and hosting companies have a significantly higher spend on IT. In addition, financial services, retail/eCommerce and consumer product companies also spend in excess of five percent of revenue on IT.

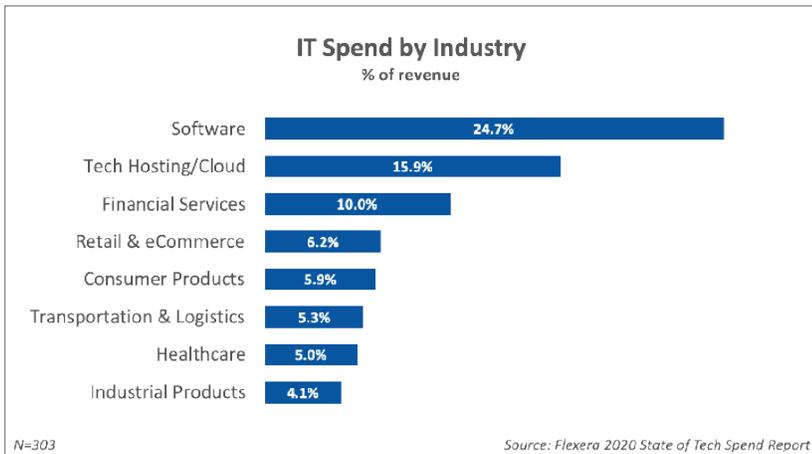


Figure 9. IT spend as a percent of revenue—by industry

IT spend is expected to increase in 2020 for the majority (56 percent) of respondents as shown in **Figure 10**. This data aligns with CIO polling from industry analysts, which similarly indicates that IT budgets are increasing in 2020.

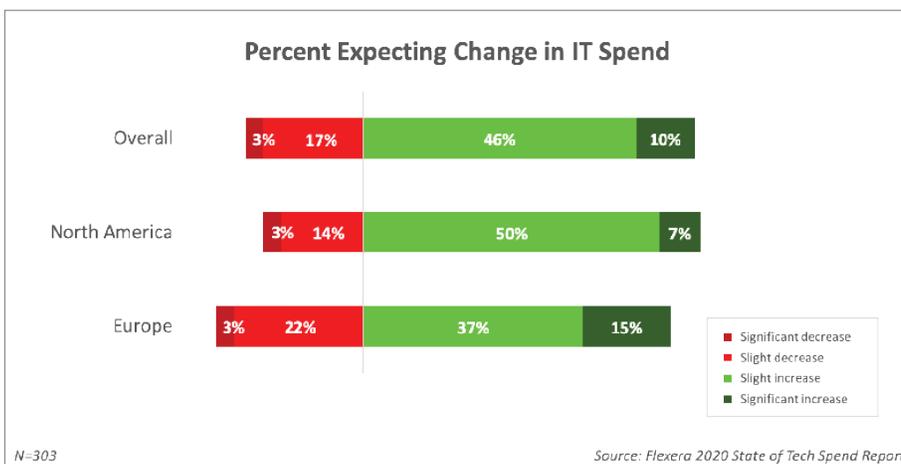


Figure 10. Percentage of respondents expecting change in IT spend

It’s interesting to note that more European respondents expect a decrease in IT spend next year than North American respondents. This could be tied to concerns about macro-economic conditions in Europe as well as the impact of Brexit. However, more than twice as many respondents from Europe—15 percent versus seven percent in North America—expect a significant increase in IT spend.

As business units in large organizations increasingly leverage technology to deliver business value, there is significant decentralization of IT spend. **Figure 11** shows that business units now control slightly more than one-quarter of IT spend. While central IT can often influence this spending, the central IT organization does not directly control it.

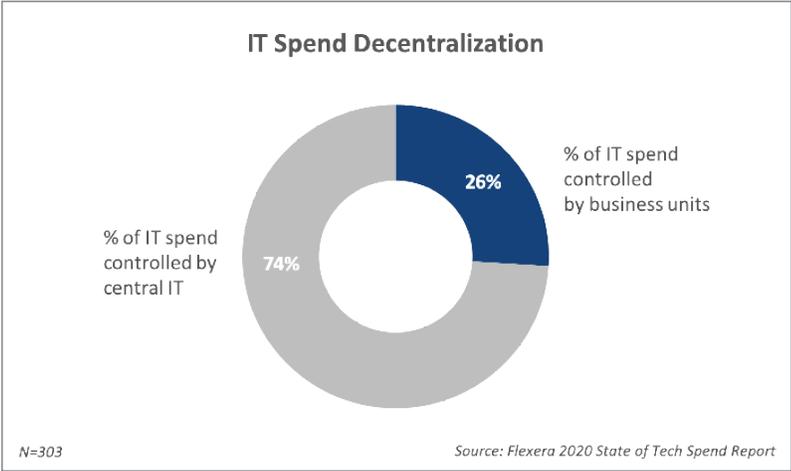


Figure 11. IT spend decentralization

In addition, the decentralized spend may also include true “shadow IT,” representing purchases of IT services without the knowledge of IT procurement. For example, a developer may procure a server on his corporate credit card or a manager in a business unit might procure a SaaS solution. According to research conducted by industry analyst firms, shadow IT spend could be as high as 40 percent of known IT spend.

As enterprises grow, particularly if growth occurs through mergers and acquisitions, it’s not uncommon for business units to retain control over the IT spend allocated to their cost centers. Large enterprises often struggle with this approach. Business-unit control may be more effective in that line-of-business managers can make decisions faster, ensuring agility as they respond to the demands of their markets. However, decentralization can also lead to redundancies, inadequate security controls and support inefficiencies.

For the purposes of IT asset management (ITAM) and software asset management (SAM), it’s imperative the business units work together with central IT to ensure that ITAM and SAM teams are aware of all technology assets purchased by the business units. This visibility is essential to properly managing, tracking and securing all technology assets.

There are strong incentives for business units to share this information with central IT. For example, IT sourcing teams may be able to include business unit purchases in corporate software and hardware vendor contracts, resulting in greater discounts that translate into lower costs.

As **Figure 12** shows, in European companies business units control more IT spend (32 percent) than in North America (23 percent). **Figure 13** shows that larger organizations report more decentralized IT spend. In large organizations the business units may feel IT procurement doesn't react quickly enough to meet their timeframes, so budget control is essential. But smaller organizations may not have as many approval bottlenecks and can therefore purchase assets faster.

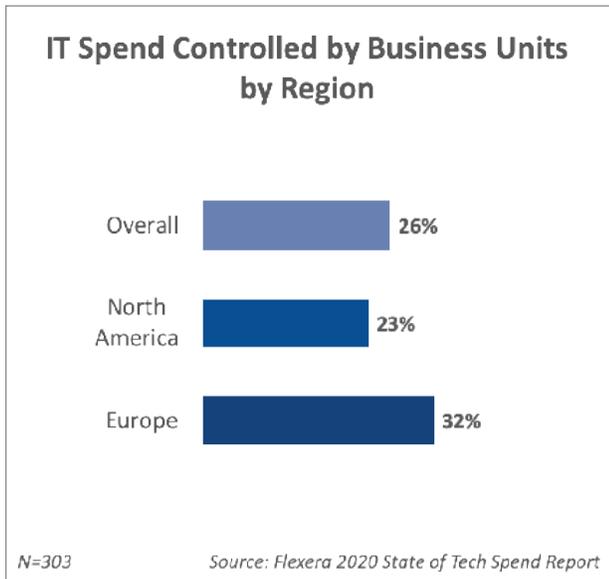


Figure 12. IT spend controlled by business units—by region

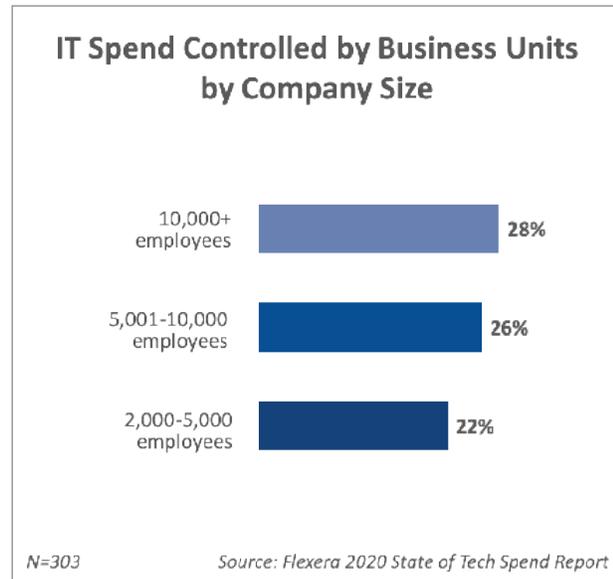


Figure 13. IT spend controlled by business units—by company size

Key IT initiatives

This State of Tech Spend study examines not only how much enterprises are spending but also where the money is going—that is, the top initiatives in which companies are investing. These initiatives are aimed at addressing the challenges central IT is uniquely positioned to solve. Central IT organizations focus on these types of enterprise-wide initiatives while departmental IT groups address problems specific to their respective business units.

Respondents were asked to rank the initiatives according to priority. To provide a view of the most important initiatives, Flexera analysts added the percentages of respondents who ranked any given initiative as their first, second or third priority. For example, for digital transformation, the percentages in the one, two and three spot are 26 percent, 14 percent and 14 percent, respectively, for a total of 54 percent.

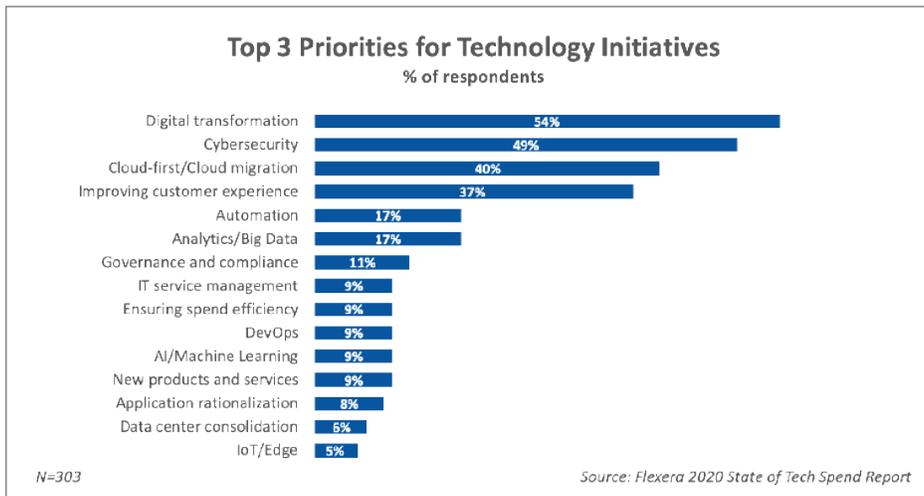


Figure 14. Ranking of technology initiatives

Figure 14 shows the rankings. Considering IT trends reported by a number of industry experts, it isn't surprising that digital transformation, cybersecurity and cloud captured the top three spots.

Customer experience captured the number four spot. By improving the customer experience, businesses expect to increase customer retention and drive repeat business, leading to higher revenue.

The fifth and sixth initiatives—automation and analytics/big data—are often considered vital to supporting the top-ranked initiatives. So while these initiatives didn't make the top four, they're nonetheless quite important and organizations are investing in them to support their critical goals.

Figure 15 shows the breakdown of the initiatives most frequently ranked in the top three priorities. This chart includes only the first five slots for each.

Priority of Initiatives % of respondents		
TOP PRIORITY	SECOND PRIORITY	THIRD PRIORITY
1. Digital transformation (26%)	1. Customer experience (16%)	1. Digital transformation (14%)
2. Cybersecurity (22%)	2. Cybersecurity (16%)	2. Cybersecurity (12%)
3. Cloud (17%)	3. Digital transformation (14%)	3. Cloud (10%)
4. Customer experience (14%)	4. Cloud (14%)	4. Analytics/Big Data (9%)
5. Spend efficiency (3%)	5. Automation (8%)	5. Automation (8%)

N=303 Source: Flexera 2020 State of Tech Spend Report

Figure 15. Priority of initiatives

Digital transformation, cybersecurity and cloud are most frequently cited as the top priorities and are also among the most named as second and third priority. While digital transformation is named as the top priority initiative for 26 percent of respondents, cybersecurity is close behind at 22 percent and cloud at 17 percent. For the second priority, respondents most frequently identify customer experience and cybersecurity, with 16 percent of respondents. Automation comes in fifth as both the second and third priority, highlighting its importance to digital transformation and cloud adoption.

Spend optimization challenges

While the initiative rankings presented in the previous section place ensuring spend efficiency in the number eight position, this doesn't mean spend efficiency isn't important. IT organizations have been under pressure for years to drive efficiency and cut costs, and that pressure is still on. In fact, uncovering and reducing waste are often critical so investments can be reallocated to critical initiatives such as digital transformation, cybersecurity and cloud at the top of the list.

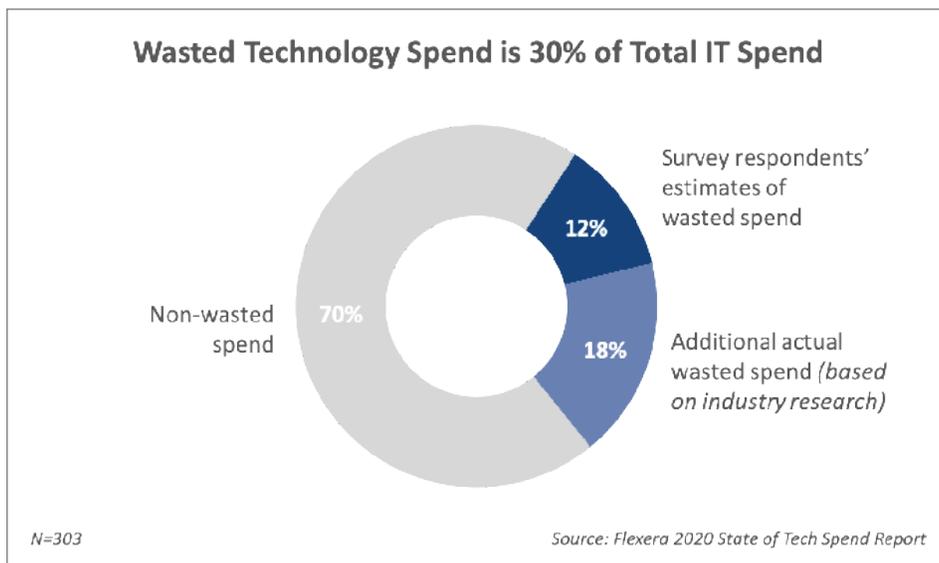


Figure 16. Wasted technology spend

The survey results also point to a disconnect between respondents' estimates of how much IT spend is wasted and the actual wasted spend in most organizations. Figure 16 shows that, on average, survey respondents estimate 12 percent of total IT spend is wasted. Research by Flexera and other industry experts, however, put the amount of wasted technology spend much higher—at 30 percent or more.

The disconnect could be due to the fact that organizations and people tend to be overly optimistic when they assess their ability to control waste. Actual independent or tool-based measurements of wasted IT spend typically uncover larger amounts of hidden waste.

Improving spend efficiency represents a huge opportunity for reallocating investments to those all-important initiatives that enable business value creation. While it isn't possible to eliminate waste completely, a decrease of just five or ten percent in the level of waste can have a major impact on what IT can accomplish. For IT organizations that face flat or decreasing budgets over the next year, improving spend efficiency can make a huge difference in IT's ability to meet business demands for delivering new services at a faster pace.

As companies strive to gain better visibility into spend, they're encountering significant challenges. **Figure 17** shows 61 percent of respondents say reporting on spend by delivered IT business service is the greatest challenge they face.

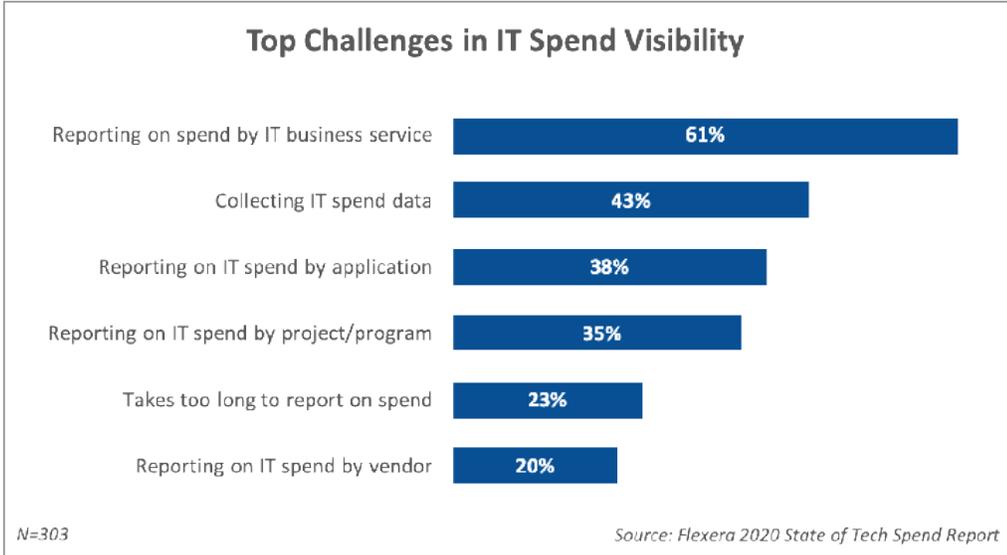


Figure 17. Top challenges in IT spend visibility

While many organizations are able to report spend by vendor, tracking spend by delivered business service or application is far more difficult. Business services often comprise multiple components and applications with many moving parts that span multiple vendors and technologies. Additionally, business services often share hosts, storage, processors, cloud resources or databases with other services. Understanding how everything maps together and aggregating spend across all the assets and resources as demand and usage fluctuate is a daunting task. Collecting IT spend data was the second-most cited challenge at 43 percent.

To tackle these challenges, IT organizations must capture data about individual IT resources and assets and how they're being used. They must then link those resources and assets to cost data to get the full picture of where their IT spend is going.

IT organizations are also struggling to manage and optimize the cost of services they deliver to the business. **Figure 18** shows the key challenges they face in achieving that objective. Forty-three percent of respondents cite too many manual processes as very much of a challenge. Manual processes slow down operations, create bottlenecks and are difficult to track.

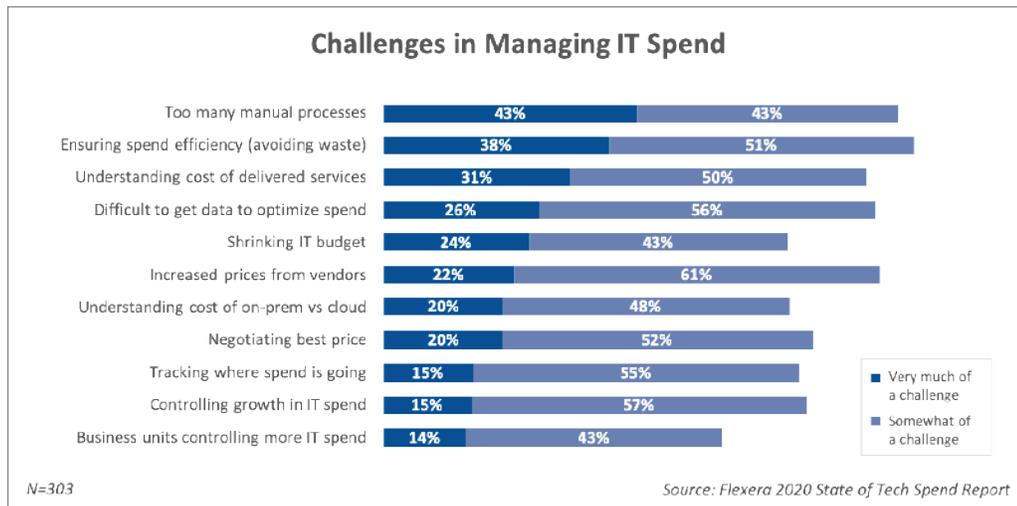


Figure 18. Top challenges managing IT spend

Thirty-eight percent of respondents put ensuring spend efficiency (avoiding waste) in the second position as very much of a challenge. Executives want to know they’re getting value for the money they spend and that every dollar spent delivers on enterprise strategic goals. If a project isn’t successful or costs are skyrocketing, it would necessitate a closer analysis.

Understanding the cost of delivered services comes in third as very much of a challenge. Identifying all the components that comprise a service is especially difficult in today’s dynamic IT landscape.

The challenges in managing spend are often tied to a lack of maturity in the organization’s spend-optimization processes. **Figure 19** shows that while 43 percent of respondents report they have a mature process for complying with software licenses, only 23 percent indicate they are mature when it comes to optimizing license spend. This discrepancy may trigger the not uncommon practice of overbuying on-premises software licenses or enterprise license agreements (ELAs) in an attempt to minimize risk when a vendor initiates an audit or to gain additional discounts.

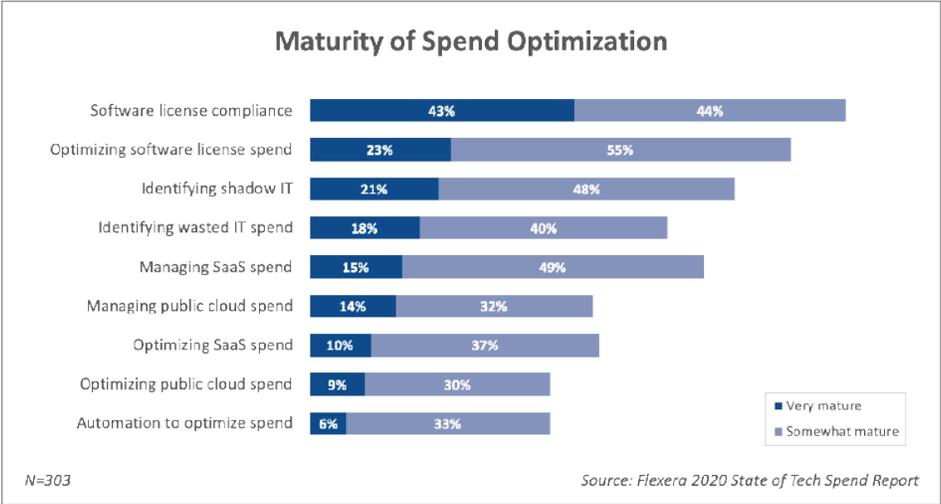


Figure 19. Spend optimization process maturity

Even fewer respondents say they have mature processes for managing public cloud and SaaS spend, despite the fact those technology options account for an increasing portion of the IT budget as enterprises move ahead with digital transformation and cloud-first strategies. Another interesting dichotomy is that 69 percent of respondents claim they are very mature or somewhat mature at identifying shadow IT—which is often made up of cloud and SaaS—but not as mature with optimizing or managing it.

The shift to cloud

As shown in **Figure 20**, on-premises software represents 22 percent of IT spend. At the same time, the combination of SaaS, IaaS and PaaS represents 25 percent. These results indicate a significant shift to cloud solutions.

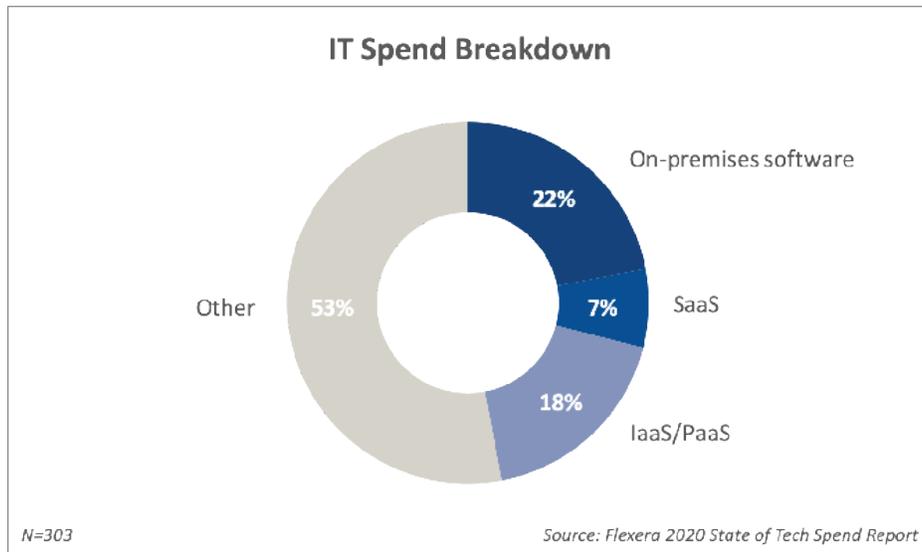


Figure 20. IT spend breakdown by software type

Survey respondents expect significant changes in IT spend across cloud, SaaS and on-premises software, as **Figure 21** shows. On-premises software spend is dropping while spend for SaaS and public cloud is on the rise. More than 80 percent of respondents plan to boost cloud and SaaS spend. Meanwhile, 55 percent of companies plan to decrease on-premises software spend; only 23 percent plan to increase it.

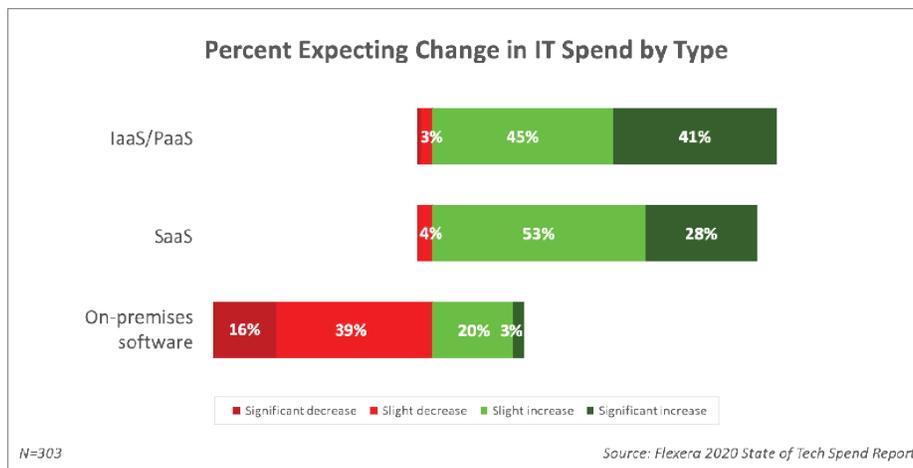


Figure 21. Expected IT spend change by software type

Figure 22 shows that the largest cohort, at 33 percent of respondents, operates between three and five owned or collocated data centers. The second largest, at 25 percent, has one to two data centers. Forty percent of companies have six or more.

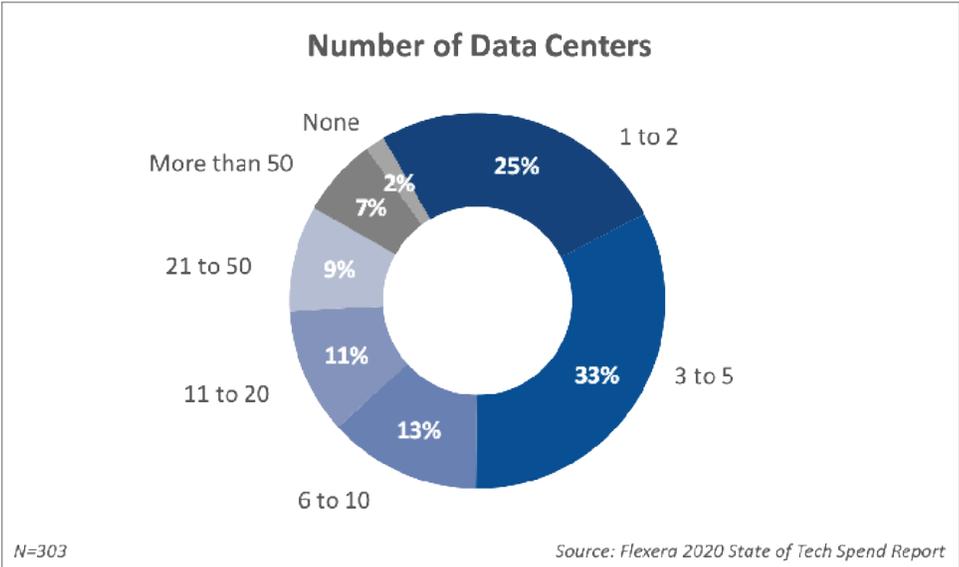


Figure 22. Number of data centers

Given the large number of data centers in many enterprises, it's not entirely unexpected that many seek to reduce those numbers. Enterprises with one to two data centers have likely already undertaken a consolidation effort. It's not unusual to see enterprises, in seeking to control costs, maintain a primary data center and one backup or lights-out data center. Companies with three to five data centers are likely maintaining them in multiple global locations to ensure redundancy and continuity of service. Other reasons for multiple global locations may be government regulations that require data be maintained in the country in which it's created, or the need to locate data centers geographically closer to users for performance purposes.

Respondents report a clear downward trend with respect to the number of data centers as shown in **Figure 23**. With cloud first being a mandate in many enterprises, it's no surprise that 65 percent of respondents report their companies are reducing the number of data centers. With easy availability of SaaS solutions and the wealth of public cloud options, many companies no longer need large, in-house server complexes to run their workloads.

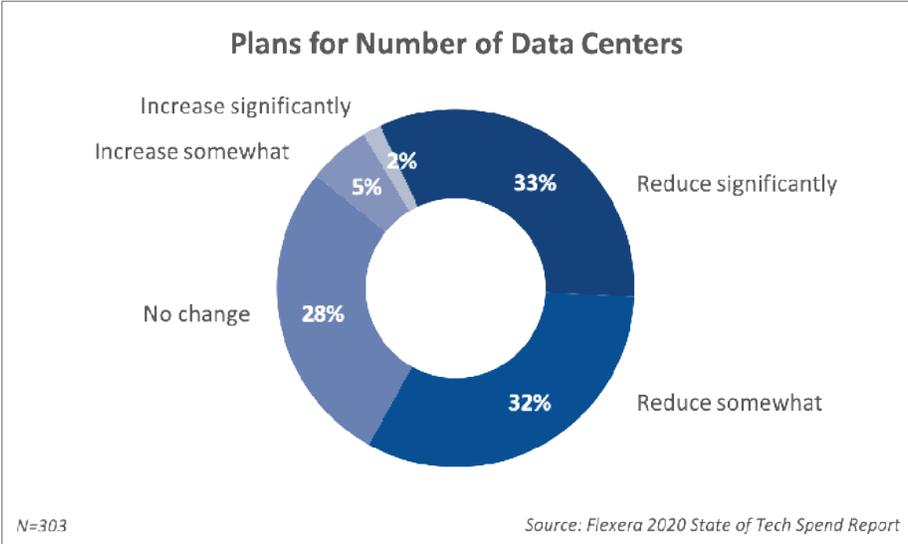


Figure 23. Plans for number of data centers

It's interesting to note that 33 percent of respondents plan to significantly reduce data center numbers, while only two percent plan to increase data centers significantly. The fact that only seven percent of respondents plan to increase data center numbers at all is in stark contrast to the majority who recognize that data centers may be too expensive to maintain. In fact, making the shift completely to the cloud and eliminating all data centers is high on the list for early technology adopters who don't want to be burdened with managing complexity.

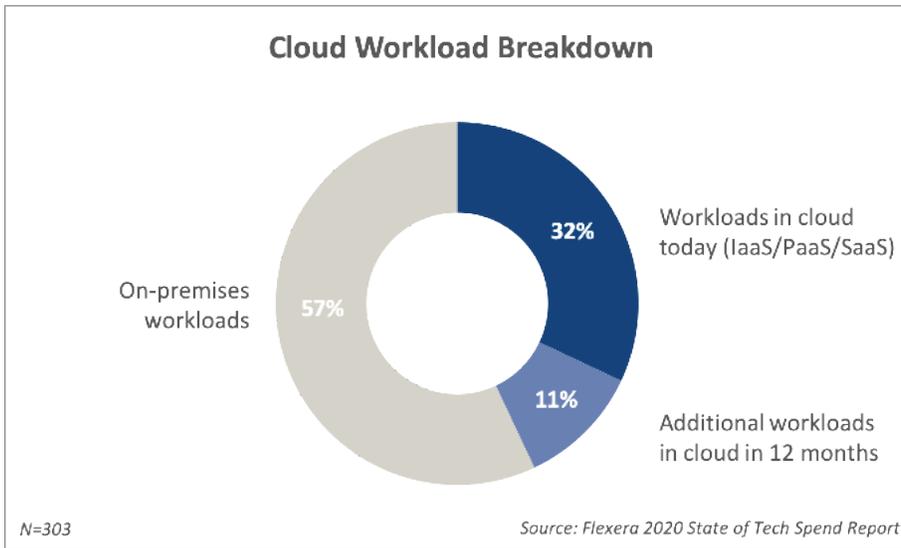


Figure 24. Cloud workload breakdown

The effort of shifting workloads to the cloud is already well underway in many enterprises. **Figure 24** indicates almost one-third of workloads have already moved to IaaS, PaaS or SaaS, and respondents will continue to move more of their workloads to the cloud over the next 12 months. An additional 11 percent will reside in the cloud within the next year. That means the proportion of cloud-based workloads will approach 50 percent within 12 months.

IT investments by vendor

The survey asked respondents about their current and future use of leading technology vendors across traditional on-premises software as well as SaaS and public cloud. It's not unexpected that Microsoft, with products that touch virtually every part of the IT stack, has the largest share of any of the vendors. **Figure 25** shows that 65 percent of the respondents report heavy Microsoft use.

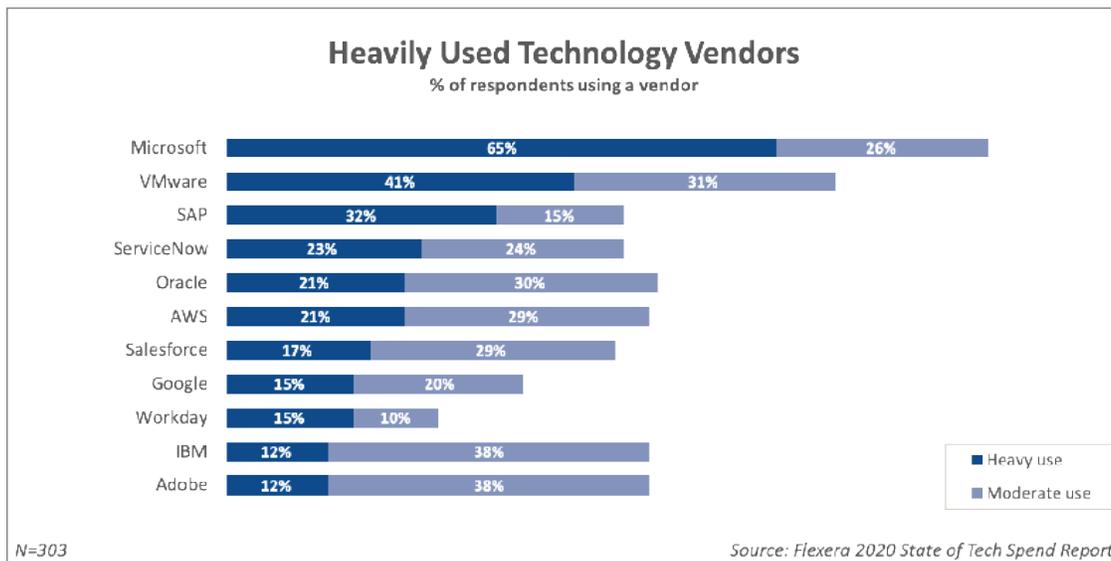


Figure 25. Predominant technology vendors

VMware, at 41 percent, is in second place. This vendor has historically been data center-centric. However, recent acquisitions have expanded the company's focus beyond virtualization to include other infrastructure management capabilities. SAP is in third place with 32 percent of respondents saying they use it heavily.

It's also interesting to note that pure-play SaaS and cloud providers are now well represented among the top vendors and, in some cases, ahead of legacy providers with respect to predominance in the enterprise. AWS, for example, is tied with Oracle, with 21 percent of respondents reporting heavy usage for these two vendors. ServiceNow, at 23 percent, edged out Oracle. Both AWS and Salesforce (at 17 percent) are ahead of IBM and Adobe. These rankings demonstrate the encroachment of the new guard into the old guard's space.

Growth in cloud spend will continue to shift the landscape. As [Figure 26](#) shows, significant increases are expected in the use of cloud and SaaS-only vendors such as AWS, Salesforce and Google. Newer cloud and SaaS vendors now account for five of the top six vendors with respect to the percentage of respondents who expect to increase investments. Traditional vendors Oracle and IBM, with the exception of IBM's recently acquired RedHat, show higher numbers of respondents plan to decrease usage than increase it.

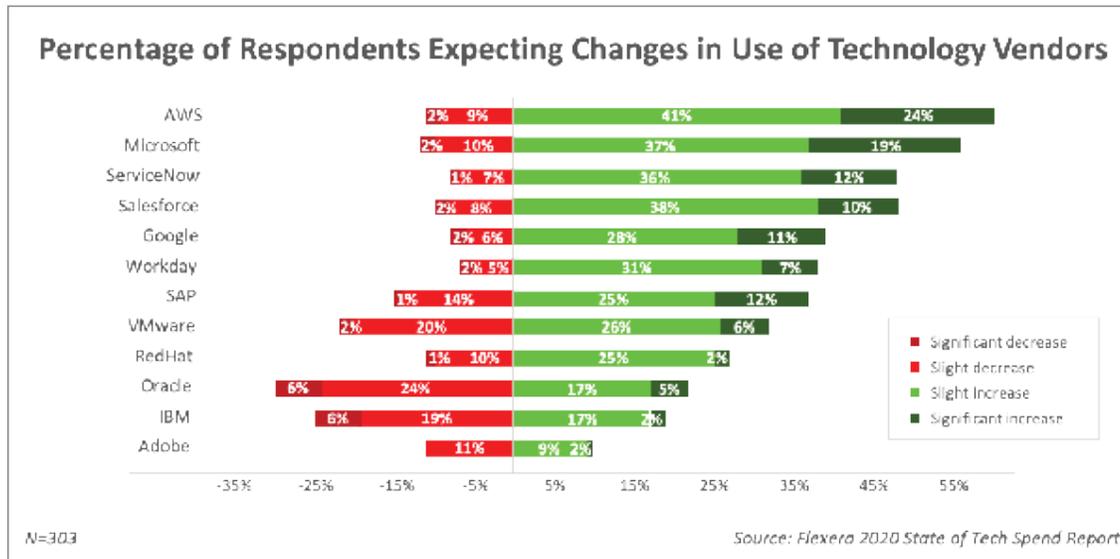


Figure 26. Expected change in use of technology vendors

Microsoft is the exception here—possibly because of the dominant position it has established in so many enterprises and the diversity of the product portfolio that spans on-premises software, SaaS and Azure public cloud. The company was late to the game with its public cloud offering, giving AWS a head start in the market. The [Flexera 2019 State of the Cloud Report](#) found that although AWS continues to lead in public cloud adoption, Microsoft Azure is “nipping at the heels” of AWS. Azure adoption, the report notes, rose from 70 percent of AWS adoption in 2018 to 85 percent in 2019.

Respondents were also asked to rank vendors based on their level of spend with each. **Figure 27** shows how respondents ranked the vendors as largest, second largest and third largest in terms of IT spend. Microsoft with 43 percent and SAP with 13 percent captured first and second place for largest spend. It is noteworthy, however, that AWS came in third with 10 percent. Spend on cloud and SaaS vendors is increasing as evidenced by the strong showing of AWS and Salesforce.

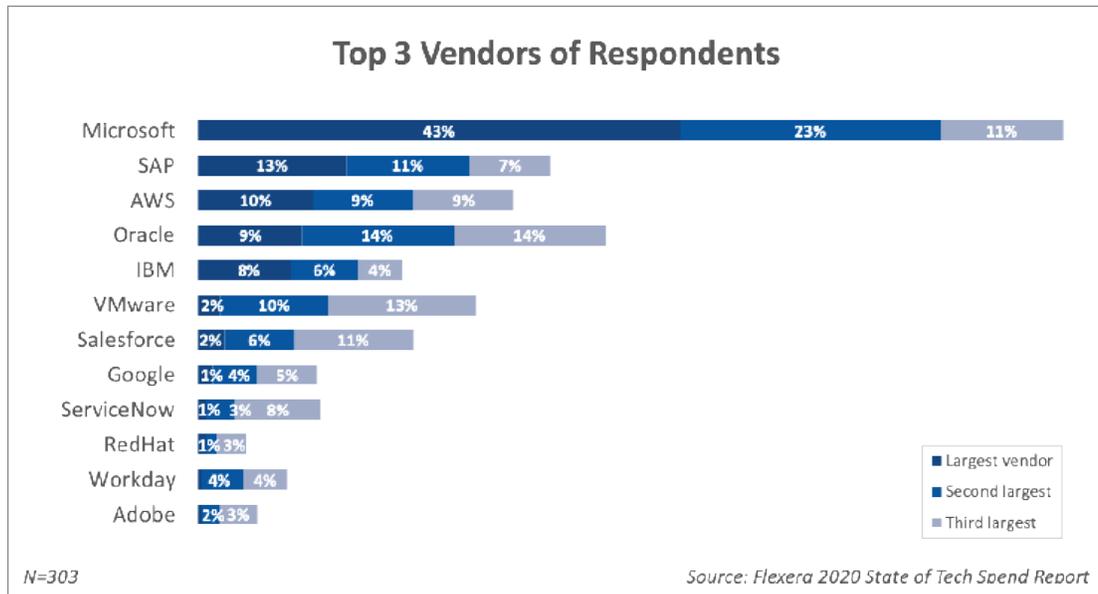


Figure 27. Top 3 vendors of respondents by spend

When looking at the ranking for largest, second largest and third largest spend combined, Microsoft at 77 percent is by far the leader. Oracle and SAP came in second and third with 37 percent and 31 percent, respectively. AWS was next with 28 percent of respondents ranking it in the top four slots.

Respondents' Largest Vendors by Spend		
LARGEST VENDOR	SECOND LARGEST VENDOR	THIRD LARGEST VENDOR
1. Microsoft (43%)	1. Microsoft (23%)	1. Oracle (14%)
2. SAP (13%)	2. Oracle (14%)	2. VMware (13%)
3. AWS (10%)	3. SAP (11%)	3. Microsoft (11%)
4. Oracle (9%)	4. VMware (10%)	4. Salesforce (11%)
5. IBM (8%)	5. AWS (9%)	5. AWS (9%)

N=303 Source: Flexera 2020 State of Tech Spend Report

Figure 28. Respondents' largest vendors by spend

In Figure 28, Microsoft is one of the top vendors by spend, which is not surprising because it's so widely deployed. It's easy to see that AWS, with a large and growing presence, is also a major vendor because companies are planning increased AWS adoption. Additionally, Oracle is frequently ranked as a top three vendor for respondents.

We asked respondents about their use of three mega-vendors whose offerings span on-premises software, SaaS and public cloud: Microsoft, IBM and Oracle. **Figure 29** shows the results.

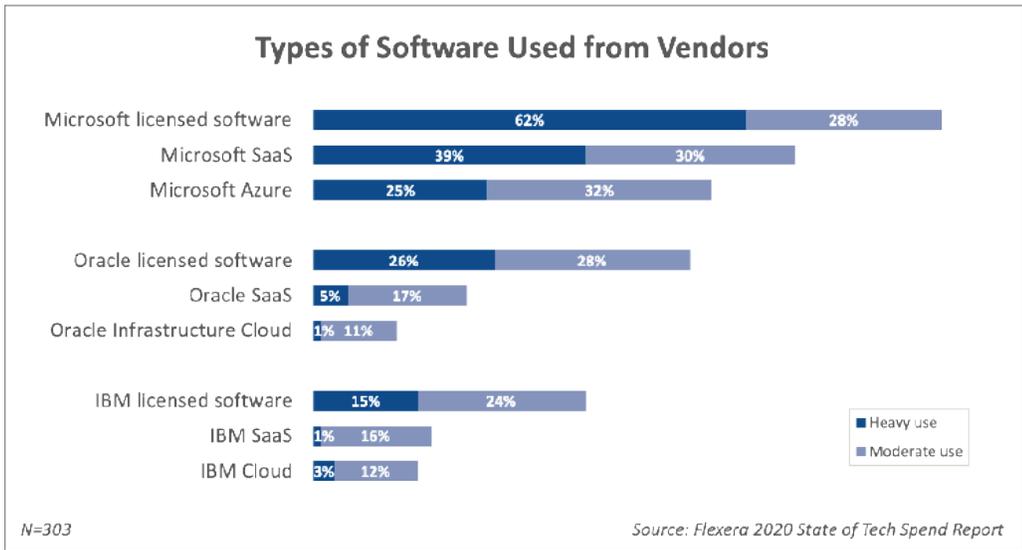


Figure 29. Type of software used from vendors

Enterprises continue to hold large numbers of on-premises software licenses from Microsoft. In addition, the company is succeeding in growing its SaaS (39 percent) and cloud (25 percent) adoption. Microsoft has leveraged its dominance in enterprise desktops and data centers to cross-sell SaaS and cloud solutions to a significant and growing number of customers. Oracle and IBM are also making the shift toward cloud but have not yet made significant inroads with their customers in these newer technologies.

IT organization

Historically, enterprises that depend heavily on technology have about 10 percent of their workforce in IT. However, industries in this survey (including software, IT services and financial services) have higher levels of IT spend. Consequently, respondents indicate that IT accounts for 13.8 percent of the total workforce, as **Figure 30** shows. For European enterprises, the percentage is higher than that of their North American counterparts.

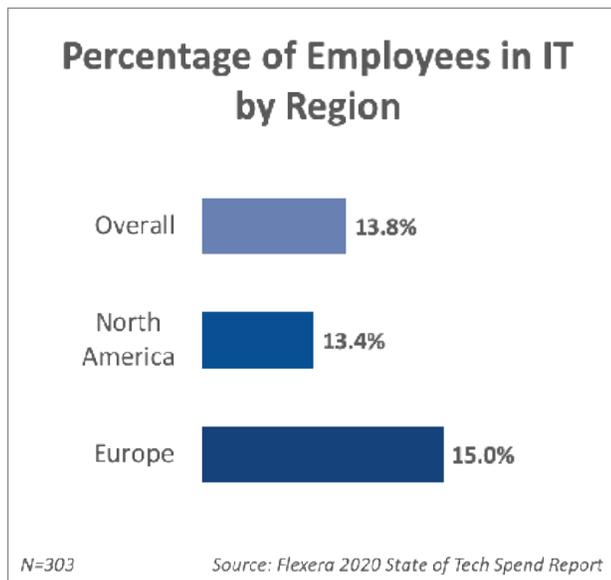


Figure 30. Percentage of employees in IT—by region

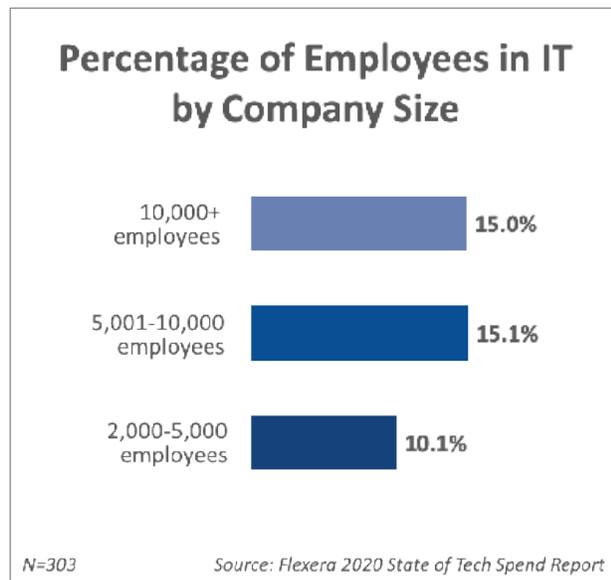


Figure 31. Percentage of employees in IT—by company size

Interestingly, midsize and large organizations have about a 50 percent larger portion of their employees in IT than smaller companies, as **Figure 31** shows. This could indicate outsourcing of IT functions.

As technology becomes more embedded in business processes, the role of IT is more interwoven into the business. In line with this trend, the role of the CIO has been elevated. As **Figure 32** illustrates, the CIO reports directly to the CEO in more than half of the respondents' companies. This focuses the CIO on creating business value and reporting on progress to keep the CEO apprised of how technology investments are enabling the business to be more productive and more profitable. In enterprises focused on maintaining operations and financial controls, the reporting structure may differ somewhat, with the CIO reporting instead to either the CFO or the chief operations officer (COO).

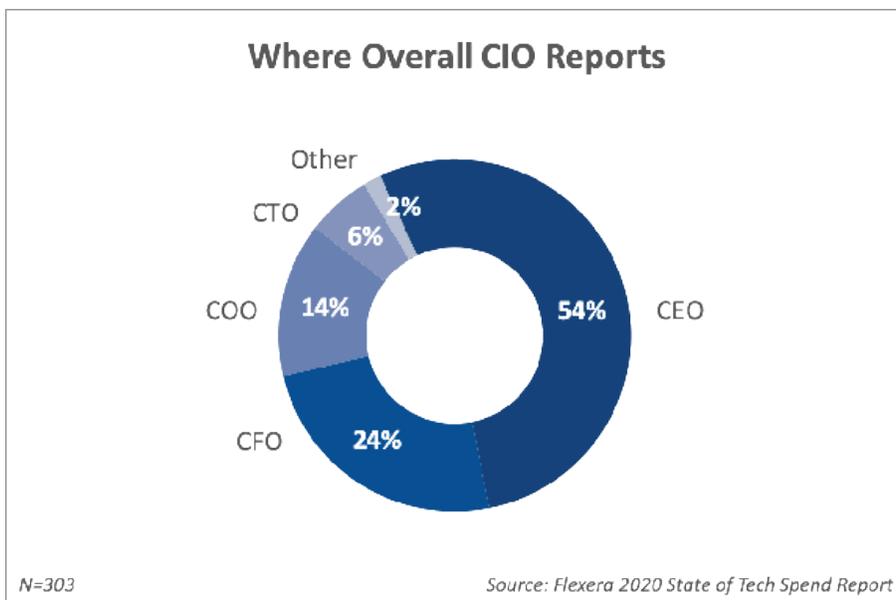


Figure 32. CIO reporting structures

The increasing importance of technology in business is driving organizational changes. Many enterprises are establishing Centers of Excellence (CoE) to help them achieve technology and transformational goals as efficiently and smoothly as possible. Dedicated CoE teams can help organizations build expertise around new technologies and facilitate the execution of critical initiatives aimed at making the CIO's vision a reality.

Particularly in large enterprises, CoE teams are overcoming the organizational challenges associated with digital transformation in global enterprises with multiple divisions operating in diverse locales. **Figure 33** shows this evolution is evident in a significant portion of enterprises. Substantial numbers of respondents report their enterprises have established CoEs for key initiatives that touch multiple divisions. As Figure 33 indicates, the top three areas for CoEs are analytics/big data, digital transformation and cloud.

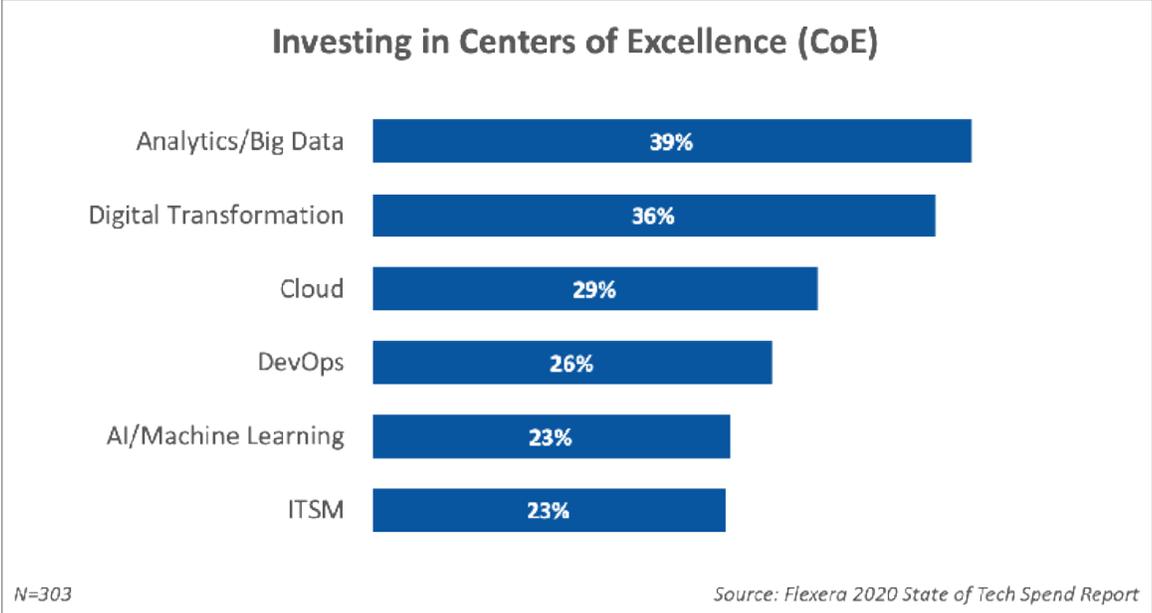


Figure 33. Centers of Excellence by type

Only 23 percent of enterprises have established IT service management (ITSM) CoEs. While ITSM plays a crucial role in ensuring availability and performance of business-critical systems, the technologies have been evolving and maturing for more than two decades, giving ITSM teams ample time to mature organizationally and implement best practices so that a CoE is not needed.

Summary

Digital transformation is certainly driving change in enterprises, as evidenced by the expected increase in already heavy IT spend. However, any efficiencies that drive down wasted IT spend—estimated to be as high as 30 percent—present especially attractive opportunities for freeing up budget for transformational initiatives.

Enterprises surely face challenges in gaining visibility into and optimizing IT spend, including allocating costs to business applications and services in today's complex IT architectures, aggregating costs across multiple organizational entities and ferreting out waste.

Companies that invest time and resources in this effort, however, stand to achieve significant return on investment through the cost savings afforded by IT spend optimization.

About Flexera

Flexera helps executives succeed at what once seemed impossible: getting clarity into, and full control of, their company's technology "black hole." From on-premises to the cloud, Flexera helps business leaders turn IT insight into action. With a portfolio of integrated solutions that deliver unparalleled technology insights, spend optimization and agility, Flexera helps enterprises optimize their technology footprint and realize IT's full potential to accelerate their business. For over 30 years, our 1300+ team members worldwide have been passionate about helping our more than 50,000 customers fuel business success. To learn more, visit flexera.com.

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