Flexera™

2021

STATE OF ITAM REPORT

The role of IT asset management must evolve and expand beyond compliance to help organizations maximize the value of all their technology investments, from on-premises to the cloud.

Flexera

Inform IT. Transform IT.™

Reuse

We encourage the reuse of data, charts and text published in this report under the terms of this **Creative Commons Attribution 4.0 International License**.

You are free to share and make commercial use of this work as long as you attribute the *Flexera 2021 State of ITAM Report* as stipulated in the terms of the license.

© 2020 Flexera. All rights reserved. This work by Flexera is licensed under a Creative Commons Attribution 4.0 International License.

Table of contents

Executive summary **8**

The highlights 9

Methodology **11**

Respondent demographics **11**

ITAM plays a critical role in the enterprise **14**

Importance of SAM teams building connections with C-level and cloud teams 14

SAM teams reporting to C-level are more connected 15

Many SAM teams are in earlier stages of maturity **16**

Few SAM teams cover SaaS, cloud and containers 16

SAM responsibilities expand with maturity 17

SAM teams reporting to C-level have the broadest responsibilities 18

SAM teams face challenges addressing wasted spend **18**

Key challenges prevent organizations from recovering wasted spend 19

Optimizing spend is a top challenge for all maturity levels 20

Few SAM teams implement best practices for SaaS governance 20

SaaS and cloud will receive more attention from SAM teams 21

SAM initiatives are driven by cost savings in the midst of COVID-19 ..... **22**

Top SAM initiatives align with cost savings 22

COVID-19 accelerates the shift toward cost savings 23

© 2020 Flexera. All rights reserved. This work by Flexera is licensed under a Creative Commons Attribution 4.0 International License.

Table of contents

SAM teams remain focused on audits and traditional vendors 24

SAM teams spend a majority of their time on audits 24

SAM teams continue to focus on top licensed software vendors 25

SAM teams lack holistic focus within key vendors 26

Half of respondents were audited by Microsoft in the past 3 years 26

Many respondents report significant audit true-up costs and penalties 27

Large companies pay more audit true-up costs and penalties 28

SAM success metrics are often misaligned with actual value 29

Top success metrics are focused on compliance 29

Respondents report 12-month savings of 8.6 percent on software spend from SAM 29

More savings from cost optimization than from audit 31

SAM savings grow as SAM processes mature 31

Europe spotlight: highlights 32

Company size of European respondents is similar to global..... 33

Europe's SAM maturity is similar to North America's 33

European ITAM teams more likely to report to the C-level 34

In Europe, SAM interacts more with procurement 34

SAM teams in Europe rationalize software more, manage cloud less 35

Europe reports more SAM challenges overall, except audits 36

Top SAM initiatives in Europe align with savings, but less focus on SaaS and cloud 36

© 2020 Flexera. All rights reserved. This work by Flexera is licensed under a Creative Commons Attribution 4.0 International License.

Table of contents

COVID-19 expands SAM focus on savings over the next 12 months 37

Europe experiences lower rates of vendor audits 37

SAM teams in Europe put strongest focus on “hard” savings 38

Europe realizes higher savings from SAM 38

Summary 39

© 2020 Flexera. All rights reserved. This work by Flexera is licensed under a Creative Commons Attribution 4.0 International License.

Table of figures

Figure 1. Respondents by organization size 11

Figure 2. Respondents by industry 12

Figure 3. Respondents by geography 12

Figure 4. Respondents by function and by level ... 13

Figure 5. Reporting location for ITAM function 14

Figure 6. SAM teams with significant interactions with other IT functions 15

Figure 7. SAM team interactions by reporting structure 15

Figure 8. SAM maturity of respondents 16

Figure 9. Responsibilities of SAM teams 17

Figure 10. SAM team responsibilities by maturity 17

Figure 11. Selected SAM team responsibilities by reporting structure 18

Figure 12. Estimated waste in software spend 19

Figure 13. SAM challenges 19

Figure 14. Ranking of top SAM challenges by maturity 20

Figure 15. Implementation of best practices for managing SaaS 21

Figure 16. Change in SAM focus in the next 3 years 21

Figure 17. Top SAM initiatives for all organizations 22

Figure 18. COVID-19 impact on SAM practice over the next 12 months 23

Figure 19. Time allocation for SAM teams 24

Figure 20. Licensed software focused on by SAM teams 25

Figure 21. Vendor focus by SAM teams across licensed software, SaaS and cloud 26

Figure 22. Organizations experiencing vendor audits in the past three years 27

Figure 23. Audit true-up and penalties in past 12 months 27

Figure 24. Audit true-up and penalties in past 12 months by company size 28

Figure 25. Top metrics for measuring success of SAM programs 29

Figure 26. Software spend breakdown for respondents 30

Figure 27. Savings from SAM in the past 12 months 30

Figure 28. Drivers of realized savings from SAM 31

Figure 29. Drivers of realized savings from SAM, by maturity 31

© 2020 Flexera. All rights reserved. This work by Flexera is licensed under a Creative Commons Attribution 4.0 International License.

Table of figures

Figure 30. Company size of European respondents 33

Figure 31. SAM maturity by region 33

Figure 32. ITAM reporting structure in Europe 34

Figure 33. European SAM team interactions with other functions 34

Figure 34. SAM responsibilities in Europe 35

Figure 35. Top SAM challenges for Europe 36

Figure 36. Top SAM initiatives in Europe 36

Figure 37. COVID-19 impact on SAM practice in Europe over the next 12 months 37

Figure 38. European organizations experiencing vendor audits in the past three years 37

Figure 39. Top metrics for measuring success of SAM programs in Europe 38

Figure 40. Drivers of realized savings from SAM in Europe 38

© 2020 Flexera. All rights reserved. This work by Flexera is licensed under a Creative Commons Attribution 4.0 International License.

FLEXERA™ 2021 STATE OF ITAM REPORT

The role of IT asset management must evolve and expand beyond compliance to help organizations maximize the value of all their technology investments, from on-premises to the cloud.

Executive summary

As organizations accelerate their digital transformation, the traditional roles of information technology asset management (ITAM) and software asset management (SAM) are under pressure. Many ITAM and SAM practices continue to be largely focused on audits and compliance. But as cloud and SaaS become increasingly larger parts of technology spend, it's important for ITAM teams to reimagine their roles in order to remain relevant. They must evolve and expand beyond compliance and ensure they're aligned to strategic IT initiatives across complex hybrid IT environments. The *Flexera 2021 State of ITAM Report* reveals the current maturity of ITAM teams and the value they're delivering to their organizations. It also provides a view of the future of ITAM and how organizations plan to evolve in order to serve the needs of the digital enterprise. Leveraging this data can help IT professionals benchmark their own IT asset management practices and plot a course to align with the strategic needs of the IT team.

This report explores the responses of 461 global IT professionals who manage and participate in ITAM and SAM in medium and large organizations of at least 1,000 employees. It shares their current and future strategies for ITAM and SAM and offers perspective on how the COVID-19 pandemic is impacting their plans.

© 2020 Flexera. All rights reserved. This work by Flexera is licensed under a Creative Commons Attribution 4.0 International License.

The highlights

The *Flexera 2021 State of ITAM Report* survey captured insights into how organizations are progressing in their IT asset management efforts. The information includes the current maturity of IT teams, their role in the enterprise, top initiatives and challenges, success metrics, the impact of COVID-19 on their activities and also includes a spotlight on European respondents highlights.

ITAM plays a critical role in the enterprise

- Twenty-five percent of ITAM teams report directly to the CIO or CTO; 24 percent report to infrastructure management
- ITAM teams interact heavily with many other functions, including infrastructure (55 percent), IT service management (52 percent) and procurement (50 percent)
- ITAM teams reporting to C-level have the strongest interactions across IT
- ITAM teams are largely disconnected from cloud teams

Many SAM teams are in earlier stages of maturity

- Only 45 percent of SAM practices have reached advanced maturity
- Most SAM teams are responsible for software discovery (84 percent), inventory (77 percent) and audits (83 percent), focusing on on-premises software
- A minority of SAM teams track software in the cloud (46 percent), SaaS (35 percent) or software in containers (34 percent)

Top challenges include new technologies, realizing savings and complexity of licenses

- Tied for the top SAM challenge (81 percent) are dealing with SaaS, cloud, and containers and optimizing software use to save money
- Complexity of vendor use rights was the third-ranked SAM challenge (78 percent)
- Optimizing software use to save money is the top challenge for SAM beginners
- Dealing with SaaS, cloud and containers is the top challenge for more mature SAM teams

SAM teams must increase their focus on the cloud

- Only 28 percent track and optimize the use of public cloud infrastructure-as-a-service (IaaS) and platform-as-a-service (PaaS)
- Only 35 percent of SAM teams track SaaS usage
- SAM teams expect to increase their focus on public cloud (74 percent) and SaaS (70 percent) over the next three years

© 2020 Flexera. All rights reserved. This work by Flexera is licensed under a Creative Commons Attribution 4.0 International License.

Four of the top five SAM initiatives for 2021 are focused on savings

- The top SAM initiative for 2021 is to optimize and save on software spend (69 percent)
- Other top initiatives are also focused on realizing savings: re-harvesting licenses and managing SaaS and cloud spend
- Fifty-two percent of SAM teams expect to increase focus on savings for 2021 due to COVID-19, and 51 percent plan to optimize software licenses to avoid additional costs

Audits consume a majority of time for SAM teams

- Audit activities consume 63 percent of SAM teams' time
- Microsoft receives the most attention from SAM teams, including software, SaaS and Azure
- Almost half the organizations have been audited by Microsoft over the past three years, while more than 25 percent have been audited by Oracle, IBM and VMware
- Twenty-nine percent of organizations with more than 10,000 employees spent over $1 million on vendor audit penalties and true-ups, while 15 percent spent more than $5 million

SAM success metrics are misaligned with actual sources of value delivered

- Last year, SAM teams helped deliver an average of 8.6 percent savings on their software spends
- The top metrics SAM teams use to measure success are compliance focused: accurate license position, compliance with regulatory/internal audits and compliance with vendor contracts
- However, organizations realized more savings from cost optimization activities, including license reuse, savings in vendor negotiations and rightsizing maintenance spend

© 2020 Flexera. All rights reserved. This work by Flexera is licensed under a Creative Commons Attribution 4.0 International License.

Methodology

A total of 461 technical professionals from around the globe and across a broad cross-section of organizations participated in the *Flexera 2021 State of ITAM Report* survey. The participants provided insights into their ITAM and SAM practices.

Respondents manage or have significant involvement in the ITAM or SAM processes.

Respondent demographics

This survey includes organizations with at least 1,000 employees. As **Figure 1** shows, more than two-thirds of participating organizations employ at least 5,000 people, while more than half employ 10,000 or more. These larger enterprises face challenges due to more complex IT environments, whereas smaller organizations often struggle with budget and headcount constraints.

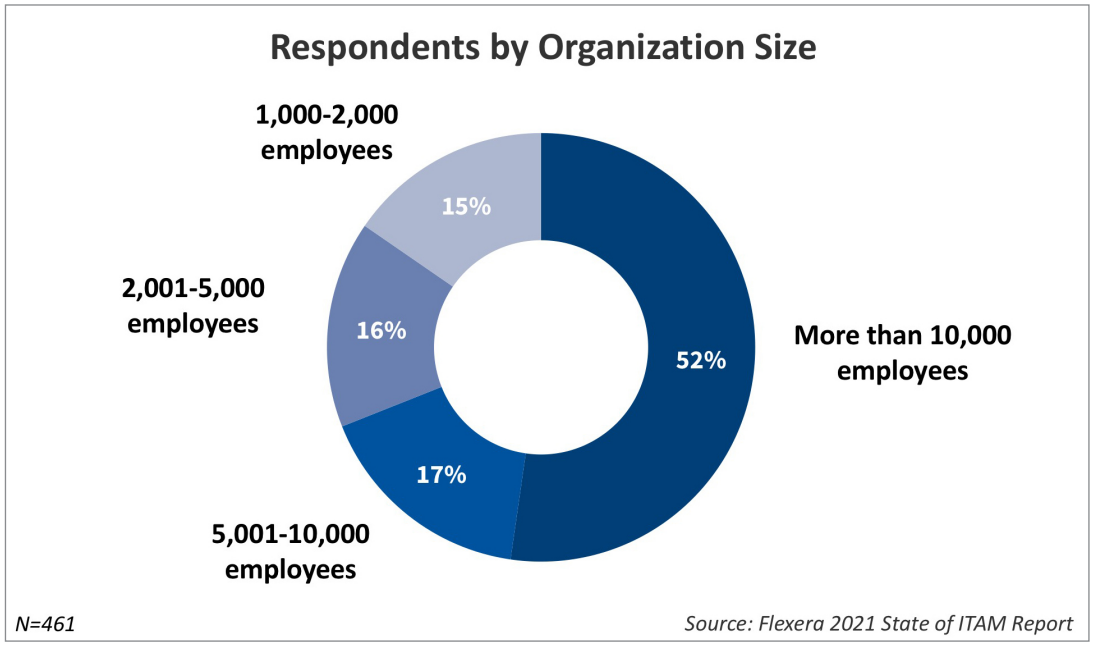


Figure 1. Respondents by organization size

© 2020 Flexera. All rights reserved. This work by Flexera is licensed under a Creative Commons Attribution 4.0 International License.

Businesses in almost all industries leverage cloud computing. As **Figure 2** indicates, the report covers a broad range of industries. The *Other* category includes those industries that represent less than four percent of respondents.

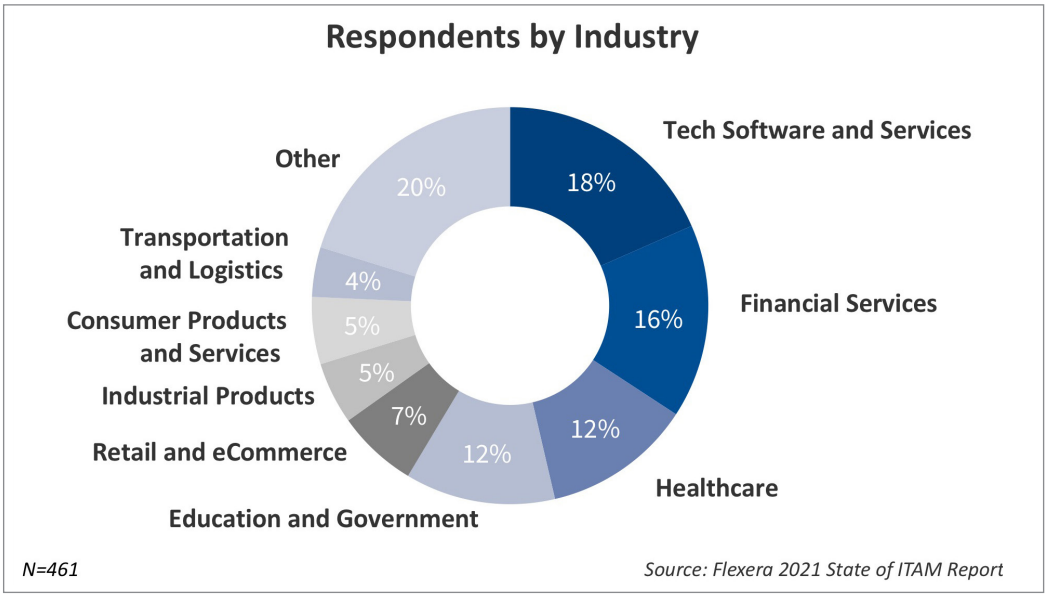


Figure 2. Respondents by industry

Figure 3 shows the locations of participating organizations around the world.

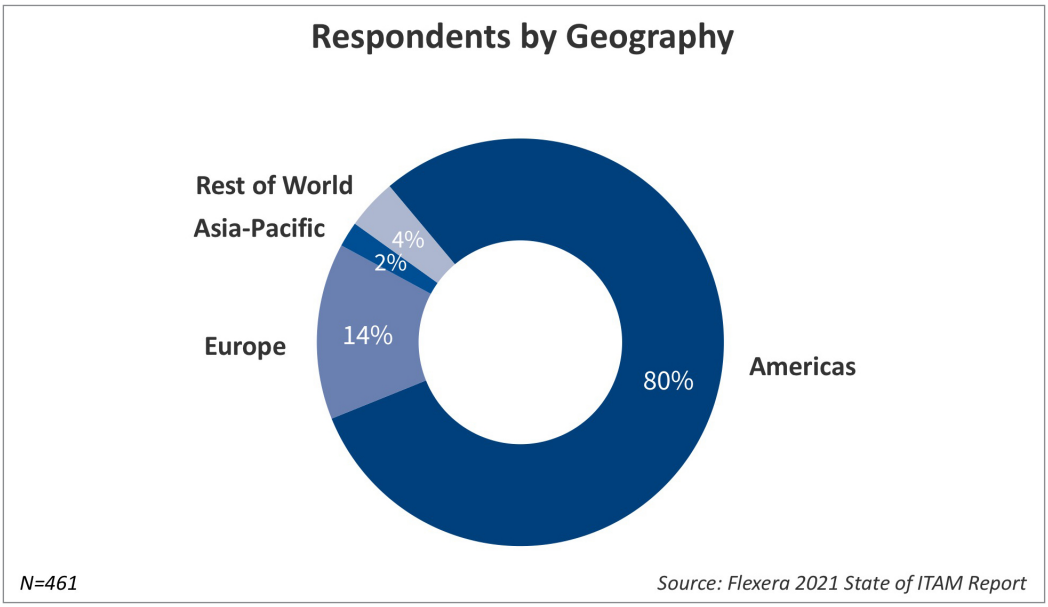
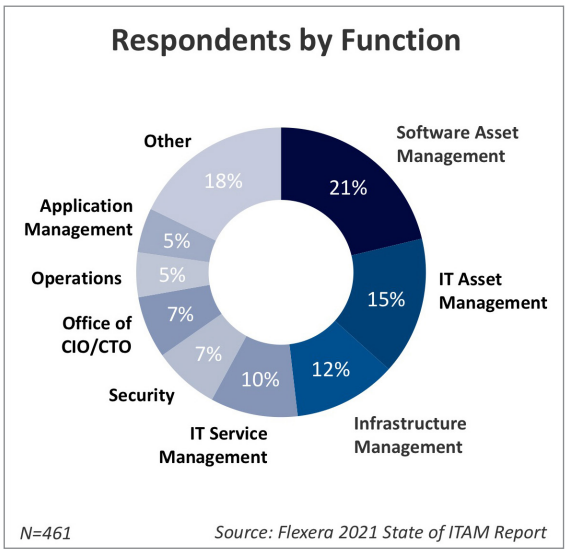


Figure 3. Respondents by geography

© 2020 Flexera. All rights reserved. This work by Flexera is licensed under a Creative Commons Attribution 4.0 International License.

Figure 4 indicates the breakdown of respondents by function and level within the organization. Thirty-six percent of respondents work on ITAM or SAM teams, while others work in the broader IT organization. More than half are in management roles.



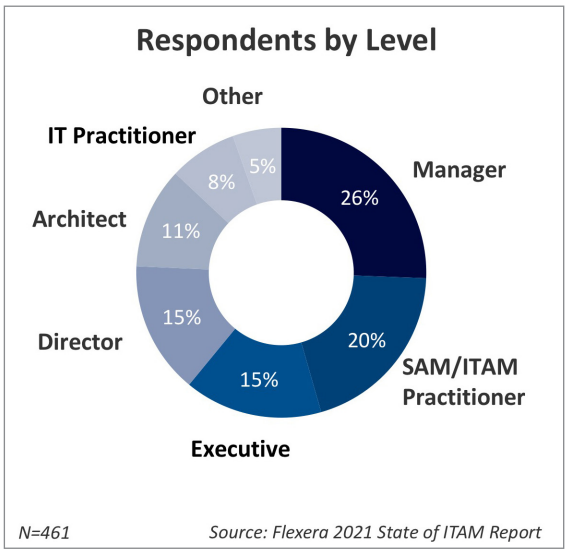


Figure 4. Respondents by function and by level

© 2020 Flexera. All rights reserved. This work by Flexera is licensed under a Creative Commons Attribution 4.0 International License.

ITAM plays a critical role in the enterprise

ITAM teams must collaborate with a wide variety of other IT functions, but there's significant diversity in where the ITAM function reports within IT. As the box in **Figure 5** indicates, SAM teams are small, with an average of only four full-time employees, and the chart shows that one quarter of the respondents indicate their ITAM team reports directly to the C-level, 24 percent of teams report to *infrastructure management*, 15 percent report to *service management* and 14 percent report to *operations*. The reporting structure for ITAM can impact the focus of ITAM efforts, how they're measured and how well they integrate with other IT functions.

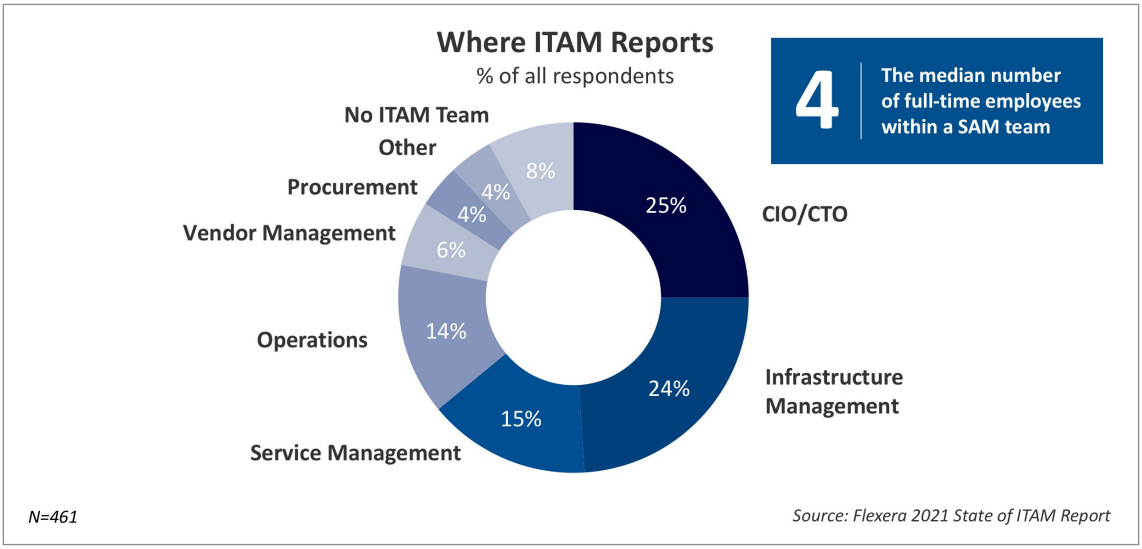


Figure 5. Reporting location for ITAM function

Importance of SAM teams' building connections with C-level and cloud teams

SAM is a critical component of ITAM, with software representing a significant portion of IT spend. As **Figure 5** indicated, SAM teams are small. However, as **Figure 6** shows, they must interact broadly with other IT functions in order to accomplish their objectives. Respondents reported significant interactions with *infrastructure management* (55 percent), *ITSM* (52 percent), *procurement* (50 percent) and *operations* (48 percent). Few SAM teams, however, had significant interactions with the *CTO/CIO* (27 percent), indicating they don't have a seat at the table as strategic decisions are made. There were even fewer respondents reporting significant interactions between SAM and *cloud* teams (24 percent). It's important for SAM teams to address this gap to ensure visibility and relevancy as IT becomes increasingly cloud-centric.

© 2020 Flexera. All rights reserved. This work by Flexera is licensed under a Creative Commons Attribution 4.0 International License.

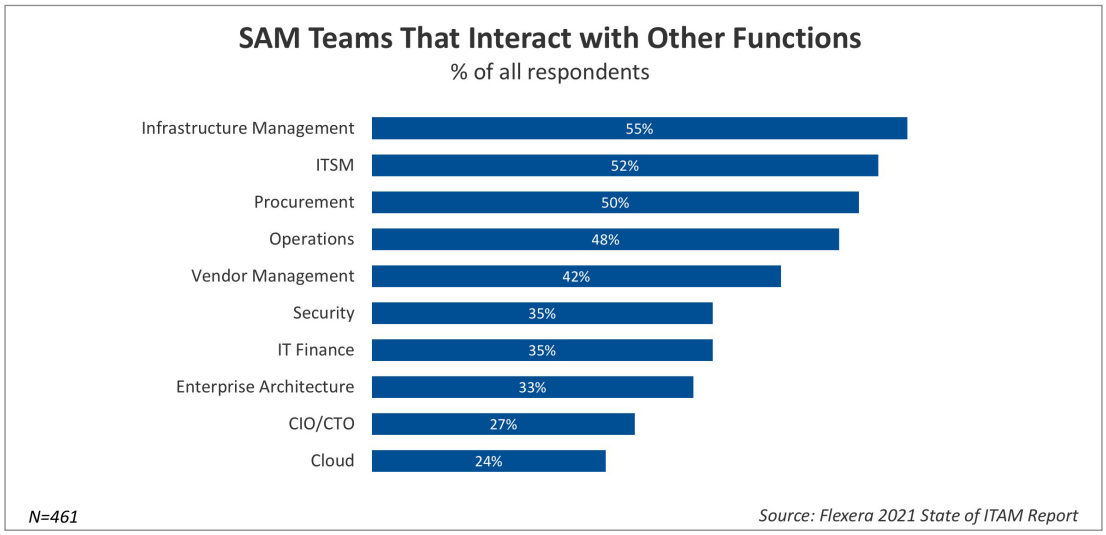


Figure 6. SAM teams with significant interactions with other IT functions

SAM teams reporting to C-level are more connected

SAM teams reporting directly to the CIO or CTO report having the highest level of interaction across the broadest set of IT functions, as **Figure 7** shows. Those reporting to procurement also have a broad set of connections; however, there are significant gaps in the level of interaction with forward-looking teams such as enterprise architecture and the office of the CIO/CTO. Across all reporting structures, there's little significant interaction with the cloud team, which can cut SAM teams off from critical digital initiatives. Regardless of reporting structure, it's important for SAM leaders to collaborate with all areas of the IT organization in order to maximize the value they deliver.

SAM Teams Interactions by Reporting Structure

	SAM TEAM REPORTS TO:					
PERCENTAGE HAVING SIGNIFICANT INTERACTIONS WITH:	CIO/CTO	Infrastructure Management	Operations	ITSM	Vendor Management	Procurement
Infrastructure Management	66%	69%	39%	40%	42%	65%
IT Service Management	62%	51%	46%	54%	58%	47%
Procurement	52%	53%	42%	49%	73%	82%
Operations	50%	44%	64%	46%	38%	53%
Vendor Management	47%	40%	36%	35%	85%	59%
IT Finance	43%	38%	25%	28%	46%	53%
Security	47%	39%	28%	22%	31%	47%
Enterprise Architecture	44%	33%	33%	19%	38%	41%
CIO/CTO	62%	16%	13%	15%	15%	18%
Cloud	32%	26%	18%	24%	19%	24%

Highest percentage — Lowest percentage

N=461

Source: Flexera 2021 State of ITAM Report

Figure 7. SAM team interactions by reporting structure

© 2020 Flexera. All rights reserved. This work by Flexera is licensed under a Creative Commons Attribution 4.0 International License.

Many SAM teams are in earlier stages of maturity

While SAM processes have been defined for more than a decade, **Figure 8** shows almost a quarter of organizations are at the beginner stage of maturity, where they're just getting started with SAM and employing an ad hoc focus on discovery and audit. Thirty-one percent are in the intermediate phase, where they've implemented ongoing tracking of software use and license positions, a precursor for optimization activities. Only 45 percent of organizations have reached an advanced level of SAM maturity, where they're proactively optimizing use of software licenses.

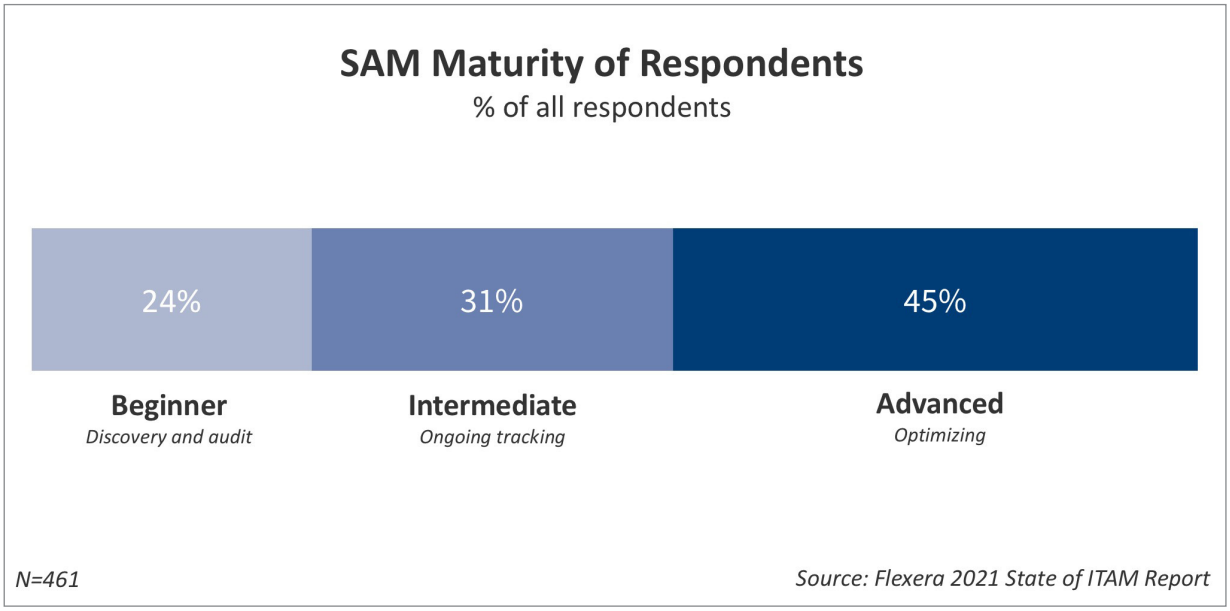


Figure 8. SAM maturity of respondents

Few SAM teams cover SaaS, cloud and containers

The maturity of a SAM team can impact its responsibilities. While most organizations cover the basics of software discovery, inventory and audits within their on-premises environment, few are focused on the growing cloud and container environments, as **Figure 9** indicates. Just under half (46 percent) *track use of software in public cloud* (bring your own license), 35 percent *track SaaS use*, 34 percent *track software in containers* and 28 percent *track and optimize IaaS/PaaS use*. While these responsibilities may currently lie with other teams, remaining disconnected from fast-growing areas of the IT estate could be detrimental to the long-term viability and influence of the SAM team and SAM practitioners.

© 2020 Flexera. All rights reserved. This work by Flexera is licensed under a Creative Commons Attribution 4.0 International License.

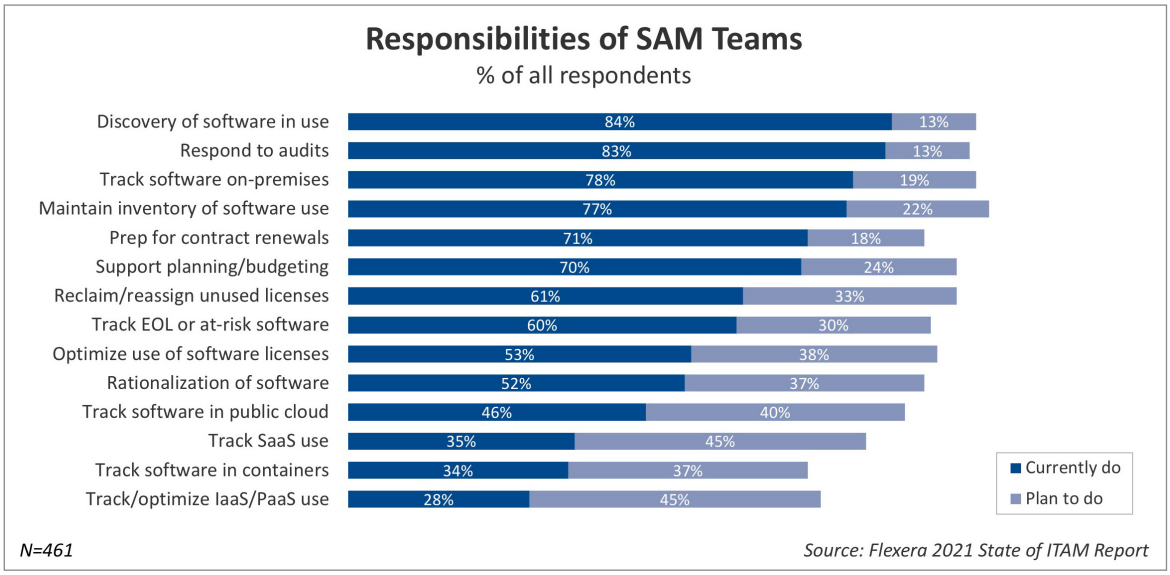


Figure 9. Responsibilities of SAM teams

SAM responsibilities expand with maturity

As **Figure 10** shows, SAM responsibilities expand as an organization's SAM practice matures. As an example, only 17 percent of SAM teams at the beginner maturity level track and optimize IaaS/PaaS use, while more than double that amount (35 percent) track IaaS/PaaS at the advanced maturity level. It's important for SAM leaders to focus on advancing their maturity, broadening their responsibilities and increasing the value they deliver.

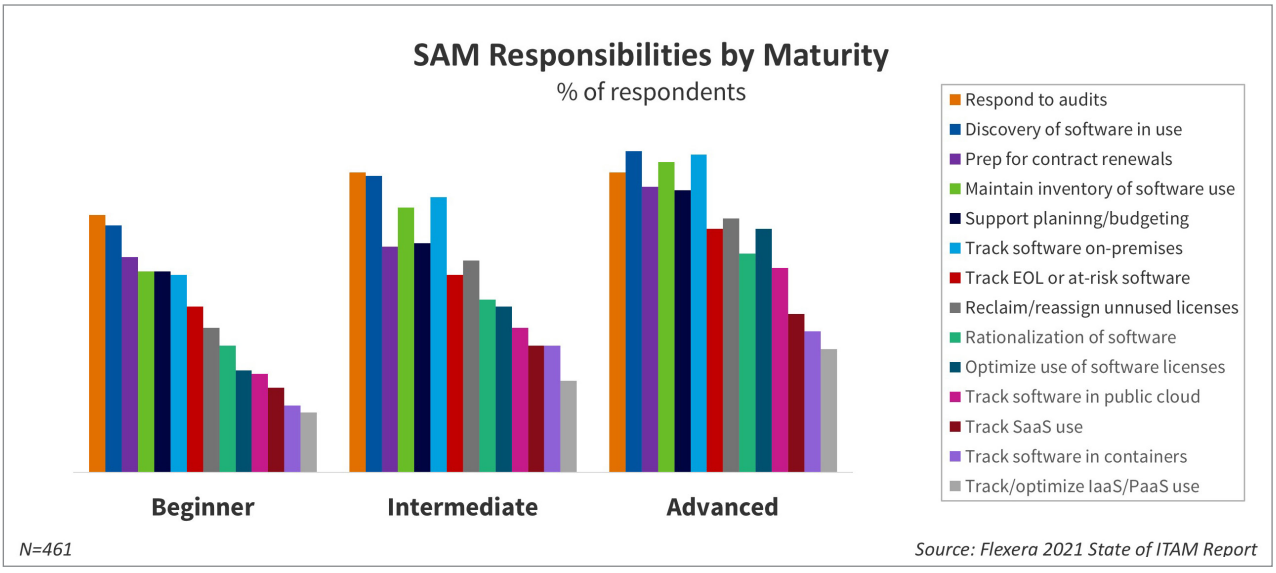


Figure 10. SAM team responsibilities by maturity

© 2020 Flexera. All rights reserved. This work by Flexera is licensed under a Creative Commons Attribution 4.0 International License.

SAM teams reporting to C-level have the broadest responsibilities

As **Figure 11** shows, SAM teams that report to the CIO or CTO have the broadest set of responsibilities. They're more likely to go beyond traditional SAM duties such as audits and take on responsibilities for new technologies such as cloud, SaaS and containers.

Selected SAM Team Responsibilities by Reporting Structure

	SAM TEAM REPORTS TO:					
RESPONSIBILITIES:	CIO/CTO	Infrastructure Management	Operations	ITSM	Vendor Management	Procurement
Respond to audits	87%	82%	76%	74%	85%	100%
Prep for contract renewals	74%	77%	67%	62%	73%	59%
Support planning/budgeting	74%	73%	63%	63%	65%	65%
Reclaim/reassign unused licenses	66%	62%	61%	53%	69%	65%
Track EOL or at-risk software	63%	65%	48%	56%	58%	71%
Rationalization of software	61%	55%	45%	44%	42%	65%
Track software in public cloud	50%	48%	43%	51%	27%	35%
Track SaaS use	47%	34%	31%	32%	31%	41%
Track software in containers	42%	38%	27%	37%	35%	24%
Track/optimize IaaS/PaaS use	35%	32%	27%	31%	15%	18%

Highest percentage — Lowest percentage

N=461

Source: Flexera 2021 State of ITAM Report

Figure 11. Selected SAM team responsibilities by reporting structure

SAM teams face challenges addressing wasted spend

SAM practitioners know that organizations waste significant spend on unused or underutilized software. As **Figure 12** indicates, respondents estimate 28 percent of spend on desktop software is wasted, along with 24 percent of data center software spend and 23 percent of SaaS software spend. The reality is actually worse: Most analysts estimate that at least 30 percent of software spend is wasted. This represents both a challenge and an opportunity for SAM teams to deliver value by reducing the level of waste.

© 2020 Flexera. All rights reserved. This work by Flexera is licensed under a Creative Commons Attribution 4.0 International License.

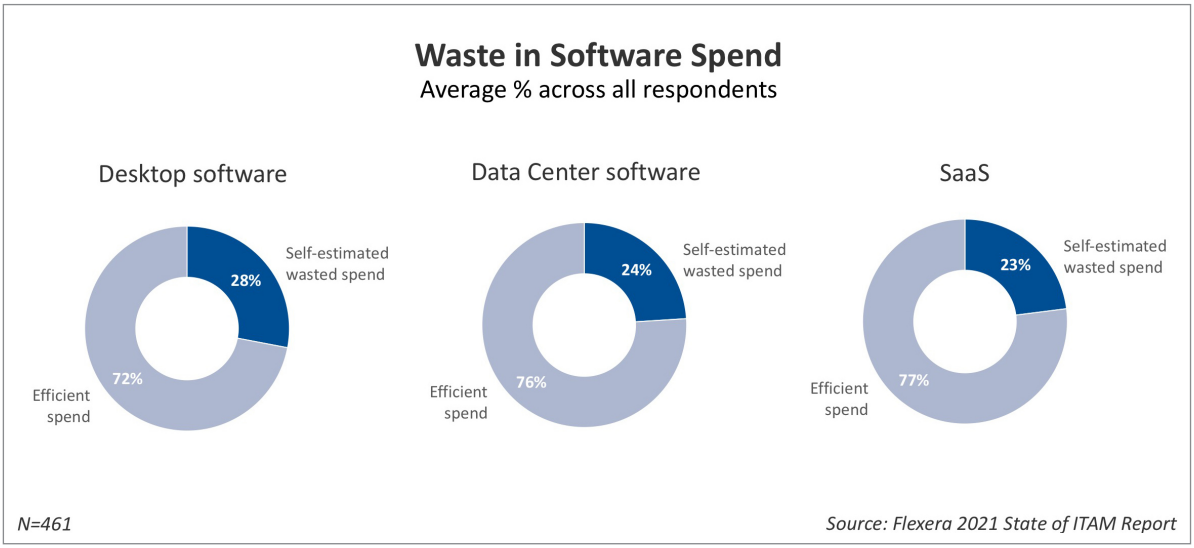


Figure 12. Estimated waste in software spend

Key challenges prevent organizations from recovering wasted spend

SAM teams face a number of challenges as they seek to deliver value by recovering wasted spend. As **Figure 13** shows, 81 percent face challenges in dealing with exploding new technologies such as SaaS, cloud and containers. As a result (as shown in Figure 9), many SAM teams aren't responsible for these technologies, leaving potential gaps in governance. The same proportion faces challenges in *optimizing software use to save money*, which indicates they're missing the opportunity to gain greater efficiencies and deliver value to the organization.

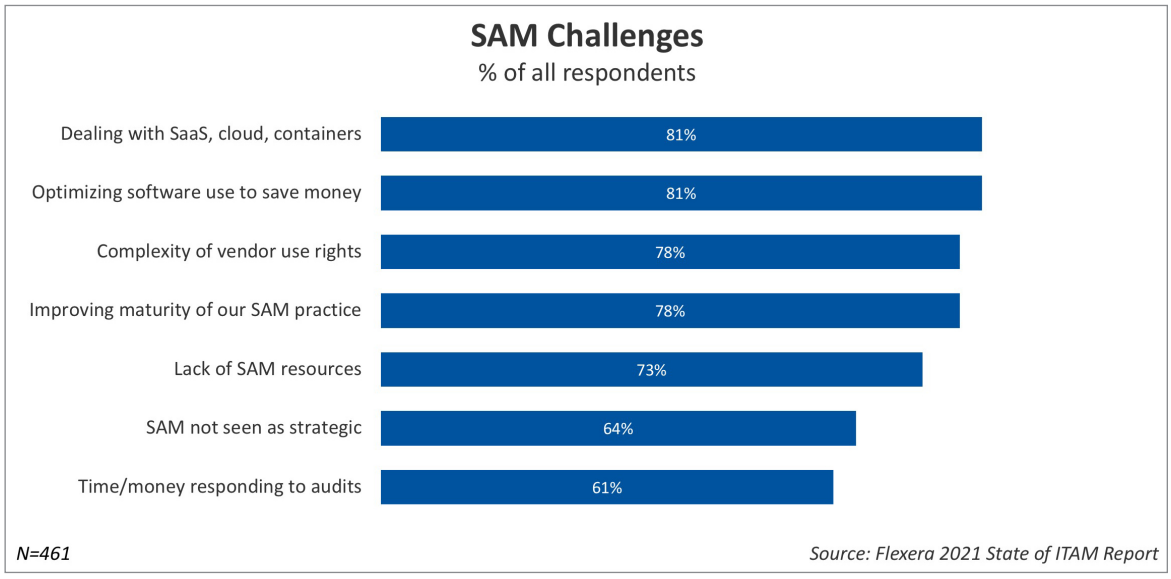


Figure 13. SAM challenges

© 2020 Flexera. All rights reserved. This work by Flexera is licensed under a Creative Commons Attribution 4.0 International License.

Optimizing spend is a top challenge for all maturity levels

While the top five SAM challenges are the same across all SAM maturity levels, there are some important differences in the ranking. As **Figure 14** indicates, *optimizing software use to save money* is the number one challenge for those at the beginner level of maturity and remains highly ranked as the number two challenge for SAM teams at intermediate and advanced maturity. Conversely, *dealing with SaaS, cloud and containers* is ranked the fourth challenge for beginners, but becomes the top challenge for intermediate and advanced respondents. During the early stages of developing a SAM program, the focus is often on traditional responsibilities such as discovery of on-premises resources and preparing for audits. As maturity grows, it's important for SAM programs to expand beyond on-premises to the broader hybrid IT environment.

Top SAM Challenges by Maturity

BEGINNER	INTERMEDIATE	ADVANCED
1. Optimizing software use to save money (88%)	1. Dealing with SaaS, cloud, containers (81%)	1. Dealing with SaaS, cloud, containers (81%)
2. Increasing maturity of our SAM practice (82%)	2. Optimizing software use to save money (78%)	2. Optimizing software use to save money (79%)
3. Complexity of vendor use rights (81%)	3. Increasing maturity of our SAM practice (78%)	3. Increasing maturity of our SAM practice (77%)
4. Dealing with SaaS, cloud, containers (79%)	4. Complexity of vendor use rights (76%)	4. Complexity of vendor use rights (77%)
5. Lack of SAM resources (78%)	5. Lack of SAM resources (76%)	5. Lack of SAM resources (68%)

N=461

Source: Flexera 2021 State of ITAM Report

Figure 14. Ranking of top SAM challenges by maturity

Few SAM teams implement best practices for SaaS governance

Figure 15 shows that respondents are still struggling to implement best practices for governing the use of SaaS and optimizing SaaS spend. Only 41 percent *rightsize the SaaS subscription level assigned to each user*, and even fewer (37 percent) *track use of SaaS in order to rightsize contracts.* Few organizations are *connecting all major SaaS application to single-sign-on (SSO)*, *looking for unsanctioned SaaS* or *promptly offboarding departing employees from SaaS apps*—all of which can lead to significant security risks for the organization.

© 2020 Flexera. All rights reserved. This work by Flexera is licensed under a Creative Commons Attribution 4.0 International License.

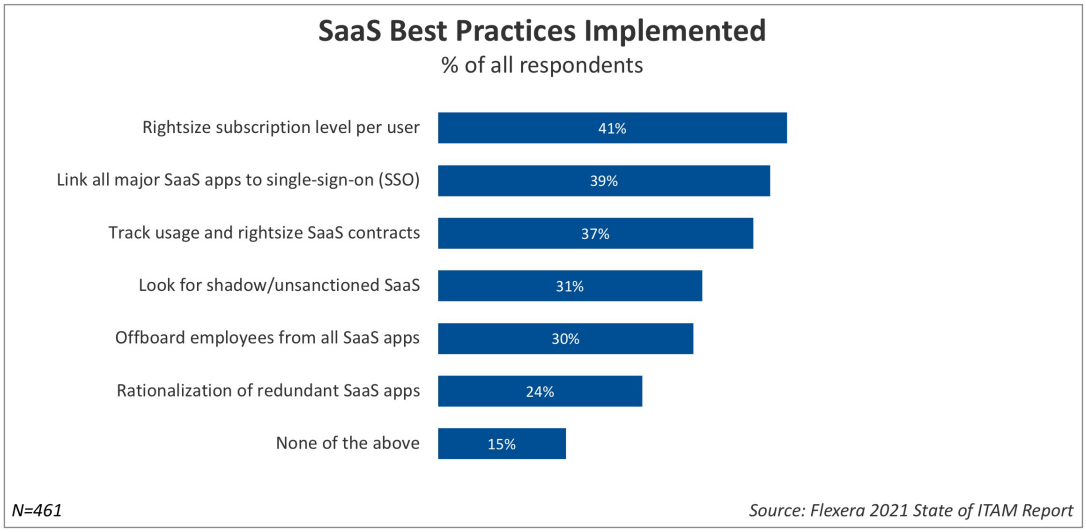


Figure 15. Implementation of best practices for managing SaaS

SaaS and cloud will receive more attention from SAM teams

Despite the current lack of focus on the cloud and SaaS, respondents indicated these newer technologies will receive significantly more attention in the next three years. As **Figure 16** shows, 74 percent expect to increase their focus on public cloud and 70 percent expect to increase their focus on SaaS.

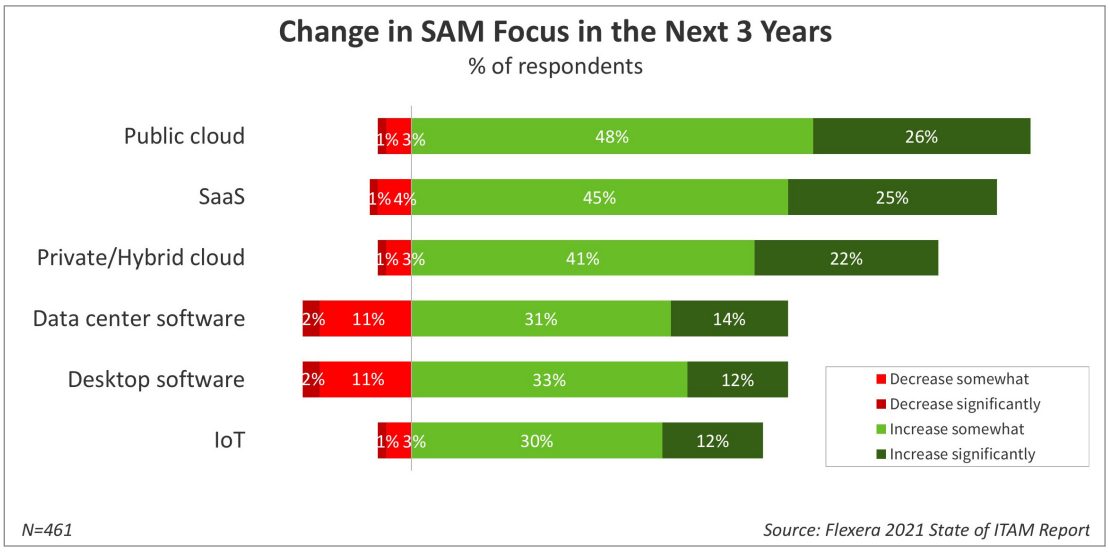


Figure 16. Change in SAM focus in the next 3 years

© 2020 Flexera. All rights reserved. This work by Flexera is licensed under a Creative Commons Attribution 4.0 International License.

SAM initiatives are driven by savings in the midst of COVID-19

Top SAM initiatives align with cost savings

Over the next twelve months, as **Figure 17** indicates, four of the top five initiatives for SAM teams are focused on savings. The top initiative is to *optimize/save on software spend* (69 percent). In addition, initiatives to *reclaim underused/unused licenses, improve management of SaaS* and *track/optimize public cloud spend* all help to drive cost savings. The other top initiative, *provide data/analysis for planning*, is focused on providing better visibility in order to forecast future spend.

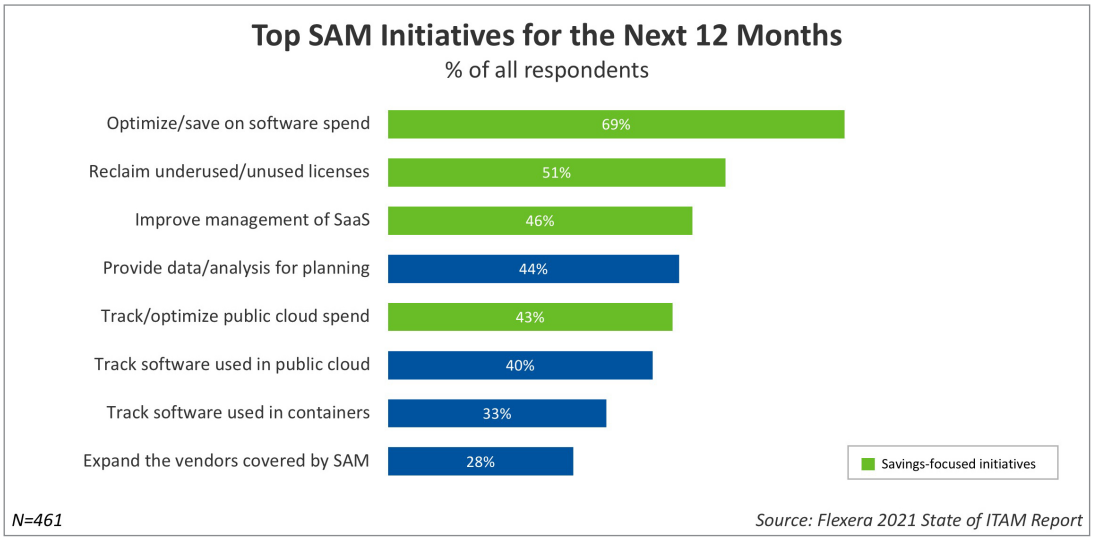


Figure 17. Top SAM initiatives for the next 12 months

© 2020 Flexera. All rights reserved. This work by Flexera is licensed under a Creative Commons Attribution 4.0 International License.

COVID-19 accelerates the shift toward cost savings

As the full impact of the pandemic on enterprises becomes clearer, many organizations are redoubling efforts to reduce their cost structures and ensure efficiency across all their spend. SAM teams are no exception.

As **Figure 18** indicates, more than half of respondents said that they will increase the focus of their SAM practice on *cost savings for 2021 and beyond* and also on *optimizing software use in order to avoid additional costs*. Forty-seven percent will increase focus on *re-harvesting and reassigning licenses,* which can also drive savings. A significant minority, 43 percent, is also focused on *realizing additional cost savings during the remainder of 2020*.

In contrast to cost savings, only 26 percent expect to increase their focus on *audit response* due to COVID-19, while 15 percent expect to decrease focus in this area. Many analysts expect software vendors to step up their audit activities to recapture revenue lost to the pandemic-driven economic slowdown. This could force organizations to redirect resources toward time-consuming audit activities to stave off large true-up costs or penalties.

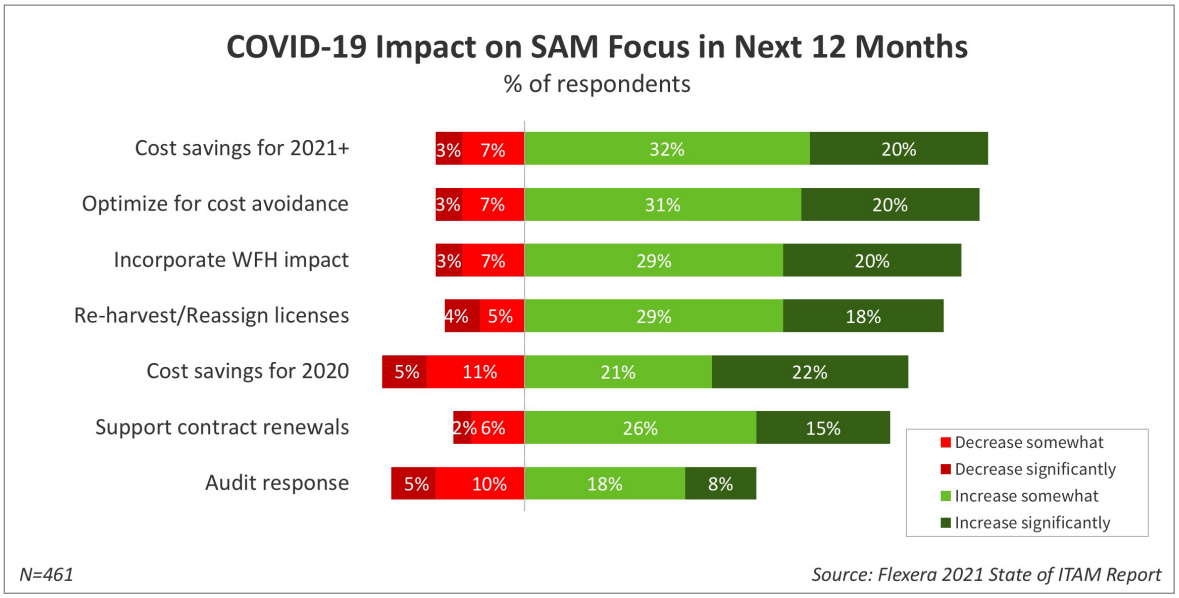


Figure 18. COVID-19 impact on SAM practice over the next 12 months

© 2020 Flexera. All rights reserved. This work by Flexera is licensed under a Creative Commons Attribution 4.0 International License.

SAM teams remain focused on audits and traditional vendors

SAM teams spend a majority of their time on audits

While SAM initiatives for the next twelve months are focused on realizing cost savings, the reality is that SAM teams currently spend a majority of their time on both internal and external audits. As **Figure 19** shows, SAM teams spend an average of 63 percent of their time on audit activities. Audits can help uncover savings because they require SAM teams to establish an effective license position and (ideally) optimize their license position to avoid true-ups and penalties. However, the significant time spent on audits can detract from the ability to implement more proactive cost-saving measures, and also to expand the scope of SAM into SaaS, the cloud and containers.

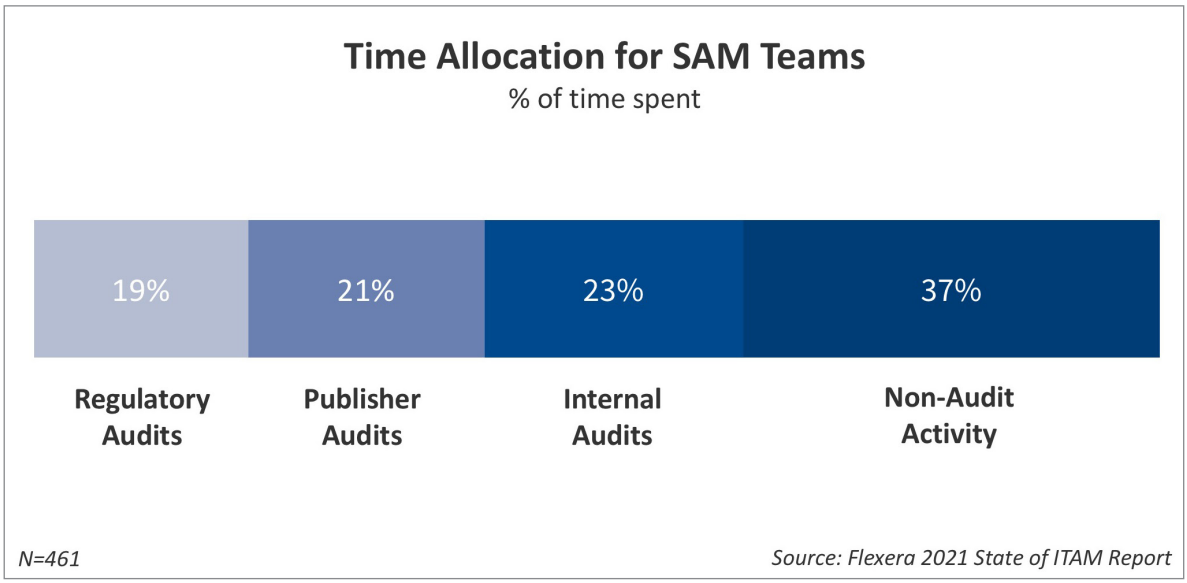


Figure 19. Time allocation for SAM teams

© 2020 Flexera. All rights reserved. This work by Flexera is licensed under a Creative Commons Attribution 4.0 International License.

SAM teams continue to focus on top licensed software vendors

Figure 20 shows SAM teams continue to focus significant effort on the top traditional vendors, including Microsoft, IBM, Oracle, VMware, Adobe and SAP.

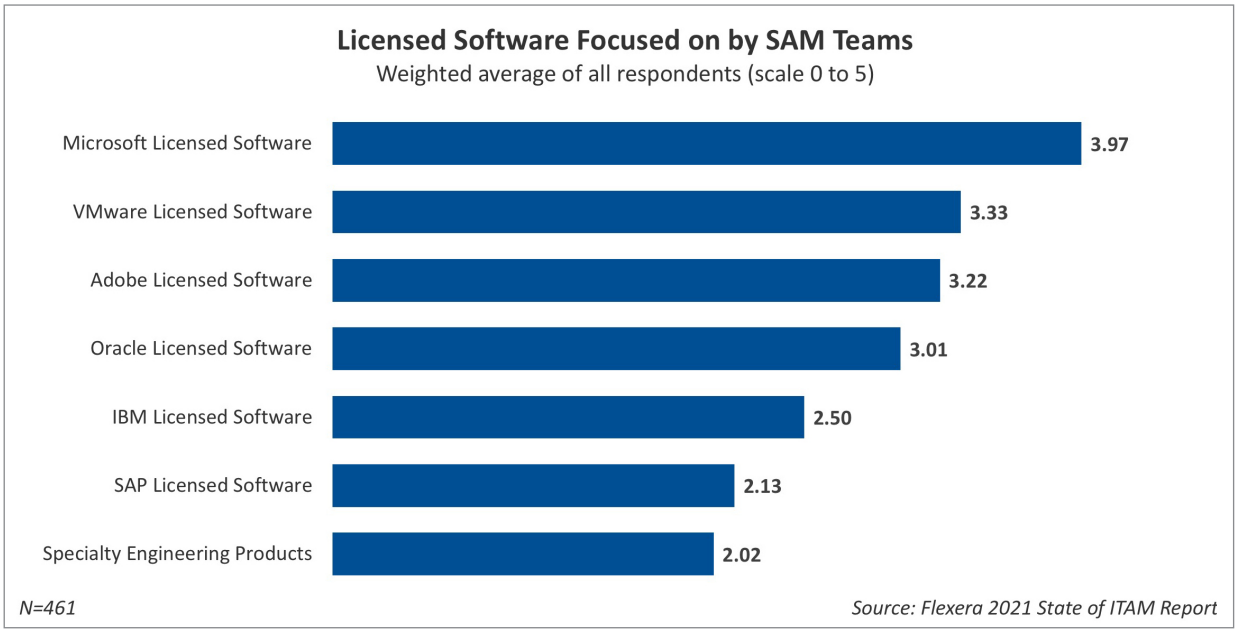


Figure 20. Licensed software focused on by SAM teams

© 2020 Flexera. All rights reserved. This work by Flexera is licensed under a Creative Commons Attribution 4.0 International License.

SAM teams lack holistic focus within key vendors

SAM teams are still not yet holistically focusing on top vendors by including their SaaS and cloud offerings, as **Figure 21** indicates.

SAM teams have made some progress on focusing holistically on Microsoft, driven by Microsoft's often unified enterprise agreements. Scoring their focus on a scale of 0 to 5 (with 5 being the highest level of focus), respondents scored their Microsoft traditional licensed software at 3.97, Microsoft SaaS products at 3.57 and Microsoft Azure public cloud at 2.93.

In contrast, respondents scored their focus on VMware licensed solutions at 3.33, while VMware SaaS solutions were scored much lower at 2.50.

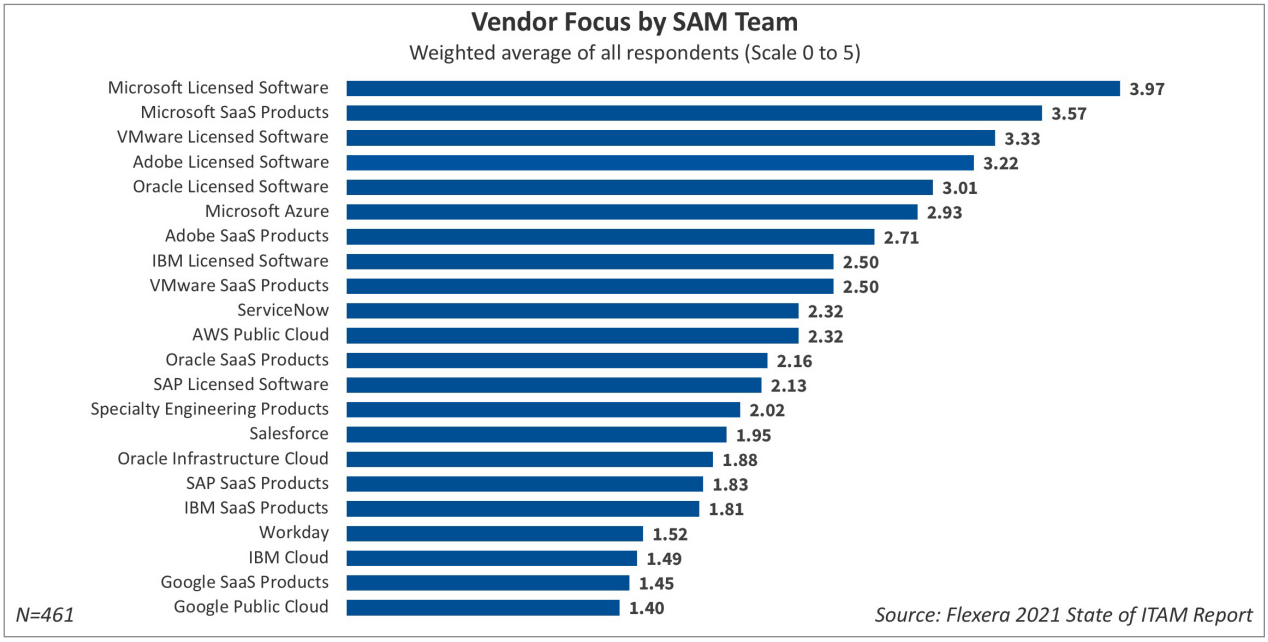


Figure 21. Vendor focus by SAM teams across licensed software, SaaS and cloud

Half of respondents were audited by Microsoft in the past 3 years

SAM priorities are often driven by the need to respond to vendor audits. The level of audit activity from a vendor combined with the level of spend on a vendor is a key factor driving SAM teams' focus. **Figure 22** shows 49 percent of respondents have been audited by Microsoft in the past three years, far more than any other vendor. This represents just over 16 percent of respondents (one in six) being audited by Microsoft annually.

There are also significant numbers of respondents who have been audited by Oracle (28 percent), IBM (27 percent), VMware (25 percent) and Adobe (23 percent) over the past three years.

© 2020 Flexera. All rights reserved. This work by Flexera is licensed under a Creative Commons Attribution 4.0 International License.

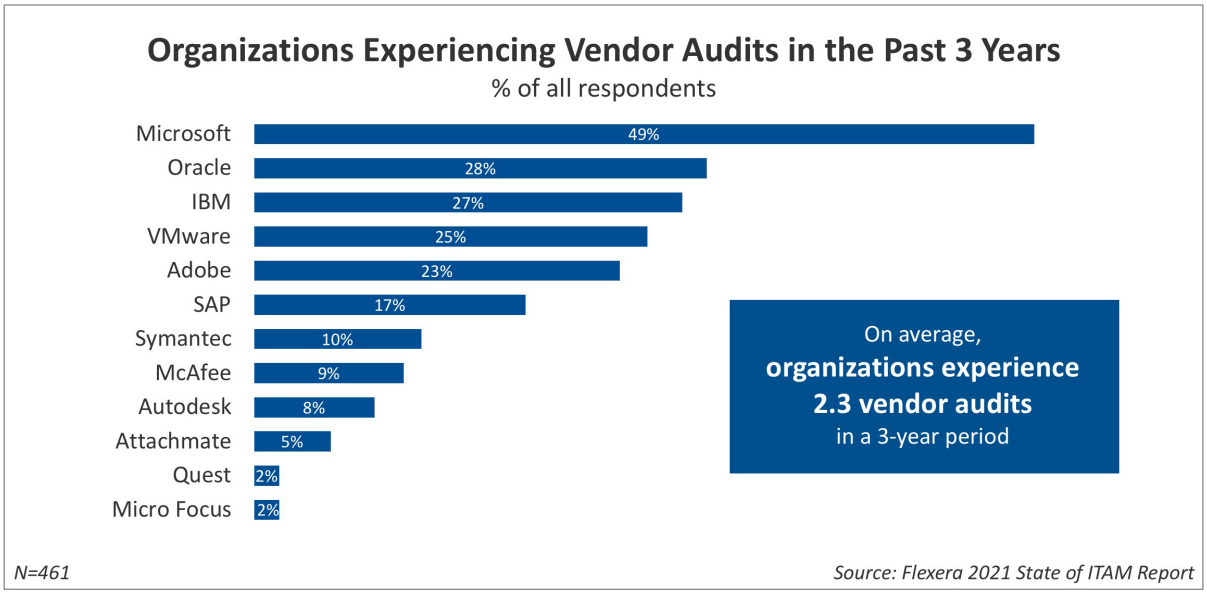


Figure 22. Organizations experiencing vendor audits in the past three years

Many respondents report significant audit true-up costs and penalties

Figure 23 shows the level of audit true-up costs and penalties (excluding resource costs for responding to audits). Twenty-one percent of respondents paid more than $1 million in true-up costs and penalties in the past year, while ten percent paid more than $5 million.

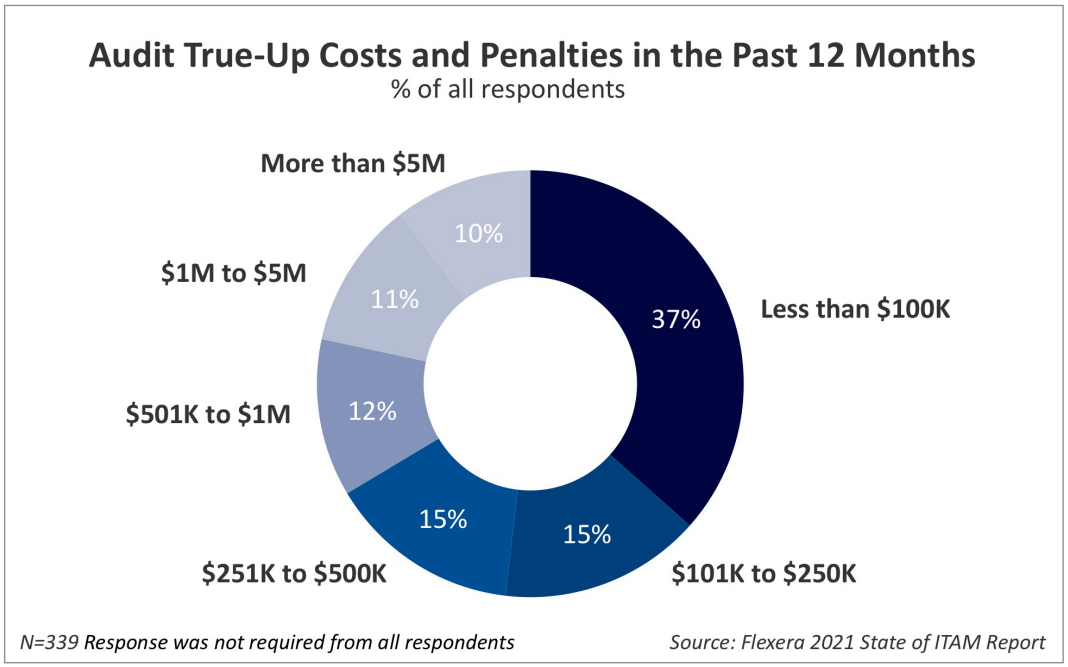


Figure 23. Audit true-up costs and penalties in the past 12 months

© 2020 Flexera. All rights reserved. This work by Flexera is licensed under a Creative Commons Attribution 4.0 International License.

Large companies pay more audit true-up costs and penalties

Figure 24 breaks down the audit true-up costs and penalties by company size. With a higher level of software spend, larger companies pay more in audit true-up costs and penalties. Twenty-nine percent of companies with 10,000 or more employees paid more than $1 million in the past year, and 15 percent (one in six) paid more than $5 million.

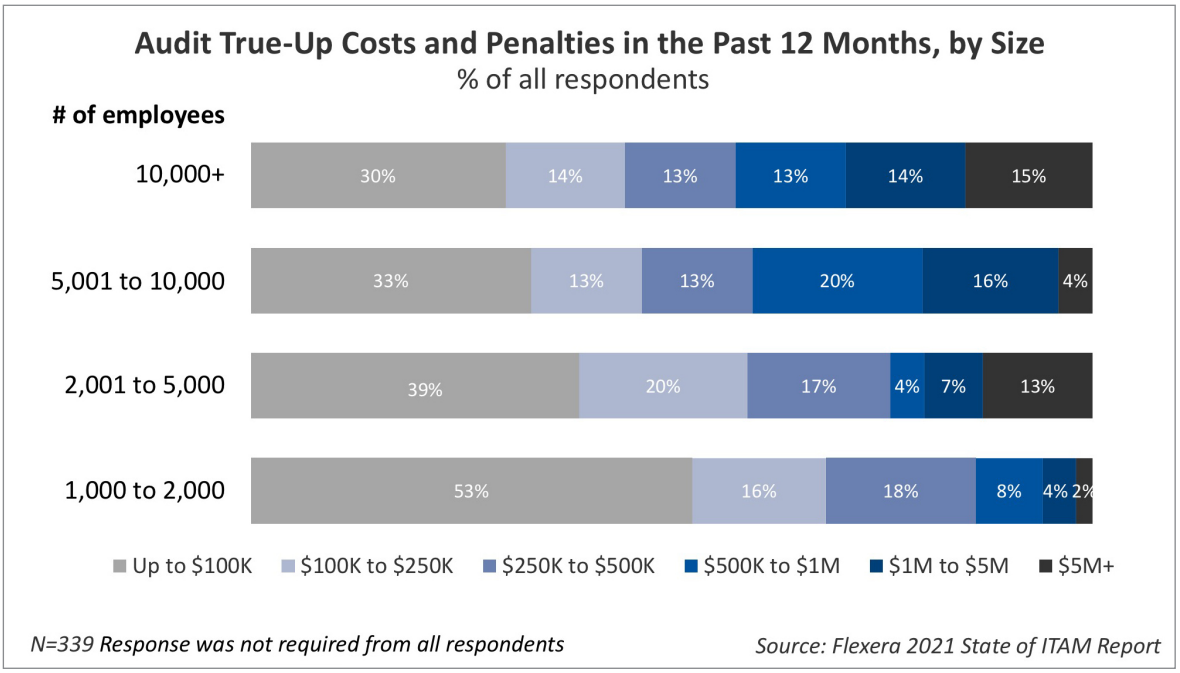


Figure 24. Audit true-up costs and penalties in past 12 months by company size

© 2020 Flexera. All rights reserved. This work by Flexera is licensed under a Creative Commons Attribution 4.0 International License.

SAM success metrics are often misaligned with actual value

Top success metrics are focused on compliance

Figure 25 ranks the metrics organizations are using to measure SAM progress. The top three are focused on compliance: *accurate license positions, compliance with regulatory/internal audits* and *compliance with vendor contracts*. This is misaligned with the top SAM initiatives, which are focused on cost savings. It's important for SAM leaders and IT executives to rethink SAM success metrics to ensure they're aligned with critical goals.

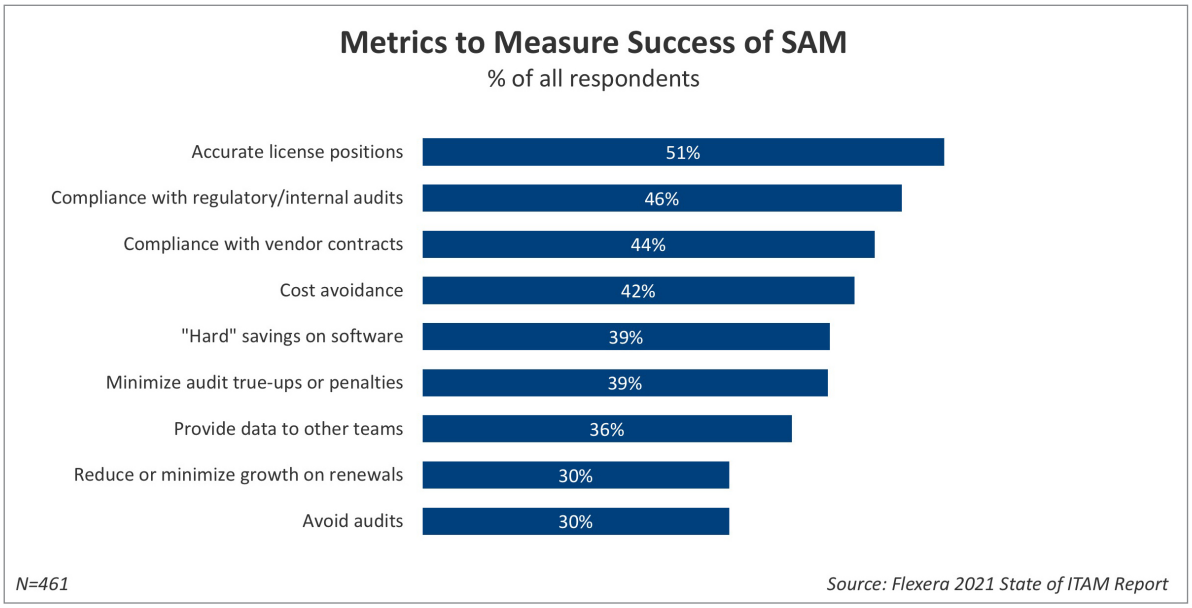


Figure 25. Top metrics for measuring success of SAM programs

Respondents report 12-month savings of 8.6 percent on software spend from SAM

The average overall annual software spend across respondents in this survey is $74 million, and the average savings and cost avoidance that can be attributed to SAM over the past 12 months is $6.4 million. This represents an average annual costs savings of 8.6 percent.

Figure 26 provides a breakdown of combined software and SaaS spend of respondents. Software spend will be impacted by company size.

© 2020 Flexera. All rights reserved. This work by Flexera is licensed under a Creative Commons Attribution 4.0 International License.

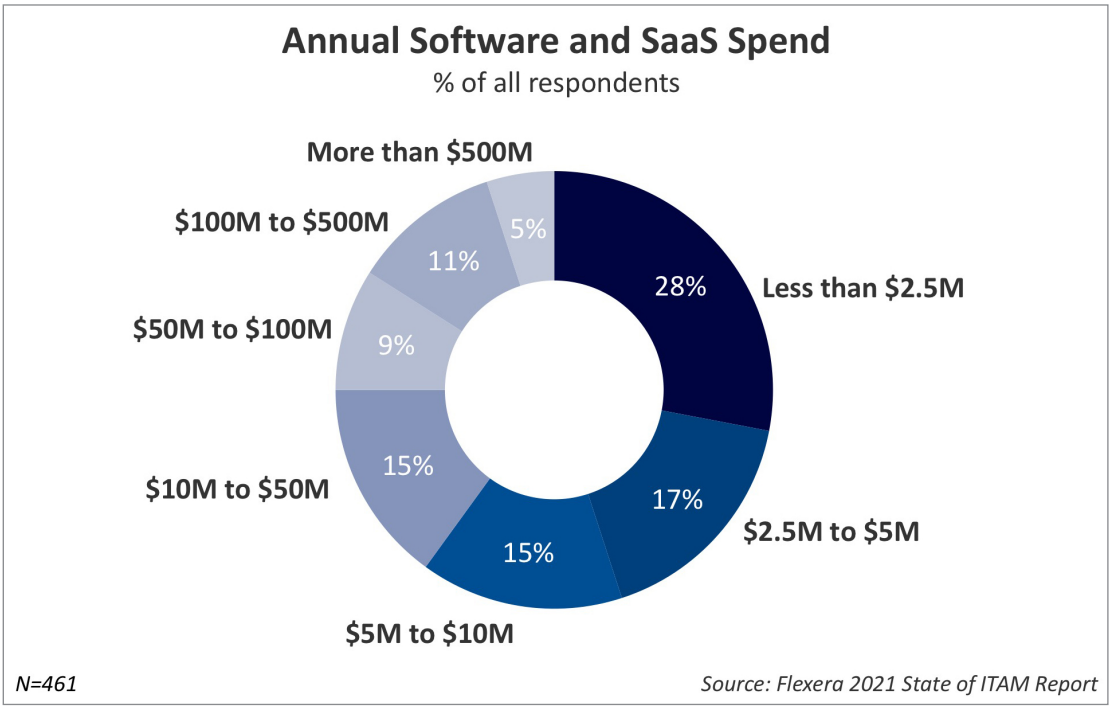


Figure 26. Software spend breakdown for respondents

Figure 27 shows the breakdown in SAM savings over the past twelve months. The amount of SAM savings is impacted by company size. Overall average savings on software spend attributed to SAM equal $6.4 million.

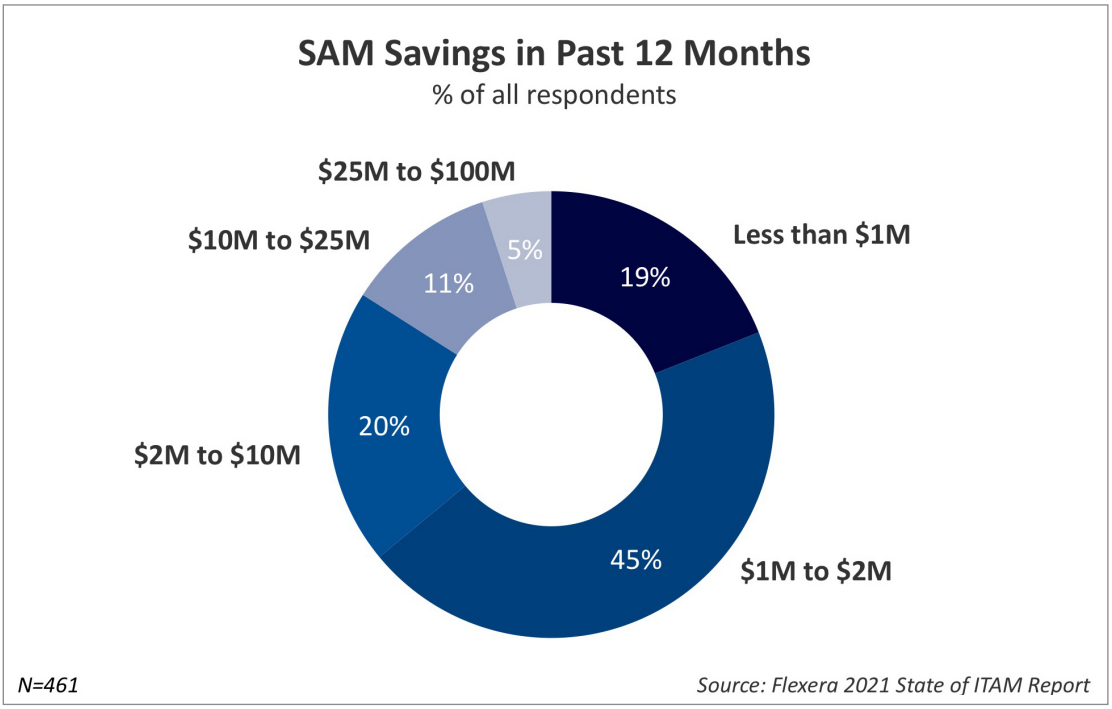


Figure 27. Savings from SAM in the past 12 months

© 2020 Flexera. All rights reserved. This work by Flexera is licensed under a Creative Commons Attribution 4.0 International License.

More savings from cost optimization than from audit

Savings from SAM practices can come from cost optimization or from reduction in audit costs. As **Figure 28** indicates, organizations reported they received the most savings from cost optimization activities, including reuse of existing licenses, savings on vendor negotiations and reduced maintenance spend. A portion of SAM savings also came from audit activities, including audit avoidance, reduction in true-ups and penalties, and lower effort for audit preparation.

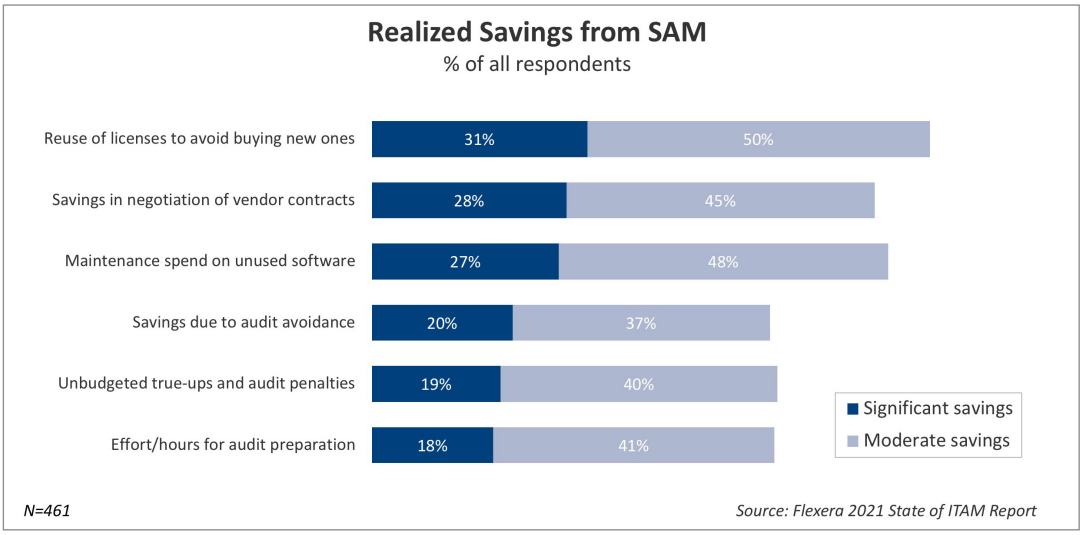


Figure 28. Drivers of realized savings from SAM

SAM savings grow as SAM processes mature

Figure 29 shows savings from SAM programs increase significantly as SAM programs mature. For example, 38 percent of advanced SAM teams realize significant savings from *reuse of software licenses to avoid buying new ones*, almost double the 20 percent of SAM beginners. Similarly, 23 percent of advanced SAM teams realize significant savings from *effort/hours for audit preparation*, more than triple the seven percent of SAM beginners.

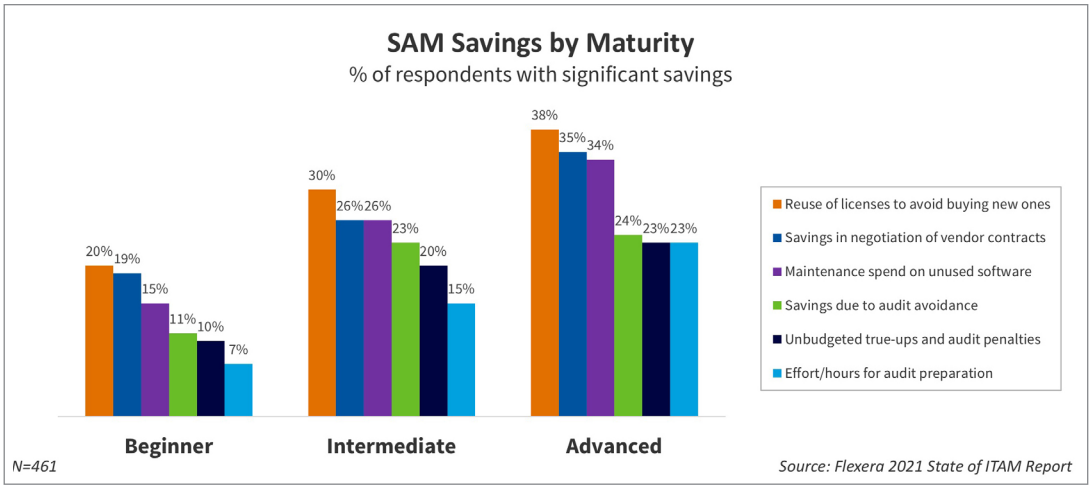


Figure 29. Drivers of realized savings from SAM, by maturity

© 2020 Flexera. All rights reserved. This work by Flexera is licensed under a Creative Commons Attribution 4.0 International License.

FLEXERA™ 2021 STATE OF ITAM REPORT: EUROPE SPOTLIGHT

Software asset management practices in European organizations experience fewer vendor audits and have better-aligned SAM metrics and better cost-savings results.

Europe spotlight: highlights

SAM teams in Europe are better aligned to focus their SAM practices on cost savings instead of audits. Perhaps this is enabled by the fact they experience fewer vendor audits and are more likely to report to the CIO or CTO. The Europe spotlight includes responses from 66 IT professionals in Europe and compares their answers with those of all global respondents.

The following are some of the responses that differ from those of other global respondents.

ITAM plays a critical role in the enterprise

- ITAM teams in Europe are more likely to report to the C-level (30 percent in Europe compared to 25 percent globally)
- ITAM teams in Europe interact most heavily with procurement (58 percent compared to 50 percent globally)
- European SAM teams place a higher focus on software rationalization and re-harvesting, which drive savings
- Europe reports more SAM challenges overall, except for audit
- As in other regions, COVID-19 will increase SAM teams' focus on cost savings
- Europe experiences lower audit rates from vendors, except for SAP
- Europe's top metric for SAM success is "hard" savings (47 percent), while other regions use compliance-focused metrics, helping European SAM teams report higher levels of savings from SAM than other regions

© 2020 Flexera. All rights reserved. This work by Flexera is licensed under a Creative Commons Attribution 4.0 International License.

Company size of European respondents is similar to global

As **Figure 30** indicates, the breakdown of company size of European respondents is similar to that of the overall global cohort. There are fewer organizations with 1,000 to 2,000 employees and more with 5,001 to 10,000.

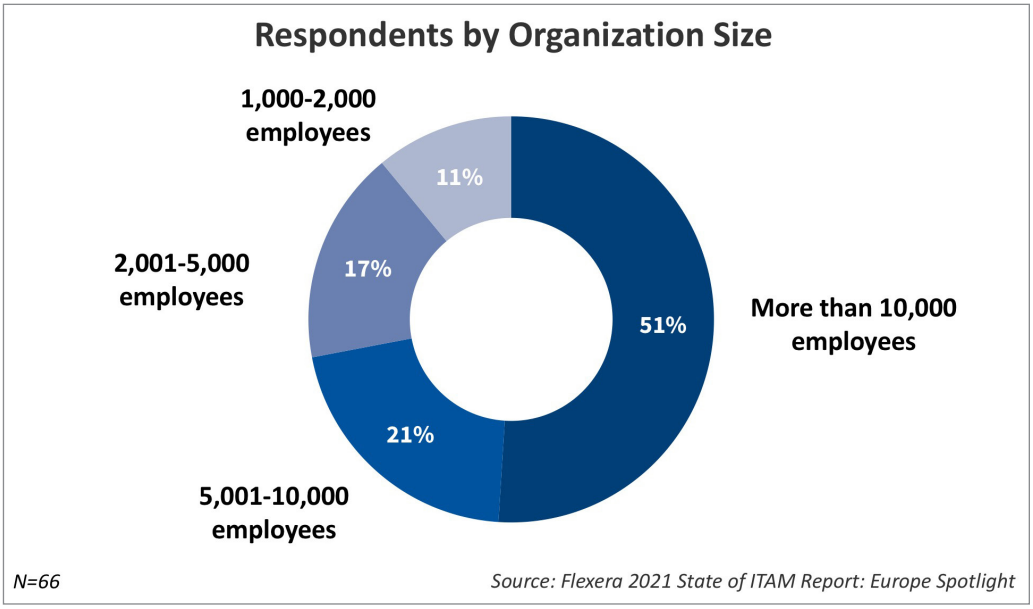


Figure 30. Company size of European respondents

Europe's SAM maturity is similar to North America's

Figure 31 shows only small differences between the percentage of respondents at each maturity level in Europe as compared with North America.

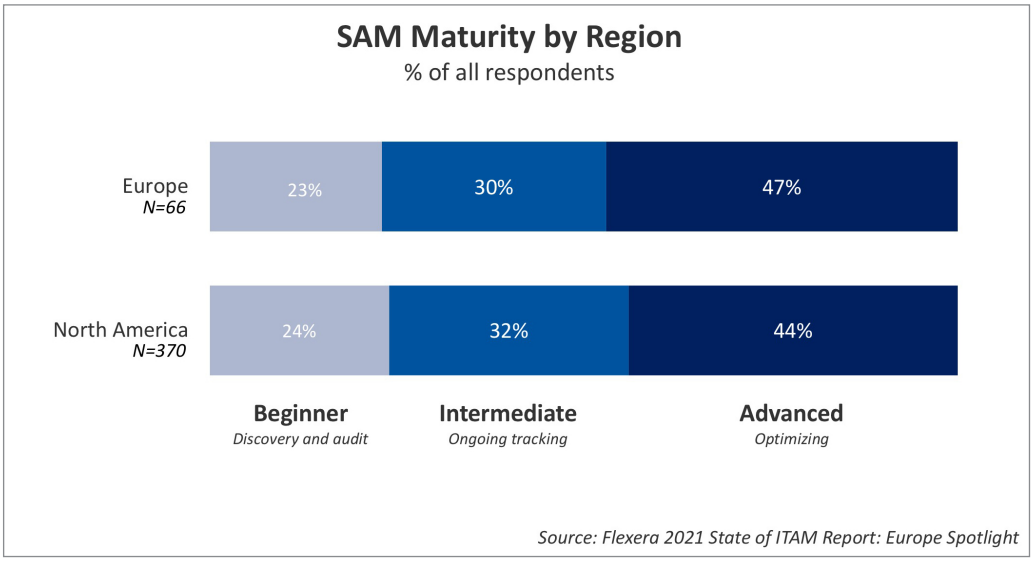


Figure 31. SAM maturity by region

© 2020 Flexera. All rights reserved. This work by Flexera is licensed under a Creative Commons Attribution 4.0 International License.

European ITAM teams more likely to report to the C-level

Figure 32 indicates that 30 percent of ITAM teams in Europe report directly to the C-level compared to 25 percent globally. This could imply that European organizations see ITAM teams as more strategic.

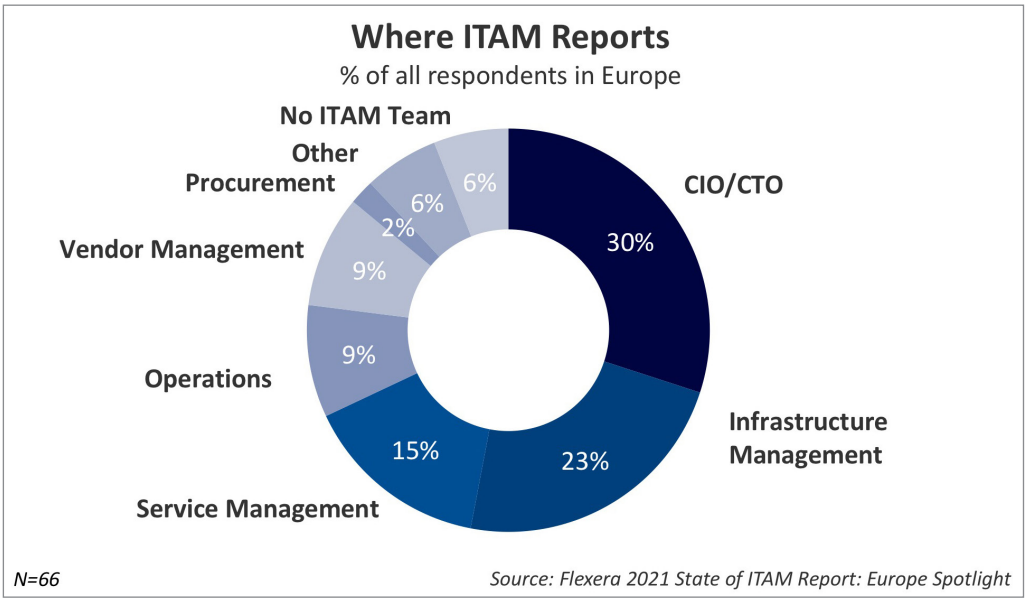


Figure 32. ITAM reporting structure in Europe

In Europe, SAM teams interact more with procurement

While SAM teams globally report they collaborate most with the infrastructure management function, European SAM teams report the highest level of interaction with procurement. As **Figure 33** shows, 58 percent of European respondents have significant interactions with procurement (compared with 50 percent globally).

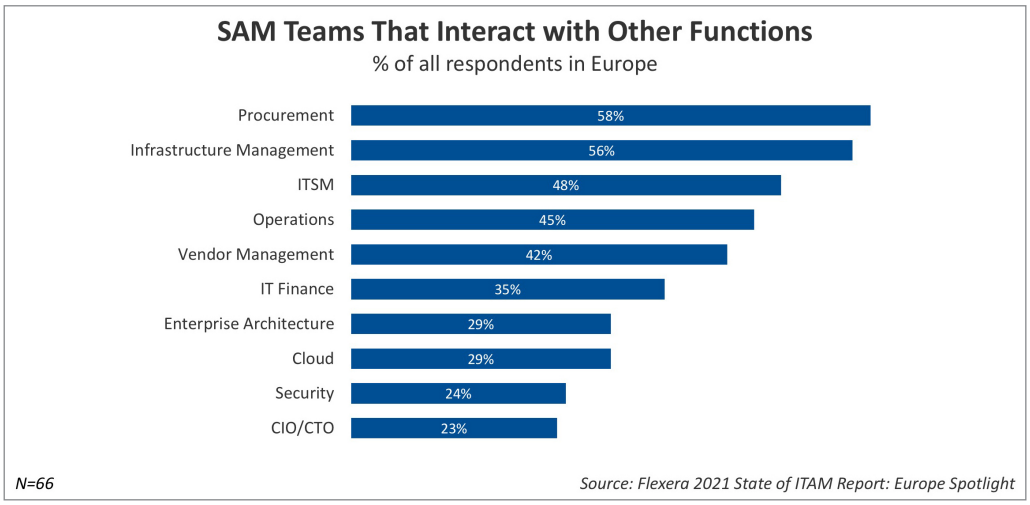


Figure 33. European SAM team interactions with other functions

© 2020 Flexera. All rights reserved. This work by Flexera is licensed under a Creative Commons Attribution 4.0 International License.

SAM teams in Europe rationalize software more, manage cloud less

Figure 34 indicates the responsibilities of SAM teams in Europe. In comparison with other respondents, SAM teams in Europe have fewer responsibilities overall. However, they're more likely to focus on *software rationalization* (56 percent vs. 52 percent globally). They focus significantly less on SaaS, cloud and containers than their peers from other regions.

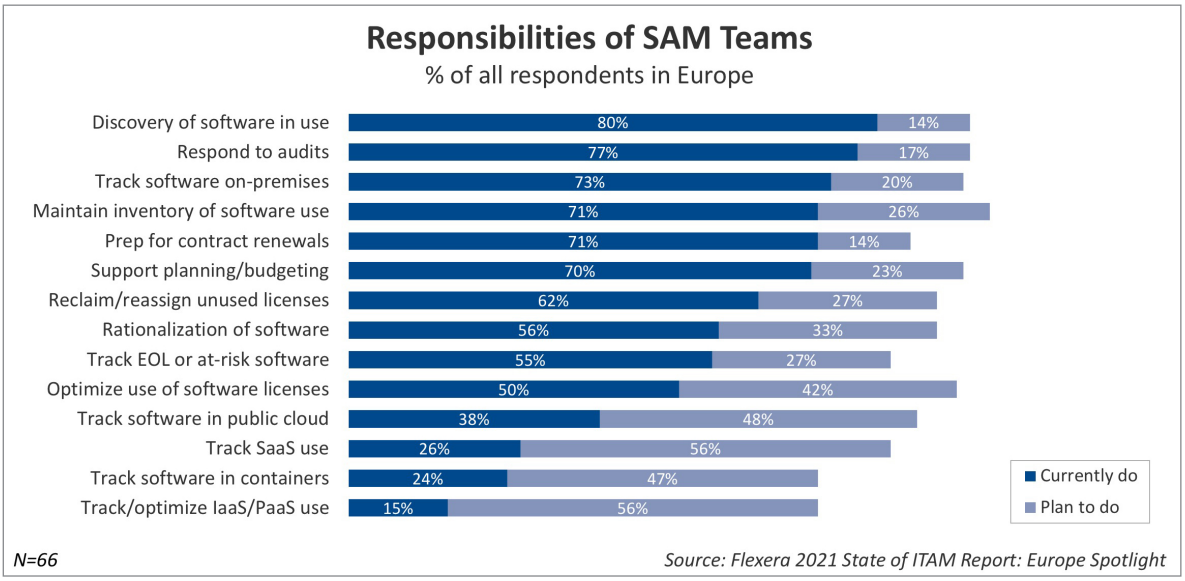


Figure 34. SAM responsibilities in Europe

© 2020 Flexera. All rights reserved. This work by Flexera is licensed under a Creative Commons Attribution 4.0 International License.

Europe reports more SAM challenges overall, except audits

Figure 35 shows the top enterprise SAM challenges for Europe. Overall, European respondents report higher levels of challenges with the exception of audits, where 55 percent report challenges compared with 61 percent globally. The top challenge for Europeans, *complexity of vendor use rights*, ranks only third among global respondents.

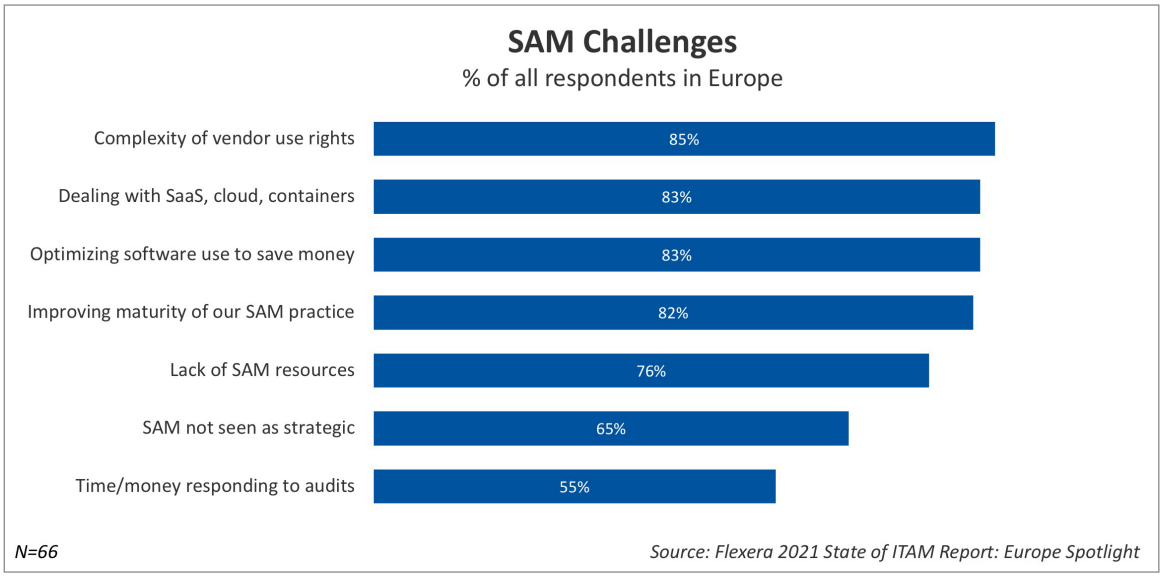


Figure 35. Top SAM challenges for Europe

Top SAM initiatives in Europe align with savings, but focus less on SaaS and cloud

As **Figure 36** indicates, the top two SAM initiatives in Europe for the next twelve months are focused on cost savings and match the top two initiatives globally. However, European respondents are showing far less focus on SaaS and cloud initiatives for SAM teams compared with other regions.

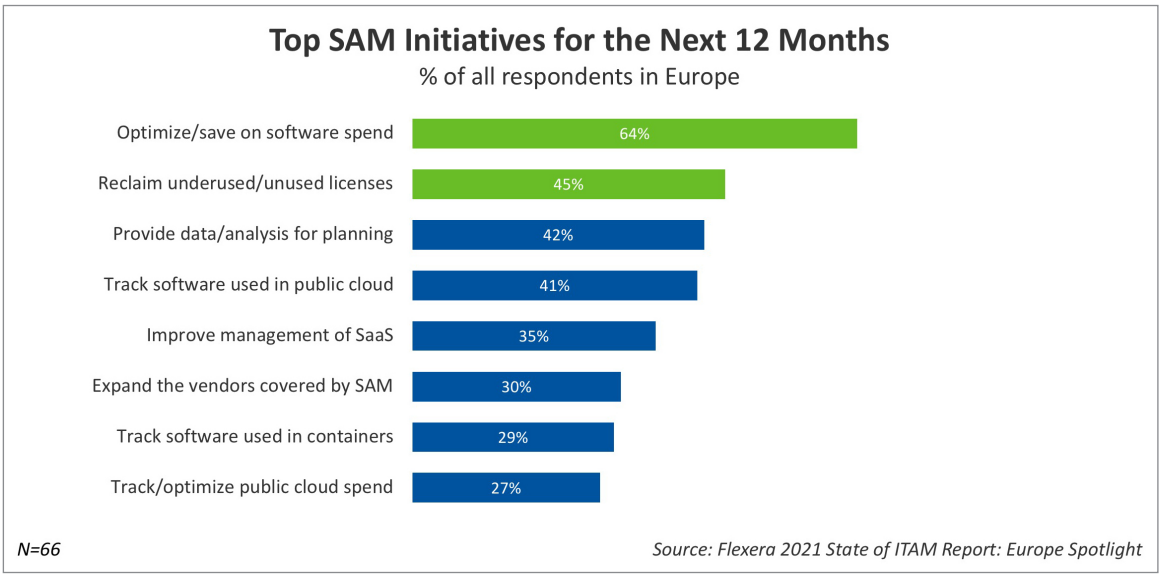


Figure 36. Top SAM initiatives in Europe

© 2020 Flexera. All rights reserved. This work by Flexera is licensed under a Creative Commons Attribution 4.0 International License.

COVID-19 expands SAM focus on savings over the next 12 months

Similar to other regions, European SAM teams will increase their level of focus on cost savings due to COVID-19, as shown in **Figure 37**.

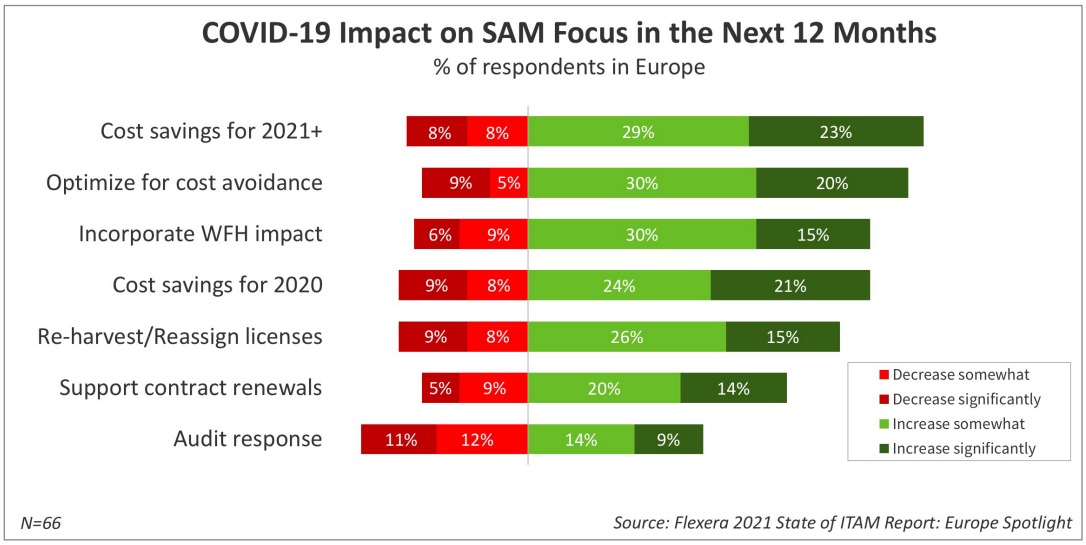


Figure 37. COVID-19 impact on SAM practice in Europe over the next 12 months

Europe experiences lower rates of vendor audits

As **Figure 38** shows, organizations in Europe, similar to those in other regions, are most likely to be audited by Microsoft. The audit rates across all major vendors, with the exception of SAP, are somewhat lower in Europe compared with other regions.

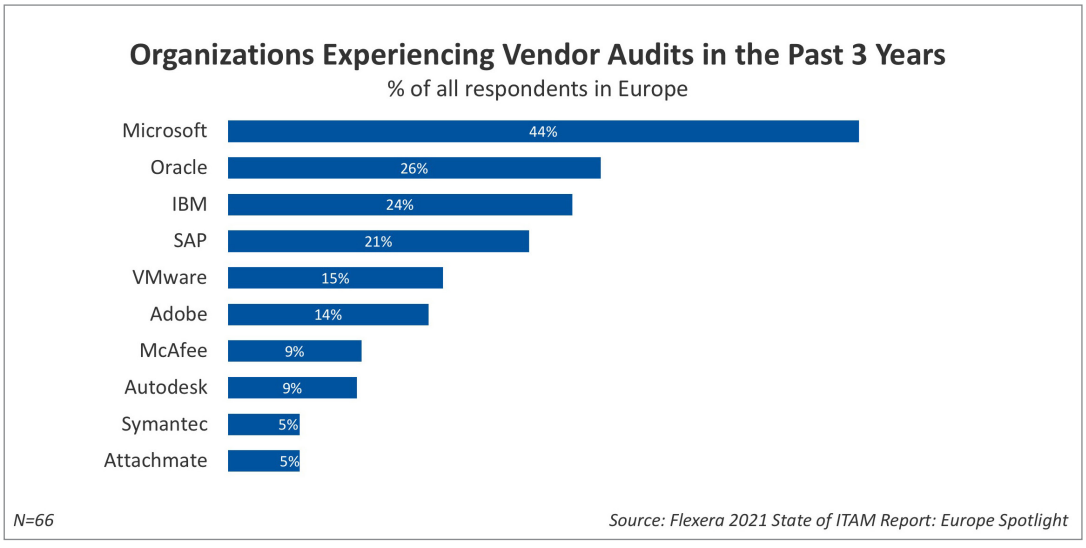


Figure 38. European organizations experiencing vendor audits in the past three years

© 2020 Flexera. All rights reserved. This work by Flexera is licensed under a Creative Commons Attribution 4.0 International License.

SAM teams in Europe put strongest focus on “hard” savings

As **Figure 39** indicates, the top metric used by SAM teams in Europe is *“hard” savings on software*. This differs from other regions, where *accurate license positions* is the top metric.

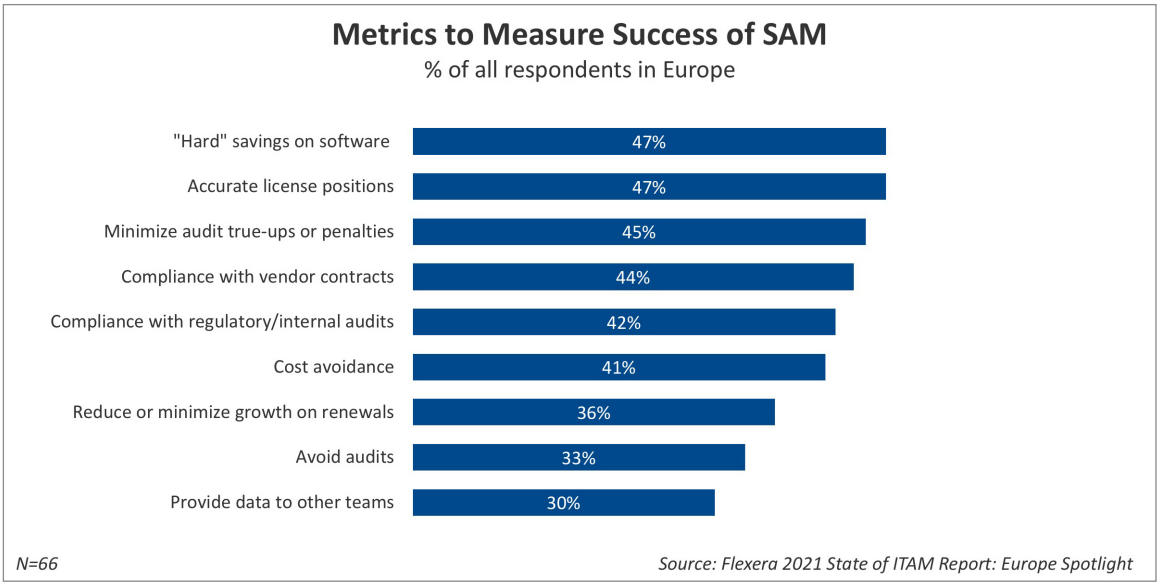


Figure 39. Top metrics for measuring success of SAM programs in Europe

Europe realizes higher savings from SAM

As **Figure 40** shows, cost optimization activities drive more savings than do streamlining audits. The ranking of where European organizations realize SAM savings is similar to that of other regions, but teams in Europe report higher overall levels of significant savings.

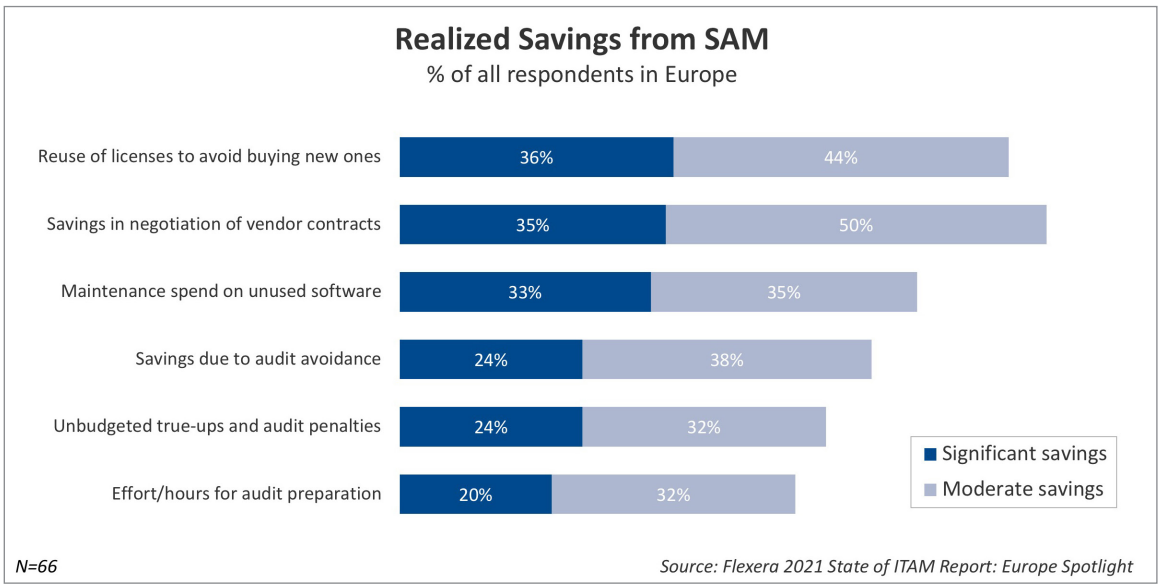


Figure 40. Drivers of realized savings from SAM in Europe

© 2020 Flexera. All rights reserved. This work by Flexera is licensed under a Creative Commons Attribution 4.0 International License.

Summary

The *Flexera 2021 State of ITAM Report* reveals that ITAM and SAM play critical roles in the enterprise. ITAM and SAM teams collaborate with many functions across the larger IT organization. The ITAM team can report to different places within IT; however, the team is most connected and aligned to transformation when it reports directly to the CIO or CTO.

SAM is a critical program within the broader scope of ITAM. Many organizations are still in the early stages of maturity for SAM programs, with beginners focusing largely on discovery, inventory and audits.

Organizations want to leverage SAM to drive savings, especially in the wake of COVID-19, but there is a disconnect. Their success metrics and time usage are focused on compliance and audit activities instead of cost optimization.

SAM teams also face challenges in managing fast-growing technologies such as SaaS, cloud and containers. Few SAM teams are focused on these areas today, and even mature SAM teams are challenged to provide governance and optimization for these environments. It's important for SAM teams to expand their expertise into the cloud to maintain relevance as organizations continue to advance their digital transformation efforts.

Audits consume a majority of time for SAM teams, driven by vendor audits as well as internal and regulatory audits. The largest vendors, representing a majority of audits, get the most attention from SAM teams. However, SAM teams should consider placing more focus on SaaS and cloud offerings from those same vendors.

The payoff for SAM investments can be significant, with respondents reporting an average of 8.6 percent savings or cost avoidance on their software spend over the past twelve months. Most of those savings come from optimizing costs. Investing in maturing SAM practices provides return on investment, and savings grow as SAM teams increase their maturity level.

This report provides a benchmark that IT organizations can use to advance their asset management capabilities so they can maximize the business value of all their technology investments.

© 2020 Flexera. All rights reserved. This work by Flexera is licensed under a Creative Commons Attribution 4.0 International License.

About Flexera

Flexera helps business leaders succeed at what once seemed impossible: getting full visibility into, and control of, their company's technology "black hole." From on-premises to the cloud, Flexera helps organizations unravel IT complexity and maximize business value from their technology investments. For more than 30 years, our 1,300+ team members worldwide have been passionate about helping our more than 50,000 customers optimize IT to achieve their business outcomes. To learn more, visit **flexera.com.**

Contact us for more information or a demo:

+1 800.809.5659 | +44 870.871.1111

sales@flexera.com

flexera.com

© 2020 Flexera. All rights reserved. This work by Flexera is licensed under a Creative Commons Attribution 4.0 International License.

Flexera
Inform IT. Transform IT.™