# Getting to grips with IT's new cost
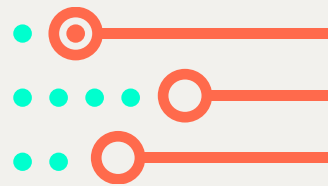
New global research into IT cost optimization – and why
so many struggle

Global IT cost optimization survey 2022

# Contents

A new era of IT cost management is upon us, with organizations consuming ever more cloud services. It is therefore essential that ITAM, FinOps & SaaSOps teams work closely together to build sustainable governance frameworks and leverage technology to track and manage IT costs in a meaningful way.

Patrick Holm
*Global Software and Cloud Advisory Director, Crayon*
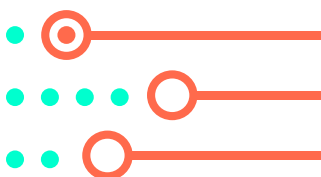
# The sprawling complexity of IT's costs

Businesses have never relied on software as much as they do today. IT teams worked hard and fast to help their organizations adapt to new remote working models during the pandemic. And digital channels have continued creating value for consumers in almost every market.

But beneath this growing dependence on IT and software lies a burgeoning economic issue – most businesses struggle to manage these new costs in one way or another.

54% of business decision makers rated IT cost optimization as the biggest challenge in managing an IT estate.

More than the journey to the cloud and more than innovation, right now, the biggest challenge facing IT leaders is getting to grips with these costs.

- Only 54% of business decision makers say their organization has an exact understanding of its spending on IT hardware and software.

- 93% agree that there's room to optimize their IT costs, with 17% going so far as to say they need a complete overhaul of their cost structure.

- Fully, 91% of decision-makers list IT cost optimization as a high priority for the business.

Gartner[1] describes IT cost optimization as "a business-focused, continuous discipline to drive spending and cost reduction, while maximizing business value."

The reality for many businesses is, unfortunately, far from this. Instead of being in a position to continuously maximize business value, they only optimize costs in response to events like acquisitions and global crises.
With the right governance tools, organizations are better positioned to respond quickly to changes in their business environment or the economy. The problem is that the complexity of
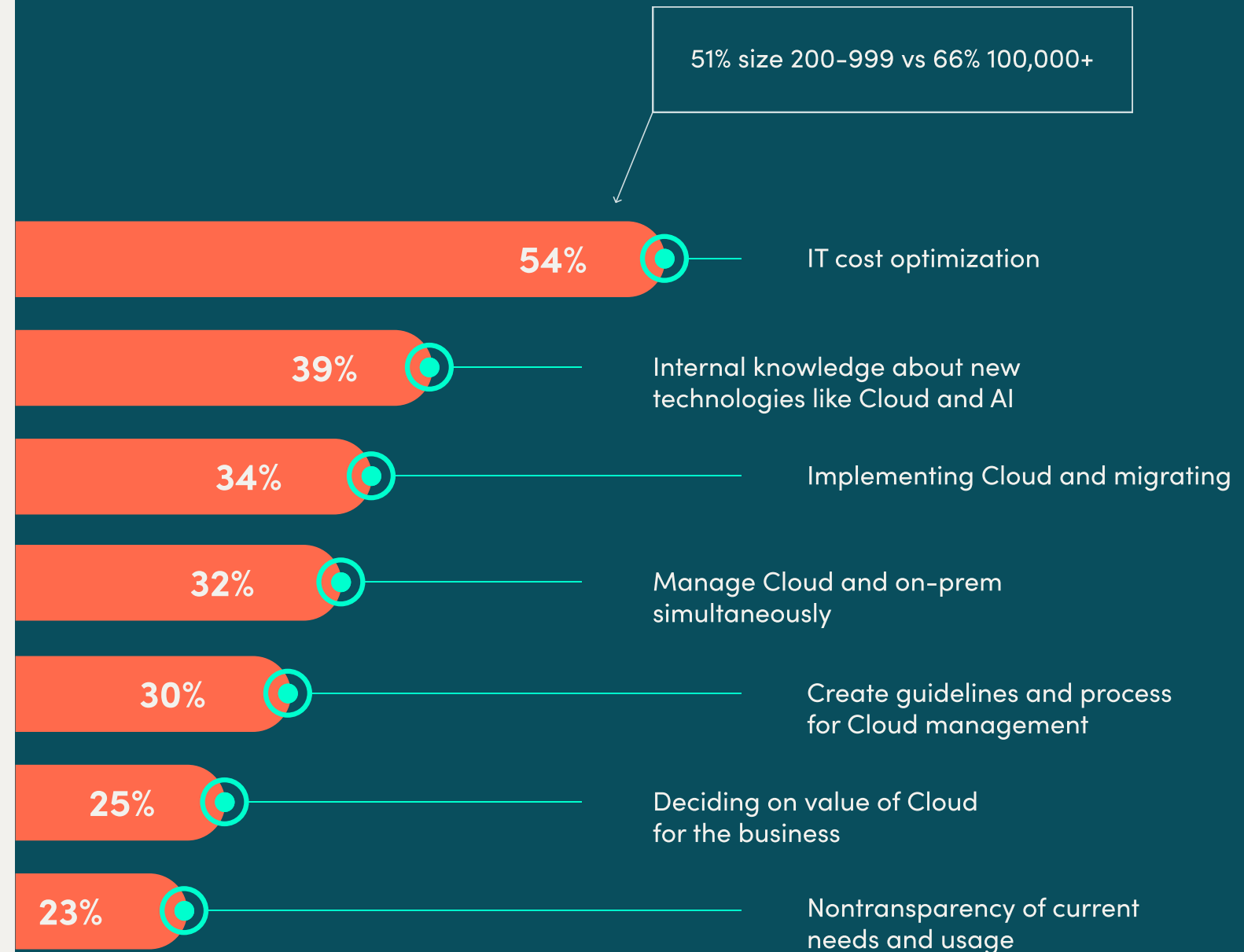
today's IT estates has grown so much that most businesses struggle to gain a holistic view of IT spending.

But why do so many struggle to gain an overview? The rapid development and, at times, uncontrolled deployment of new specialties and technologies – especially many software as a service (SaaS) applications - have left organizations unable to effectively control a lot of new costs. For instance, over a third of organizations face a lack of knowledge regarding how to optimize their cloud spending. Another third reported a lack of time to search for the best deals. Similarly, organizations face an uphill battle trying to manage IT's dynamic spending, given how hard it is to deal with the dynamic turnover of IT staff. Indeed, only 36% of decision-makers report having complete visibility and control over unused software licenses.

Businesses are indeed using more software than they ever did. But the result is that they're also having a harder time managing costs than they ever did.

This report looks at why IT cost optimization is so much harder for businesses today and where specifically decision-makers need help.

IT cost optimization was the most common challenge listed when managing an organisation's IT estate (54%)

51% size 200–999 vs 66% 100,000+

**54%** IT cost optimization

**39%** Internal knowledge about new technologies like Cloud and AI

**34%** Implementing Cloud and migrating

**32%** Manage Cloud and on-prem simultaneously

**30%** Create guidelines and process for Cloud management

**25%** Deciding on value of Cloud for the business

**23%** Nontransparency of current needs and usage

[1] https://www.gartner.com/en/information-technology/glossary/cost-optimization

# Executive summary

54% of decision-makers listed IT cost optimization as the top challenge in managing an IT estate. More than internal knowledge about new technologies like cloud and artificial intelligence (AI) (39%) and implementing cloud and migrating (32%).

The sharing of knowledge on cloud spend optimization was the most popular area of cost optimization external consultants helped with (42%)

Those receiving negotiating support from external consultants save an average of 24% on their licenses

## 92%

of decision-makers believe optimizing their business' cost structure is a high priority.

## 37%

report that they lack the knowledge to optimize cloud spending

## 80%

would feel confident working with an IT-specialized SAM partner to better understand their costs.

# About the research

Crayon commissioned Sapio Research to conduct the research behind this report.

The research aims to provide an understanding of IT decision-maker experiences with IT cost optimization and to show where the need for support is most significant.

## The survey was conducted among 2,050 IT decision-makers in:

- Germany
- Switzerland
- The Netherlands
- France
- UK
- Singapore
- Australia

- USA
- UAE
- Portugal
- Saudi Arabia
- South Africa
- Norway

- Malaysia
- Philippines
- Indonesia
- Spain
- Australia
- Finland

**21%**
of respondents held C-suite/VP/SVP level positions

**21%**
of respondents held Director-level positions

**58%**
of respondents held Manager-level positions

# IT cost optimization is a top priority

Globally, just 54% of decision-makers report that their businesses understand their IT costs. Germany (73%), the Philippines (67%), Saudi Arabia (66%) and Finland (66%) lead the way in handling IT costs. But there are notable differences between countries. For instance, while the US matches the global average of 54%, only 42% of Norwegian decision-makers and 40% of UK decision-makers say they have an exact sense of IT costs.

## Size matters

Notably, while 70% of enterprises with more than 100,000 employees report an understanding of their IT spending, only 48% of organizations with between 200 and 999 employees said the same. This suggests that the complexity of costs certainly ramps up for larger organizations, and as a consequence, they're more methodical about managing it.

Meanwhile, smaller to mid-sized enterprises appear to have far less control over their IT spending.

## Room for improvement

Across sectors, 9 in 10 decision-makers believe there is room for improving their organization's IT costs. In heavy engineering industries, 100% of the decision-makers see room for improvement.

Similarly, 9 in 10 decision-makers consider optimizing the current cost structure in their organization as a high priority. As do 96% of VP and SVP-level decision-makers.

Globally, 92% of respondents considered the optimization of their cost structure as a high priority. And 90% agree their organizations would benefit from help identifying areas of optimization and breaking down costs.

## The knowledge gap

When asked more specifically about their organization's challenges around IT cost optimization, 69% cited some sort of knowledge gap. 37% of decision-makers believe their organization lacks knowledge around

optimizing cloud costs. 34% believe that buying teams don't have the time to find the best deals. And 32% lacked information about technology providers and the general market. However, the most concerning knowledge gap was to do with organizations' spending.

Globally, 32% of respondents said their organization lacks visibility around its spending, with 29% saying there's a lack of clarity around the organization's needs.
In Singapore and South Africa, as many as 40% of decision-makers feel their organization doesn't have the visibility into the costs it needs.

These gaps in knowledge represent real issues for businesses who are ramping up their use of software because this problem is only going to become harder to solve.
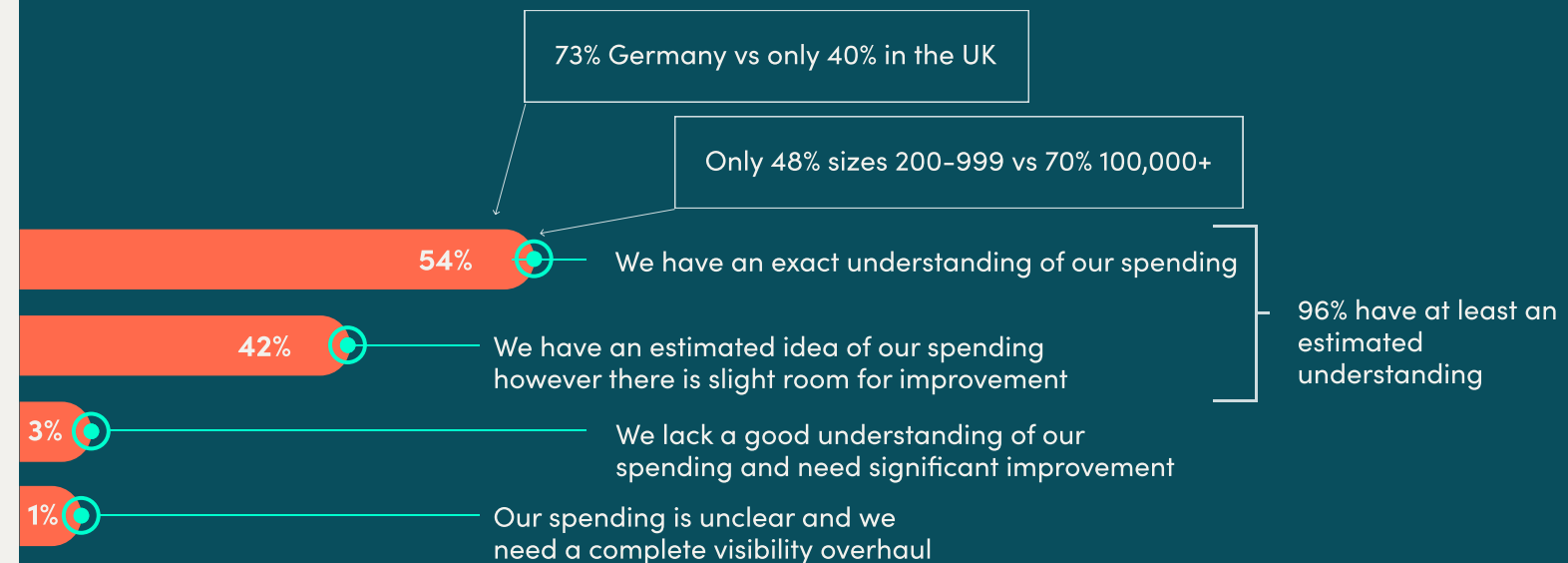
## Businesses are taking steps

Fortunately, businesses are taking steps to address this issue, though there is still a lot of work to be done.

For instance, 52% of businesses have some sort of processes and protocols in place to gain better control over the issue of unused software licenses.

But only a third (36%) of decision-makers report having 100% visibility and control over their unused licenses. In addition to this, there is the aspect of avoiding additional costs from noncompliant use of licenses.
However, progress is being made. But is enough being made quick enough? And what could businesses do to make more progress faster?

---

### Only 54% of organizations have an exact understanding of their IT hardware and software spending

73% Germany vs only 40% in the UK

Only 48% sizes 200-999 vs 70% 100,000+

**54%** We have an exact understanding of our spending

**42%** We have an estimated idea of our spending however there is slight room for improvement

96% have at least an estimated understanding

**3%** We lack a good understanding of our spending and need significant improvement

**1%** Our spending is unclear and we need a complete visibility overhaul

### Over a third of organizations lack knowledge about optimizing their cloud spending (37%). 69% selected an option around the theme of lack of knowledge.

Lack knowledge of how to optimize cloud spend — **37%**

Lack of time among decision-makers to search for the best deals — **34%**

69% selected an option around lack of knowledge

Lack of understanding of the tech provider market and its offerings — **32%**

Lack of visibility across the organization's spending — **32%**

Lack of expertise when negotiating for contracts for new licenses — **30%**

Lack of leverage during price discussions with vendors — **29%**

Lack of clarity on organization's needs — **29%**

Lack of pressure from senior management to cut costs — **27%**

None of the above — **5%**

# Getting help

The scale and nature of today's software use make it incredibly hard for organizations to effectively manage IT costs. Just think of any SaaS application, which usually only requires that the person has an email address and a credit card at hand.
And though this challenge is central to the way most businesses operate today, the reality is that most need external help to get themselves on the right track.

90% of decision-makers surveyed agreed that their organization would benefit from working with an external partner to help break down costs and identify areas for optimization.
In fact, 86% report that they currently refer to external consultants to optimize their IT costs in some way. In emerging markets, this is a nearly universal trend.

For instance, while only 81% of UK businesses report working with external consultants for cost optimization, this kind of relationship is far more common in South Africa (96%),  Singapore (95%), UAE (94%) and Saudi Arabia (94%).

## Where businesses seek advice

Businesses work with a range of external partners in the course of sourcing and managing hardware and software lifecycles. In the specific context of IT cost optimization, there's a smaller number of appropriate solutions businesses can pick from – but decision-makers are keen to work with them. 80% of all decision-makers (and 90% with C-suite titles) said they would be confident getting the help of a Software Asset Management (SAM) partner.

This is particularly true in Asia, where the vast majority of decision-makers in the Philippines (90%), Malaysia (87%), Indonesia (87%) and the UAE (86%) have confidence that working with a software asset management (SAM) partner would be beneficial to their operations. Looking further afield, 71% of decision makers would feel

confident working with general auditors for IT cost optimization.

But if they had to rely on internal teams only, then, globally, just 66% of leaders would feel confident. Only 11% of organizations don't currently use external consultants for IT cost optimization.

This varies between countries. For instance, 3 in 4 Saudi (78%), Australian (76%) and American (75%) decision-makers would feel confident using their internal teams only.
Yet only 38% of Norwegian decision-makers and 46% of Austrian decision-makers would feel confident if they could only use their internal teams.

For the most part, it seems like businesses need to increase their internal capacity to manage and optimize IT costs, and most decision-makers are aware that they need at least some external help to make that happen.
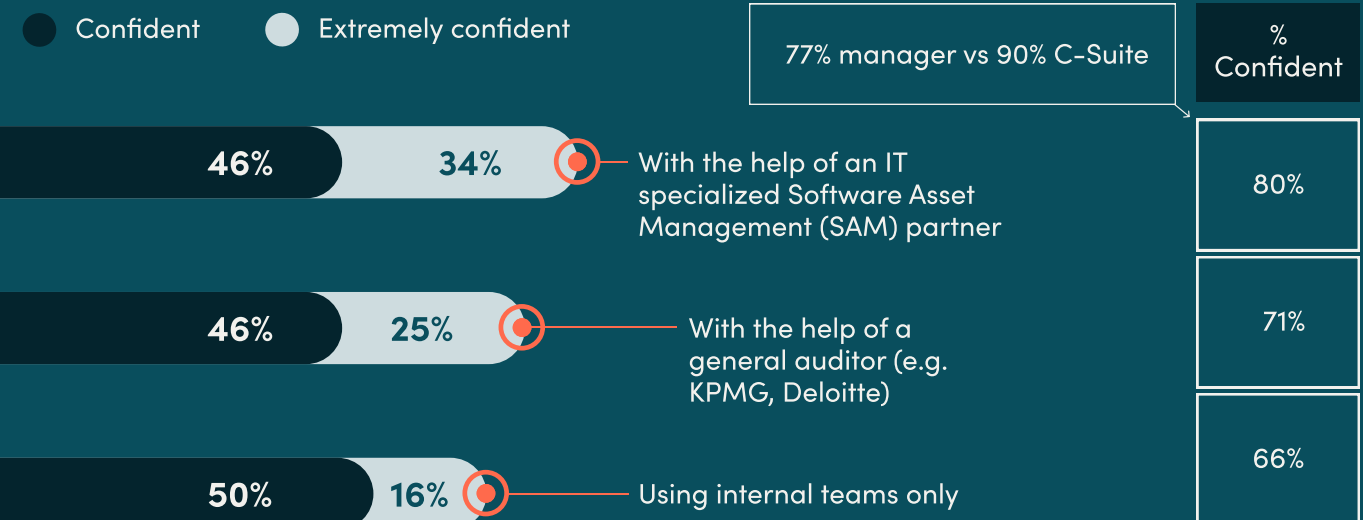
## How external partners help

Once again, there are signs that Asian businesses are ahead of the curve. For instance, while 69% of Malaysian businesses use external partners to negotiate prices, just 30% of Finnish businesses do.
Globally, only 52% of organizations negotiate prices without external help today.
But perhaps more businesses should consider it. On average, those using external consultants to help negotiate prices were able to save 24% on

The sharing of knowledge on how to optimize cloud spend was the most popular area of external IT cost optimization consultants consultants were involved in (42%). If forced to only use internal teams, this drops by 14%.

Sharing of knowledge of how to optimize cloud spend — **42%**

Sharing knowledge of the tech provider market and its offerings — **41%**

Enabling clarity surrounding organization's needs — **38%**

Enabling visibility across the organization's spending — **38%**

Sharing of knowledge of the best deals — **36%**

Providing leverage during price negotiations with vendors — **33%**

Providing evidence to senior management of need to cut costs — **33%**

80% would feel confident understanding its IT cost management with the help of an IT specialized SAM partner.

● Confident   ○ Extremely confident

| 77% manager vs 90% C-Suite | % Confident |
| --- | --- |

| | % Confident |
| --- | --- |
| **46%** **34%** — With the help of an IT specialized Software Asset Management (SAM) partner | 80% |
| **46%** **25%** — With the help of a general auditor (e.g. KPMG, Deloitte) | 71% |
| **50%** **16%** — Using internal teams only | 66% |

the cost of their licenses. Indeed, only 48% say they could optimize contract durations if they had to rely on internal teams only. This speaks to the previously mentioned issues of a lack of knowledge about IT and a lack of clarity around the business's own needs.

So it makes sense that, when working with external consultants, businesses prioritize gaining knowledge.

Worldwide, 42% of decision-makers said they had engaged external partners to gain knowledge on how to optimize their cloud spending.

But notably, this is a clear priority in emerging markets. 60% of Philippine businesses, 53% of South African businesses and 52% of UAE businesses have engaged external consultants for the specific purpose of optimizing their cloud spending.

41% of businesses had engaged external consultants to gain knowledge about the general tech provider landscape.
And 38% have worked with external partners to enable clarity around the organization's own needs and gain visibility into its spending across the business.
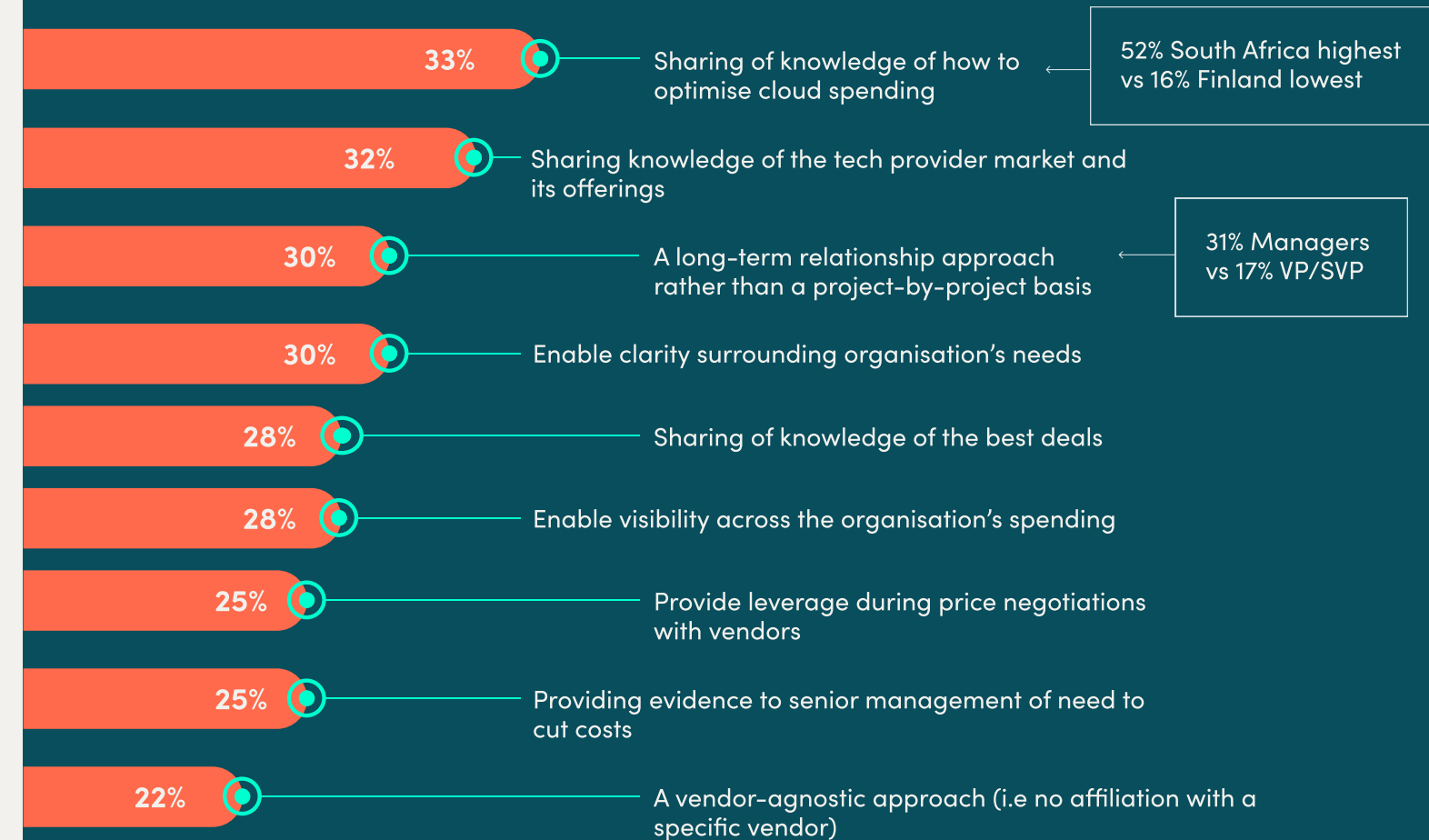
## What is Software Asset Management (SAM)?

SAM managed services combine a series of lifecycle change management and optimization activities, transforming existing practices to deliver transparency and optimization. SAM establishes a platform of trustworthy data, incorporating management of usage rights and optimized utilization transparency.

To learn more, explore Gartner's view of the SAM landscape at:

https://www.gartner.com/reviews/market/software-asset-management-managed-service

The sharing of knowledge on how to optimize cloud spend is most important when engaging an external consultant (33%). Knowledge of the tech provider market and its offerings was also important (32%).

| % | Category | Note |
|---|----------|------|
| 33% | Sharing of knowledge of how to optimise cloud spending | 52% South Africa highest vs 16% Finland lowest |
| 32% | Sharing knowledge of the tech provider market and its offerings | |
| 30% | A long-term relationship approach rather than a project-by-project basis | 31% Managers vs 17% VP/SVP |
| 30% | Enable clarity surrounding organisation's needs | |
| 28% | Sharing of knowledge of the best deals | |
| 28% | Enable visibility across the organisation's spending | |
| 25% | Provide leverage during price negotiations with vendors | |
| 25% | Providing evidence to senior management of need to cut costs | |
| 22% | A vendor-agnostic approach (i.e no affiliation with a specific vendor) | |

# Where businesses need help

Cost optimization is necessarily an activity that accounts for a holistic view of the business's current needs and as its long-term goals.
IT cost optimization is a journey, not a problem to be solved in one go.
Given the nature of the discipline, this survey also collected data on what decision-makers would prioritize for specific stages of their software and hardware lifecycles.

## Migrations

In the context of migrating software and hardware, business leaders largely need help understanding the vast landscape of tools and solutions that are actually available to them. 43% of decision-makers said they'd benefit most from selecting the right cloud storage and power options so that they can optimize the overall cost of cloud migrations.

Similarly, 42% said they would benefit most from having the right tools to automate the software integration process.

39% said it would most benefit them to monitor cloud costs and proactively avoid risk in the migration process.

## Governance

In the context of optimizing cloud environments to save costs, 41% of decision-makers believe they'd benefit from proactive planning for software and cloud spend management.
This seems to be less of a priority in Europe where only 28% of Swiss businesses, 29% of Dutch businesses, 32% of German businesses and 33% of French businesses believe they'd benefit from this kind of planning.

On the other hand, 57% of Philippine businesses, 54% of South African businesses and 51% of UK and Singapore businesses believe proactive planning would help the most.

Globally, 37% believe they'd benefit from the ability to monitor cloud resources and licenses that aren't being used so they can reduce inactive costs. And 36% think they need to enlist someone for expert contract negotiation to lower the cost of licenses and subscriptions.

## Operational support

When it comes to ensuring the modern workplace is both cost effective and secure, 39% of decision-makers believe they'd benefit from ensuring IT resources are used within licensing usage rights to avoid punitive costs.

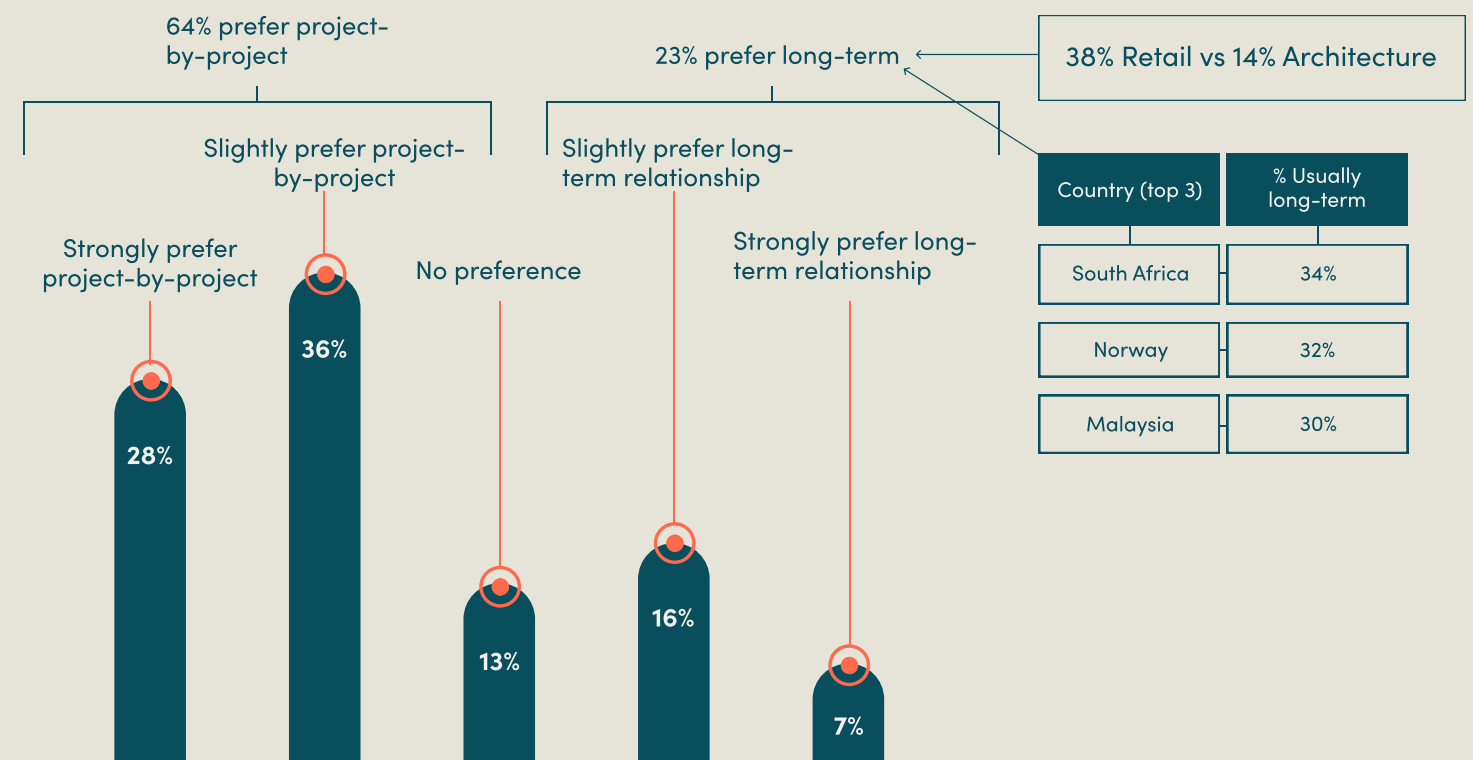38% believe they'd benefit from enforcing centralized IT equipment so there's less unauthorized spending.

Not all cultures feel the same way about imposing this kind of centralized control from the top down.

By way of example – while 44% of US and UAE decision-makers believe enforcing centralized IT equipment would benefit their business the most, only 20% of Swiss leaders and 29% of Indonesian leaders felt the same way.

That may, in part, be to do with how much centralized control these businesses already exert, as well as their propensity to manage with these methods in any event.

## Almost a quarter prefer a long-term relationship with external consultants (23%)

64% prefer project-by-project

23% prefer long-term

38% Retail vs 14% Architecture

Slightly prefer project-by-project

Slightly prefer long-term relationship

Strongly prefer project-by-project

No preference

Strongly prefer long-term relationship

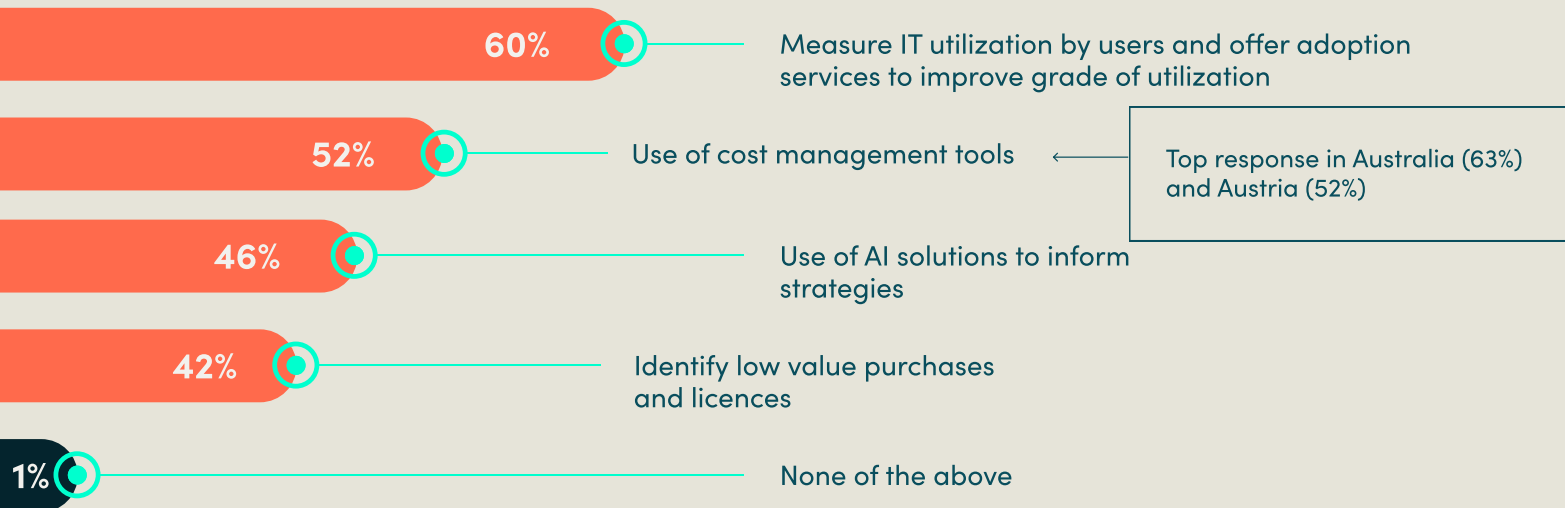| Country (top 3) | % Usually long-term |
|---|---|
| South Africa | 34% |
| Norway | 32% |
| Malaysia | 30% |

28%
36%
13%
16%
7%

# Innovation

When exploring data-oriented approaches to optimizing IT costs, 60% of decision-makers believe their business would benefit from measuring IT utilization by users and offering adoption services to improve the way tools are used.

One indication of why that might be an important issue to resolve is that 42% of decision-makers also believe they would benefit from identifying low-value licenses and purchases.
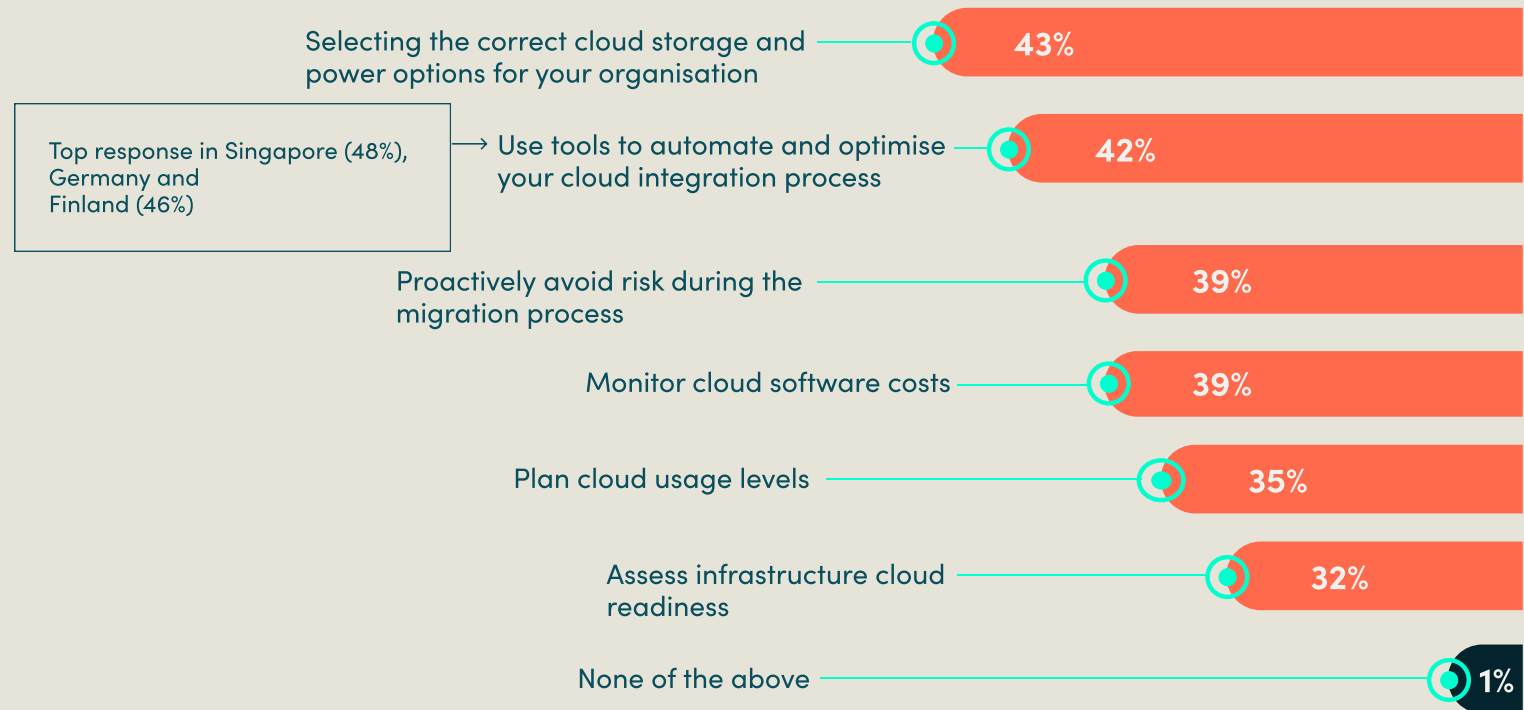
In order to drive meaningful savings across the whole stack, businesses need to be able to drive marginal gains wherever they can.
To that end, 52% believe cost management tools would be of significant benefit to their businesses. And 46% believe they would benefit from using AI solutions to inform their strategies.
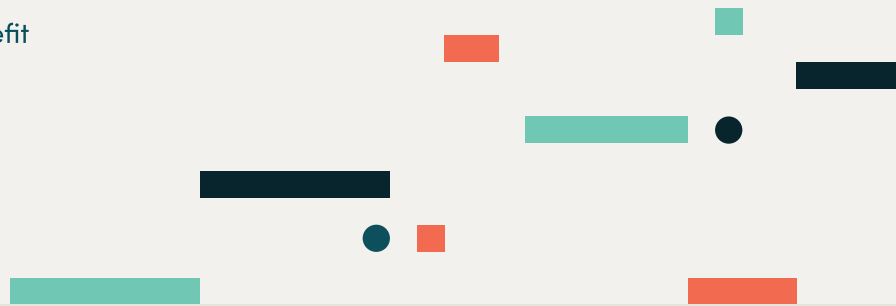
## 60% agree measuring IT utilization by users and offering adoption services to improve utilization grade would benefit their data-oriented approaches to cost optimization

**60%** Measure IT utilization by users and offer adoption services to improve grade of utilization

**52%** Use of cost management tools ← Top response in Australia (63%) and Austria (52%)

**46%** Use of AI solutions to inform strategies

**42%** Identify low value purchases and licences

**1%** None of the above

## 43% agree selecting the correct cloud storage and power options for their organisation would most benefit the optimization of cloud migration costs

Selecting the correct cloud storage and power options for your organisation **43%**

Top response in Singapore (48%), Germany and Finland (46%) → Use tools to automate and optimise your cloud integration process **42%**

Proactively avoid risk during the migration process **39%**

Monitor cloud software costs **39%**

Plan cloud usage levels **35%**

Assess infrastructure cloud readiness **32%**

None of the above **1%**

**41% agree proactively planning ahead for software and cloud spend management benefits an organization's cloud environment cost optimization**

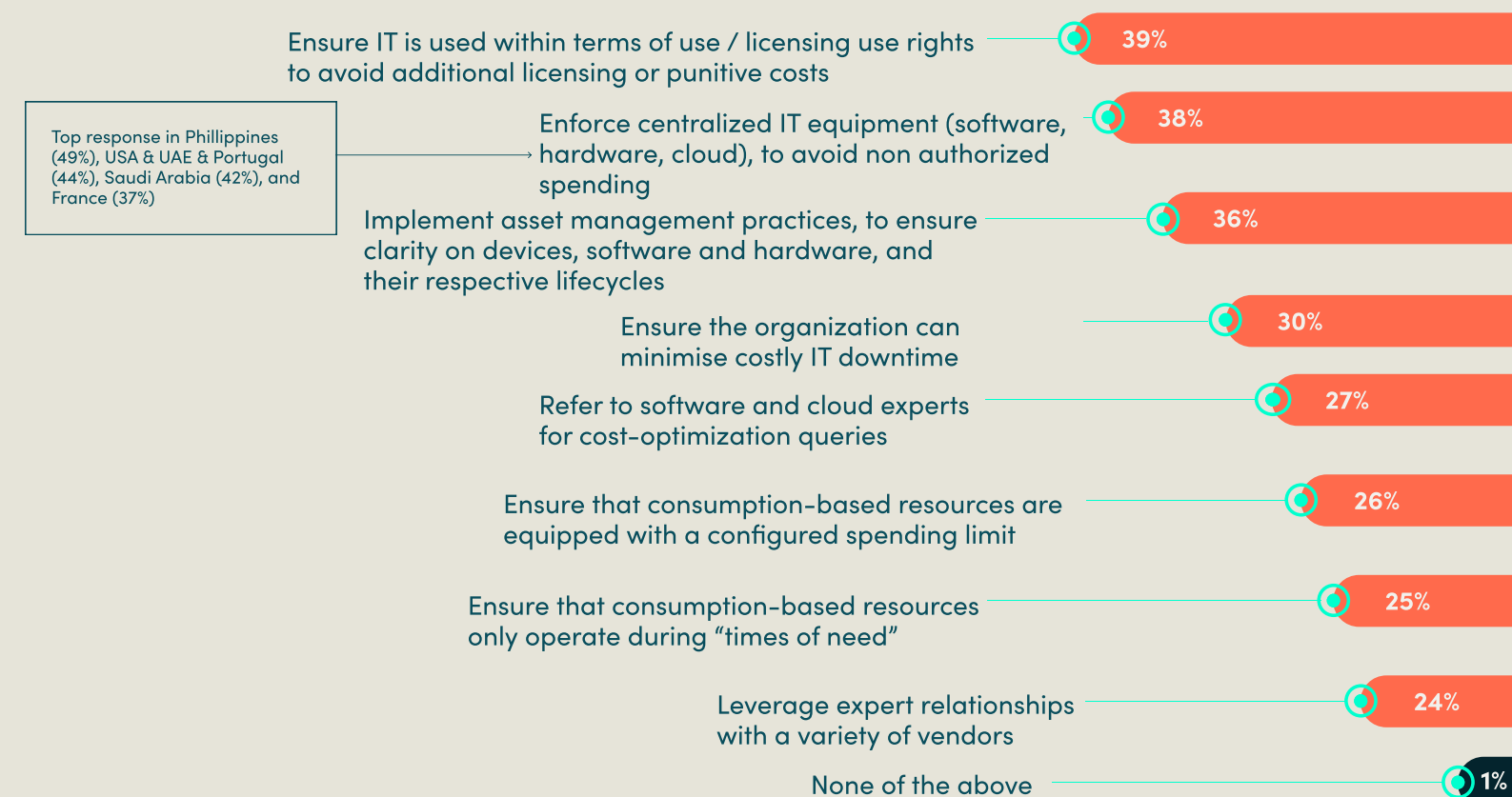| | |
|---|---|
| 41% | Proactively plan ahead for software and cloud spend managent |
| 37% | Monitor the cloud resources and licences you are not using to cut on inactive costs |
| 36% | Expert contract negotiation to optimise licence and subscription costs |
| 33% | Make use of visibility and predictability tools for forecasting |
| 32% | Use a solid governance foundation to optimize compliance |
| 30% | Speak to senior leaders about the benefits of cloud cost awareness |
| 28% | Make use of a multi-cloud structure |
| 1% | None of the above |

Top response in Indonesia (54%), Switzerland (48%), Portugal (47%), Saudi Arabia (42%), Finland (40%), and The Netherlands (38%)

**39% agree ensuring IT is used within terms of use to avoid punitive costs would benefit their organization in operating a cost-effective secure modern workplace**

| | |
|---|---|
| Ensure IT is used within terms of use / licensing use rights to avoid additional licensing or punitive costs | 39% |
| Enforce centralized IT equipment (software, hardware, cloud), to avoid non authorized spending | 38% |
| Implement asset management practices, to ensure clarity on devices, software and hardware, and their respective lifecycles | 36% |
| Ensure the organization can minimise costly IT downtime | 30% |
| Refer to software and cloud experts for cost-optimization queries | 27% |
| Ensure that consumption-based resources are equipped with a configured spending limit | 26% |
| Ensure that consumption-based resources only operate during "times of need" | 25% |
| Leverage expert relationships with a variety of vendors | 24% |
| None of the above | 1% |

Top response in Phillippines (49%), USA & UAE & Portugal (44%), Saudi Arabia (42%), and France (37%)

# Innovating from a place of control

Given the rate at which businesses have adopted new software and technologies, it's easy to forget the primary role of technology – to foster innovation.

Businesses invest in technology because they want to increase their capacity to innovate. But as long as they lack the knowledge and abilities they need to effectively manage IT costs, they'll always struggle to make their innovations sustainable.

As this report has shown, businesses need to improve their internal capacity to optimize these costs. And most are already working with external partners to make that happen. IT cost optimization is no longer a niche competency – it's now critical to determine the long-term viability of business strategies. To that end, it's useful for businesses to approach cost optimization as an ongoing process rather than a one-off, once-in-a-while event.

Today, 73% engage external consultants on a project-by-project basis. In fact, only 23% prefer long term relationships with external partners.

Decision-makers would certainly benefit from changing the way they work with partners. But longer-term, the focus must be on setting up internal cost optimization teams.

Given that 66% of decision-makers already rely on internal teams only, what's needed is more time and support for those already tasked with cost optimization so they can develop the discipline more holistically.

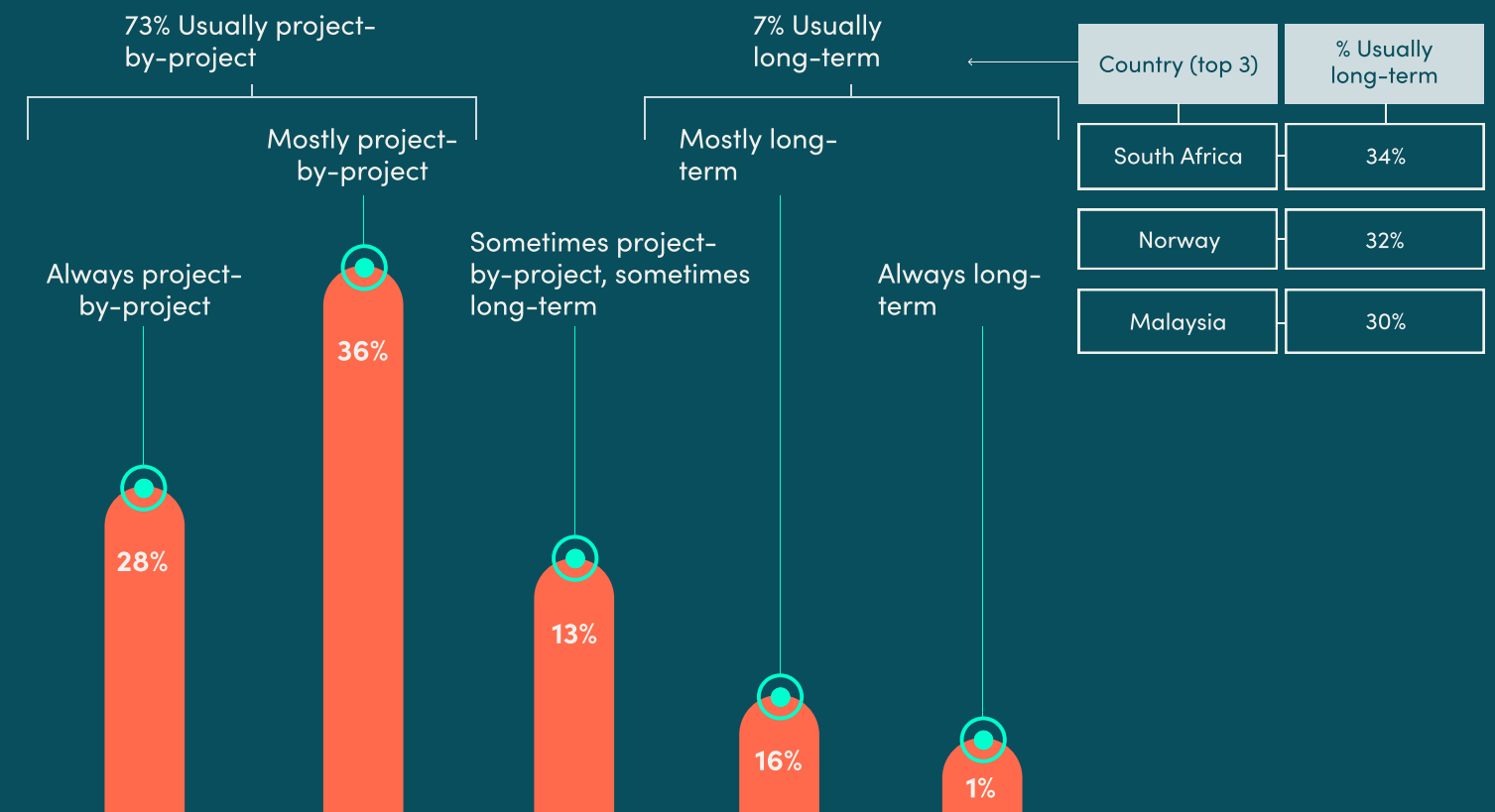Equally, businesses that do work with external partners will continue to benefit from price

negotiations and knowledge sharing, not to mention clarifying their organization's own needs. This will be especially true for those that work with SAM providers.

Whichever route they go down, and they may go in multiple directions, one thing is crystal clear: cost optimization is now a crucial discipline for businesses.

And the businesses that tackle it strategically and holistically will have an important advantage in their digital futures.
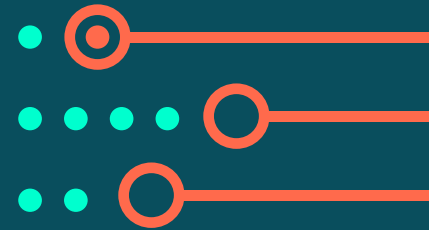
## Three in four usually reach out to external consultants on a project-by-project basis (73%)

73% Usually project-by-project

Mostly project-by-project
**36%**

Always project-by-project
**28%**

Sometimes project-by-project, sometimes long-term
**13%**

7% Usually long-term

Mostly long-term

Always long-term
**16%**

**1%**

| Country (top 3) | % Usually long-term |
|---|---|
| South Africa | 34% |
| Norway | 32% |
| Malaysia | 30% |

# About Crayon.

Headquartered in Oslo, Norway, with more than 3,300 employees in over 40 countries, we operate a global, customer-first, and vendor-agnostic IT consultancy.

At Crayon we believe in the power of technology to drive the greater good

Thriving businesses in our changing world are routed in technology. Crayon's trusted experts guide your IT optimization so you can stay ahead with innovation. Your needs for technology and innovation matter, and we care about the best solution for you - for the best price.

Through a broad spectrum of services and consultancy, we'll advise on;

- Software and cloud selection and licensing

- FinOps - continuous optimizations and savings on IT spend

- Operating a secure modern workplace

- Innovating with data and AI

Crayon.com