



# TAKE CONTROL OF CLOUD COSTS WITH FINOPS





In today's environment the key components of success are business agility and speed of innovation. The rapid changes in technology, disruptions and competition are compelling organisations to continuously improve their operations to drive agility, savings, and efficiency. Cloud has become an inevitable part of IT service delivery models, influencing digital business decision processes, vendors and technology selection, and investment strategies alike.

According to the Flexera 2021 State of the Cloud Report, 92 per cent of respondents reported having a multi-cloud strategy, 42 per cent of organisations are taking advantage of multi-cloud cost management tools and for the fifth year in a row, optimising the existing use of cloud (cost savings) is the top initiative for the year ahead<sup>1</sup>.

FinOps is an evolving cloud financial management discipline and cultural practice that enables organisations to get maximum business value by helping engineering, finance, technology and business teams to collaborate on data-driven spending decisions.”

### FinOps Foundation

## Addressing the Cloud Cost Challenge

The constantly evolving vendor offerings and the well-known benefits of cloud seem to offer endless opportunities, but as cloud adoption increases, organisations struggle to control their cloud spend and achieve the desired return on investments.

Operating and managing cloud infrastructure is considerably different from managing traditional on-premises IT infrastructure leading to a new consumption model which proves to be a challenge for most of our customers.

The new cloud realities for IT:

- **Decentralised** - DevOps<sup>2</sup> teams siloed from Finance and Procurement are empowered to commit the company to spend.
- **Variable** - Variable cloud spend has replaced the data center/ fixed cost spend.
- **Scalable** - Instant access to resources enables innovation but often results in overprovisioning.

Cloud also introduces challenges that are multi-dimensional:

- Finance, Technology, Business
- People, Process, Technology
- Systems, Best Practices, Culture

In this complex reality, organisations need a new operating model to address these challenges.

## Introducing FinOps

FinOps also known as “Cloud Financial Management”, or “Cloud Cost Management” is a combination of systems, best practices, and culture that increases an organisation's ability to understand cloud costs and make trade-offs between speed, cost, and quality. It is a cultural practice enabling cross-functional teams to work together and enable faster delivery, while at the same time gaining more financial and operational control.

## When should an organisation start FinOps?

The right time to implement FinOps should not be measured by the amount of the organisations' cloud spend. Having a large cloud consumption does not necessarily predict a successful FinOps practice. Starting FinOps sooner will make it much easier for an organisation to make more informed decisions about cloud spend as it scales.

Therefore, it is important to understand the FinOps maturity model: **Crawl, Walk, Run**. The model refers to the cyclical process of continually examining cloud use, seeking opportunities for optimisation, and building them iteratively into the organisation.

Like DevOps, FinOps represents a cultural shift, and the earlier it starts, the sooner an organisation can achieve successful cloud cost management and realise the financial benefits.

1. Flexera 2021 State of the Cloud Report

2. DevOps - DevOps is a set of practices that combines software development and IT operations. It aims to shorten the systems development lifecycle and provide continuous delivery with high software quality.

### The Impact of Not Adopting FinOps

As more organisations move away from the fixed-cost data center model toward the cloud with its variable-cost and consumption-based model, they must consider transforming their financial operations by distributing the decision making across technology, business, and finance teams.

This is not an easy endeavour but otherwise they will face the inevitable: become less competitive from cutting cost which should be used for innovation or on the contrary lose control of their spending which will lead to spiralling expenses and budget overruns. The good news is that FinOps processes enable engineering teams, finance, and business teams to operate at high velocity by making informed decisions about their cloud spend practices so their organisations can continue to drive innovation at velocity.

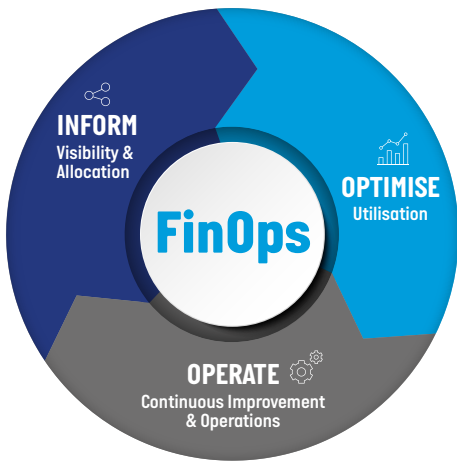
### FinOps is a Cultural Shift - A New Way of Working Together

Company culture around spend must evolve alongside tooling and processes in an organisation. FinOps is usually driven by a cross-functional, centralised team working to enable organisational change and interacting with the rest of the business to support the cloud strategy, governance, and best practices. However, everyone in the organisation can have a different role to play in the FinOps practice, creating a sense of shared accountability.

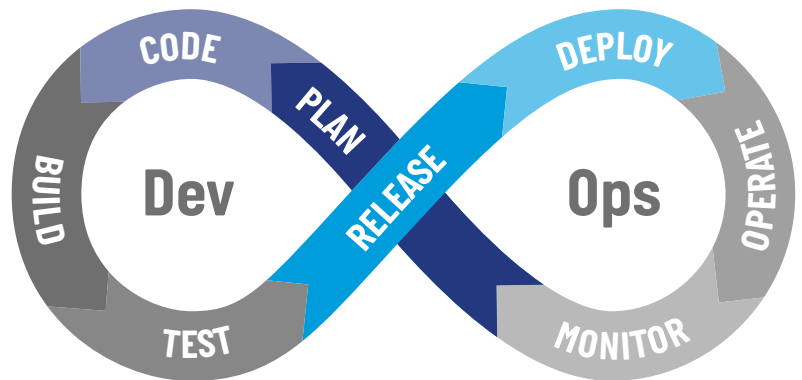
FinOps, after all, is a practice that relies upon collaboration, transparent information sharing, common understanding, and accountability for the cost and usage of cloud across an organisation.

### FinOps, Agile and DevOps

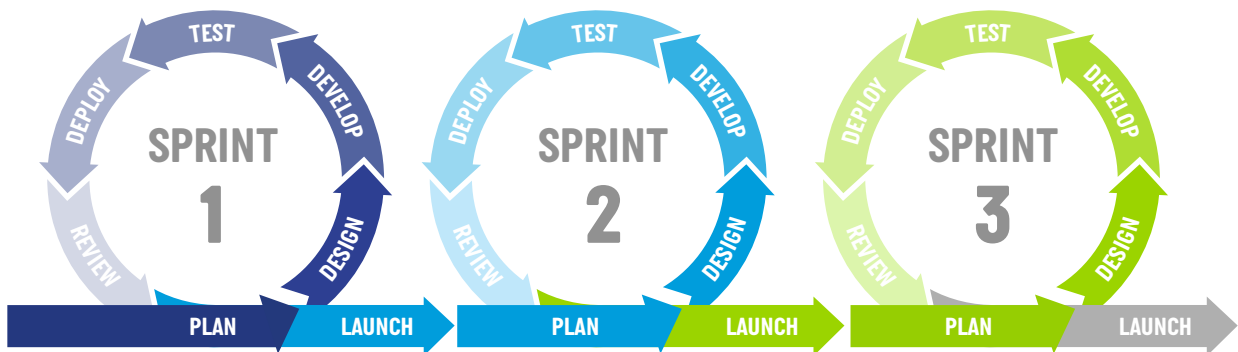
FinOps shares many things in common with other methodologies like Agile and DevOps. They are all cyclical, based on continuous improvement and collaboration, focusing on speed and agility while using a common framework and language to drive business value.



FinOps Lifecycle



DevOps Lifecycle

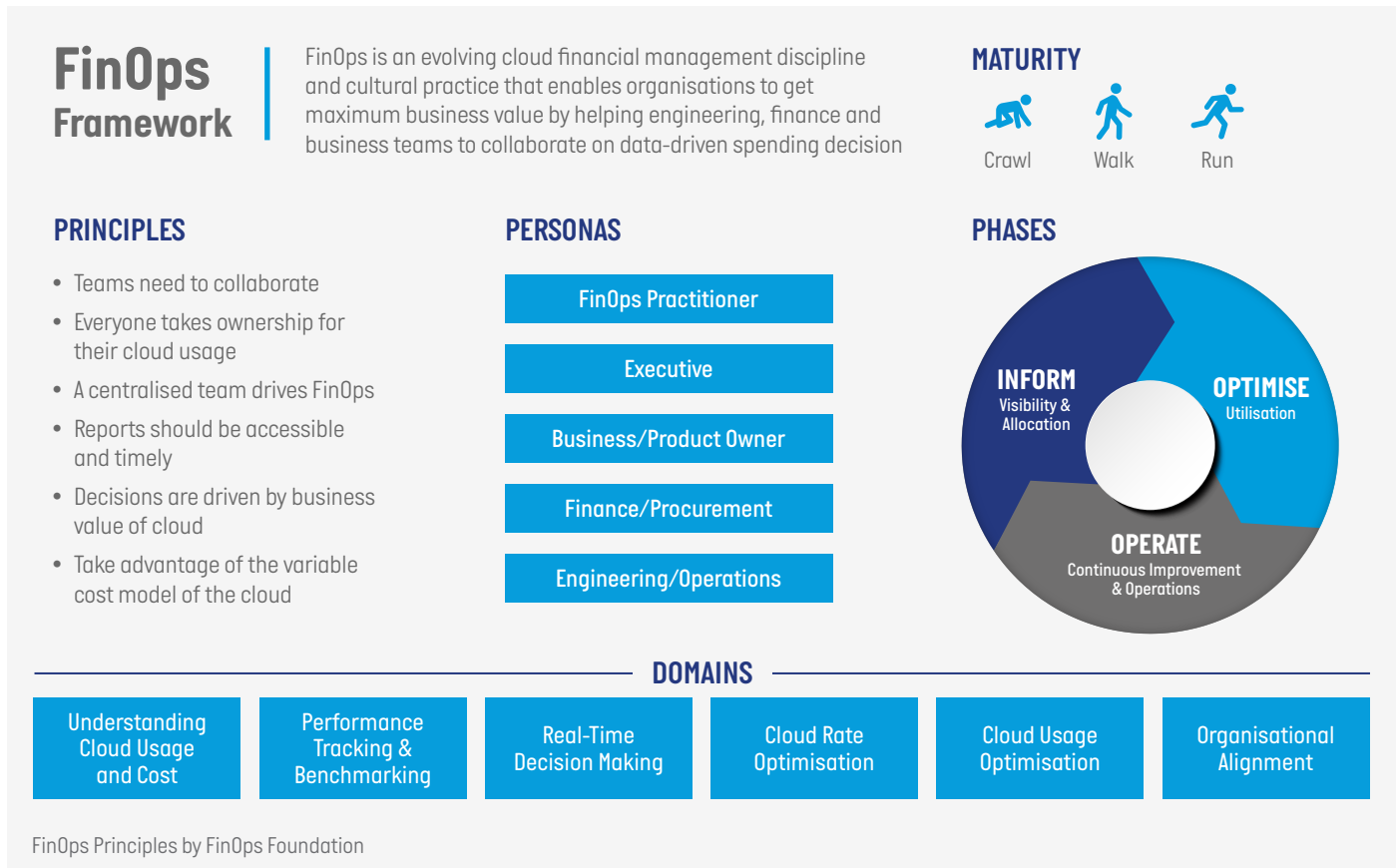


Agile Framework

## The FinOps Framework

The FinOps Framework describes the:

- Principles that drive FinOps practices
- The Personas that FinOps must support as stakeholders
- The FinOps Phases (Inform, Optimise, Operate)
- The Domains of activity with its capabilities that can be performed as part of each Domain



## The FinOps Lifecycle - How to build successful processes to manage the unit economics of cloud

Reaching a state of FinOps maturity takes time. It requires a cultural shift, combined with the use of tools and governance to achieve that organisational change that ultimately leads to mastering the economics of cloud.

The FinOps Lifecycle is essentially a loop which consist of three iterative phases - Inform, Optimise and Operate, each phase being guided by the six core principles. When FinOps is applied correctly, organisations cycle through these three phases constantly following the Crawl, Walk, Run approach to improve each time they go through it.

The **Inform** phase provides the visibility for allocation and for creating shared accountability by showing teams what they're spending and why.

The **Optimise** phase empowers teams to identify and measure efficiency optimisations like rightsizing or improving reserved instances coverage. Improvement goals are also set in this phase.

The **Operate** phase defines processes which enable the financial, technological, and business goals to be achieved. In this phase automation is often used to allow defined processes to be performed in a reliable and consistent manner focusing on scaling operational efforts through continuous improvement.

## The FinOps Lifecycle in Action

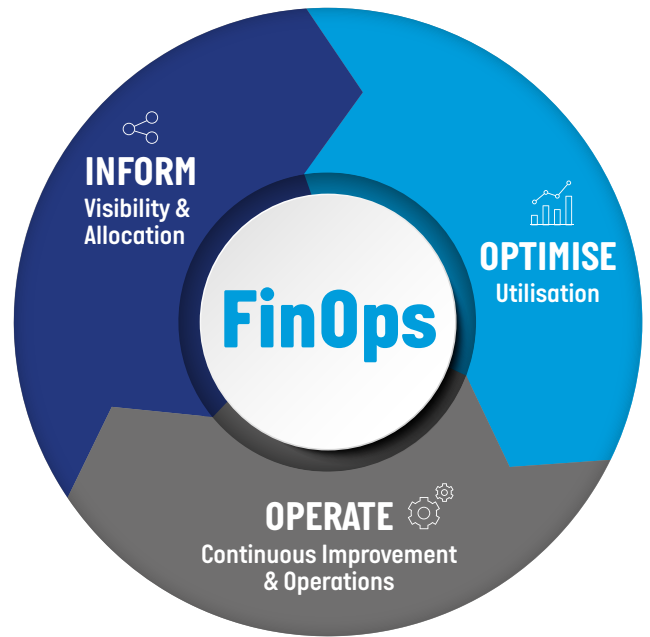
- Start with a Crawl approach in each phase – prioritise what is most important for your organisation and avoid doing everything at once.
- All cross-functional teams should be involved early and often, ensuring everybody takes part in the learning process.
- Constantly look for opportunities to refine processes and move quickly from phase to phase.
- Provide teams with granular, real-time visibility into their spending which is critical in understanding what they are spending and why.
- Ensure all costs are allocated to the appropriate departments and teams, fill allocation gaps, distribute shared costs and remap the spend to the organisational structure.

## Computacenter FinOps Service for Public Cloud

As organisations allocate an ever-larger portion of the IT budget to cloud services, they are rightfully concerned about spiralling cloud costs. However, the complexity of cloud pricing and the dynamic nature of the cloud environment make it difficult for organisations to rein in cloud expenses.

Having a financial multi cloud management platform combined with FinOps best practices, and the right expertise ensures the ability to balance cost, speed, and quality to gain financial and operational control while maintaining the velocity and innovation benefits of Public Cloud.

Computacenter FinOps for Public Cloud Service incorporates the FinOps framework for an effective cloud cost management strategy. Due to the dynamic nature of the cloud environment, this full-lifecycle solution provides ongoing monitoring, management, and optimisation through continuous and iterative customer collaboration to ensure real time decision making and gain control of our customers' cloud costs.



### Five cloud cost management questions to consider

1. Are you confident enough in your organisation's ability to report on cloud spend?
2. Do you have complete visibility into your cloud usage to properly allocate cost and create shared accountability across your organisation?
3. How confident are you that your cloud spend is aligned to your organisation's business goals?
4. Do you have a well-structured cloud cost management strategy to allow for innovation while keeping costs under control?
5. Do you have the in-house capabilities to monitor cloud use, identify optimisation opportunities and apply FinOps best practices?

### Main takeaways

FinOps is a new operating model for the cloud, a combination of systems, best practices, and culture bringing together technology, business owners, and finance to master the unit economics of cloud and drive competitive advantage.

FinOps practices ensure that a company's cloud spend is optimised and that the company is improving the unit cost of the cloud. A successful FinOps practice expands and accelerates the business benefits made possible by cloud.

A financial management platform combined with the right knowledge and expertise are key for a successful cloud cost management strategy.

## Get in touch

Learn more about FinOps and discover how our FinOps offering can help.

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