IDC

FUTURE Enterprise

IDC Planning Guides

Control Cloud Costs and Expand Transparency with FinOps

IDC Future Enterprise Planning Guides

Providing Value and Transparency with FinOps

What: This guide provides CIOs with tools to build and implement FinOps teams and processes to address cloud costs. FinOps cloud financial management practices enables maximum business value from the cloud through cross-discipline collaboration, transparency, and data-driven spending decisions. The number of companies adopting FinOps has doubled in the past two years to about 60%, but success in implementation and maturity levels vary widely.

Why: Cloud technologies are the foundation of nearly all digital innovation and must be at the heart of digital strategy, but cloud expansion must be balanced against spending. IDC estimates that 20-30% of all cloud spending is wasted. Rapidly rising budgets, staffing challenges, inflation, and stubborn technical debt costs combine to create significant financial challenges. FinOps tools and best practices enable organizations to develop and maintain real-time cost and outcomes visibility for cloud across IT and unit resources.

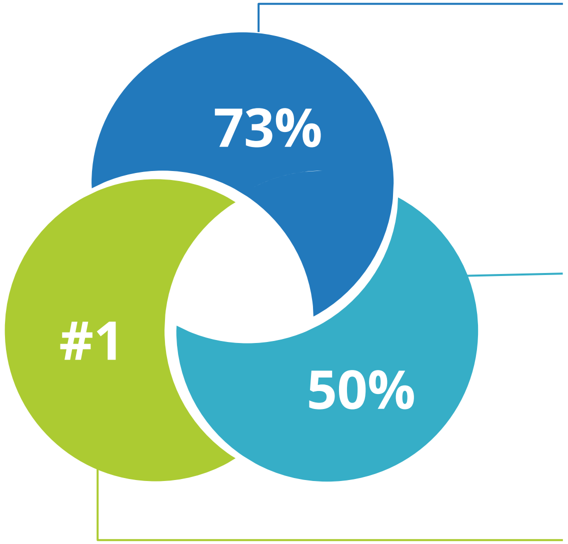
Progress toward developing effective FinOps management involves the following steps:

1. Implement the Groundwork for FinOps
2. Set up FinOps Goals, Processes, and Culture
3. Build the Ideal FinOps Team
4. Add Tools, Capabilities to Optimize FinOps
5. Expand and Mature Operations

If you want to get feedback on your organization's processes from an appropriate industry analyst, contact our IDC IT Executive Programs Success Manager. With new research being produced all the time, they will ensure you don't miss relevant insights.

FinOps Quick Start and Business Case

Develop the Groundwork for FinOps



IT departments that report flat or negative 2023 budgets compared with 2022

CEOs very or extremely concerned about growing expenditures on cloud

Cloud is the #1 area for IT cost reduction, according to our global survey

Source: Future Enterprise Resiliency & Spending Survey, IDC, January 2023, n = 850, QC6, Table 15; IDC Worldwide — CEO Survey, IDC, January 2022, n = 389; Future Enterprise Resiliency & Spending Survey — Wave 3, IDC, April 2022, n = 828 worldwide

The business case for FinOps is simple: Cloud costs are growing rapidly. With inflation barely slowing, reining in cloud spend is a key priority — especially given that IDC estimates 20-30% of cloud spend is wasted.

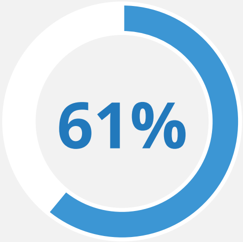
Cloud spend should be aimed at **value and innovation**. The end goal for FinOps is not just the lowest cost; it is selecting the right technology and using it in a way that maximizes its ROI.

Cloud technologies are the foundation of nearly all digital innovation and must be at the heart of digital strategy. At the same time, business innovation can only be successful if balanced against spending. FinOps provides governance and best practices that encourage transparency and accountability to build a strong base for cloud and overall business growth.

FinOps Is Increasingly Common Worldwide

50%

of enterprises plan to invest in FinOps automation in 2023; that's up from 2022 and #1 area of IT automation.



61%

of enterprises report adoption of FinOps.

FinOps Definition:

"An evolving cloud financial management discipline and cultural practice that enables organizations to get maximum business value by helping engineering, finance, and business teams to collaborate on data-driven spending decisions."

FinOps Principles by FinOps Foundation:

- Business and IT teams need to **collaborate**
- Decisions are driven by **business value** of cloud
- Everyone takes ownership and **accountability** of their cloud usage
- FinOps reports should be **accessible and timely**
- A **centralized team** drives FinOps
- Take **advantage of the variable cost** model of the cloud

Source: IDC Worldwide — CEO Survey, IDC, January 2022, n = 389; Future Enterprise Resiliency & Spending Survey — Wave 3, IDC, April 2022, n = 828 organizations worldwide

Focus on Maximizing Value for Cloud Costs

Many CTOs tell IDC their organizations are spending 2x more on cloud than before the pandemic.

IDC research shows that managing cloud costs is challenging due to easy accessibility of resources, low initial cost of individual instances and components, and difficulty in managing resources. Ensuring optimal value from cloud is easier with the new discipline of FinOps.

Head of technology at a British fashion retailer

"We migrated to the cloud to **save on capital expenses**. But cloud economics is complex — it is easily accessible, and people do something silly, so we need to continuously identify and shut instances.

We are learning the implications of spinning up big instances. In addition, **managing cost** of Kubernetes is an epic challenge."

VP of IT at a global automotive company

"Cloud value realization is a key focus area for us.

We need to **track our cloud costs and consumption patterns** in a meaningful way as this area is going to attract additional scrutiny in our organization."

Lead technology advisor for a public sector body in the U.K.

"Our **focus is heavily on cost efficiency**. This means predictability of costs is now a very important consideration for us.

We are looking to **bring economists** in cloud centers of excellence to **help optimize cloud costs**."

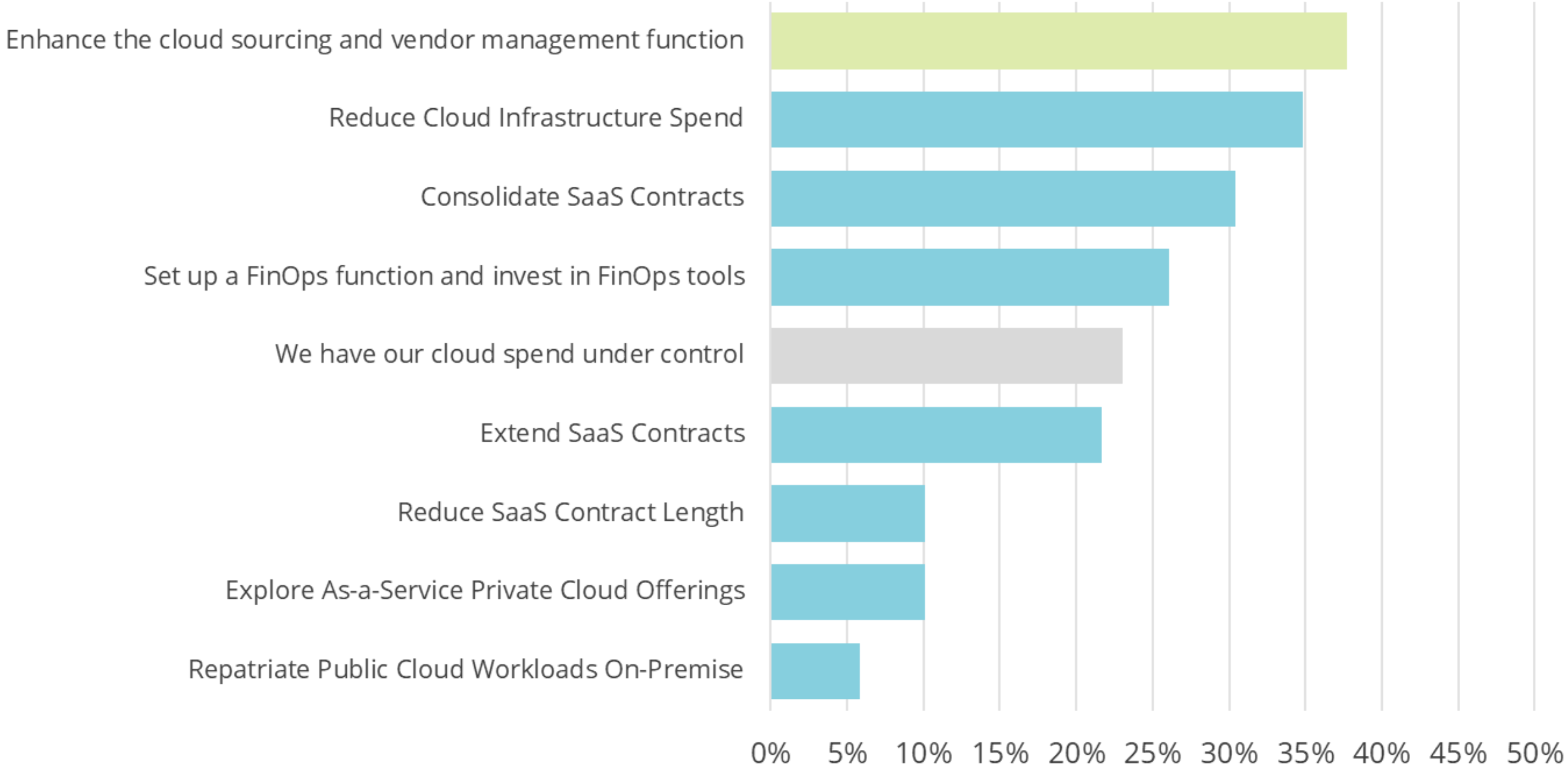
IDC Prediction

While in 2021, only about one-third of companies had established FinOps, IDC estimates that by the end of 2023, **80% of organizations** using cloud services will establish a dedicated FinOps function to automate policy-driven observability and optimize cloud resources to maximize value.

IDC Market Presentation, *Cloud Clarity and FinOps Fundamentals for the European C-Suite: Finding the Silver Lining in Storms of Disruption*, Doc # EUR149549922; *IDC FutureScape: Worldwide Cloud 2022 Predictions — European Implications*, Doc # EUR148775822

Strategies to Optimize Cloud Spend

Q. Which of the following is a key focus in terms of optimizing your cloud spend in 2023?



It is becoming clear that getting cloud costs under control for the CIO is going to be dependent on **early vendor engagement** not only in terms of **commercial contracts** but also in terms of **architecture** and **operations** (how workloads will be managed to optimize the costs). **FinOps** is a big part of this, but **maturity is still low** among most organizations. Moving forward, the FinOps function needs to become a core element of **broader CloudOps** functions and initiatives.

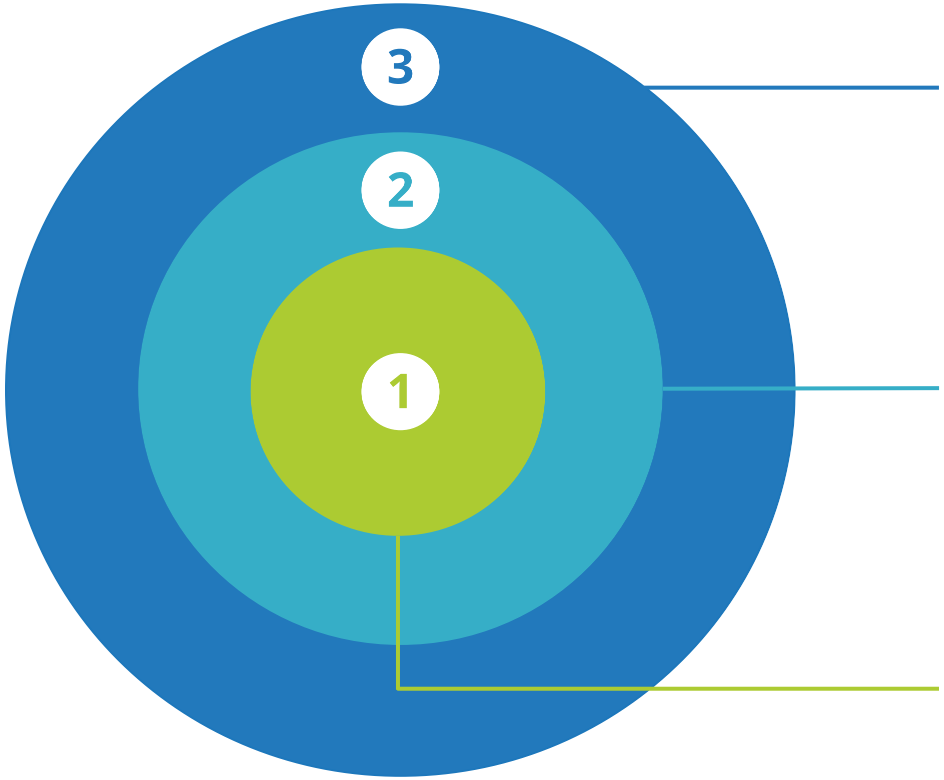
Source: IDC CIO Quick Poll, n-69, December 2022; IDC Market Presentation, *Downturn Economics: The Recession Tech Playbook — Focus on Cloud Economics,* Doc # US49989823

Cloud Operations (CloudOps) Is Essential for Cloud Success

FinOps is an essential component of CloudOps and acts as a multiplier for cloud investments.

Cloud success depends on a layered approach.

Layers of a Cloud Approach



Cloud Operations (Including FinOps)

- Facilitate business continuity, disaster recovery, and resilience
- Provide visibility and monitoring while enabling continuous optimization (observability)
- Enable automation, standardization, and consistency

Cloud Governance

- Identify cloud-related risks and set risk appetite
- Translate risks into policies, then implement processes to monitor
- Create security and data management policies and track adherence

Cloud Adoption Strategy

- Align hybrid and multicloud adoption to business outcomes
- Build diverse cloud skills, covering tech, governance, and operational needs
- Adopt workload-driven cloud adoption plan

IDC Market Presentation, Cloud Clarity and FinOps Fundamentals for the European C-Suite: Finding the Silver Lining in Storms of Disruption, Doc # EUR149549922; IDC FutureScape: Worldwide Cloud 2022 Predictions — European Implications, IDC # EUR148775822

Slow Cost Pressures with FinOps Accountability

Digital transformation projects depend almost exclusively on a cloud foundation. It's still evolving as **containers add complexity.**

Past "lift and shift" approaches traded **speed to cloud for cost optimization**. With inflation and budget pressures mounting, organizations need to optimize cloud spend.

Operations teams previously had full control of on-premises costs and changes. In today's cloud-driven world, **product managers and developers drive** the majority of **decisions** that impact costs.

Complexity is multiplied with each new cloud provider and microservice added. Hyperscalers' continuous release of new pricing tiers and unlimited number of combinations make **human analysis nearly impossible.**

External pressures from supply chain, inflation, and geo-political factors are putting downward pressure on IT budgets. IDC estimates **20-30%** of cloud spending is wasted.

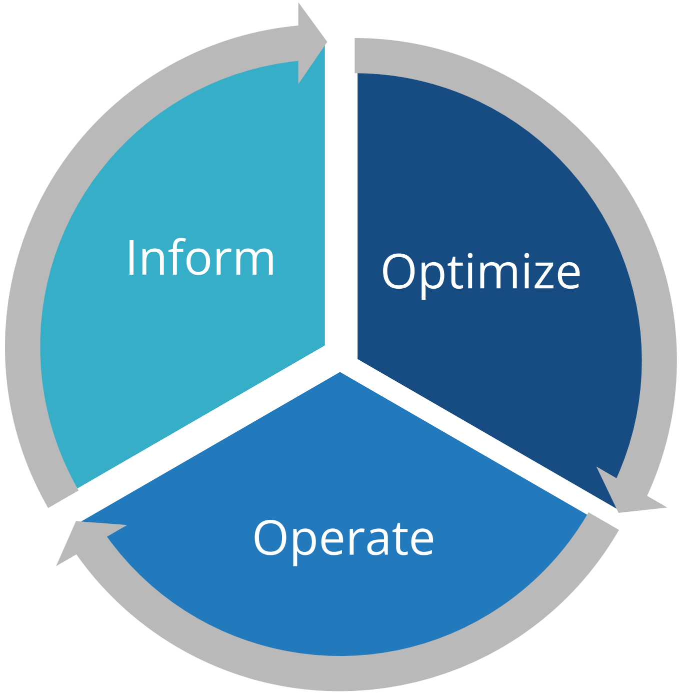
FinOps returns accountability and informs owners of the cost of their decisions. It also provides cost savings and longer-term optimization.

IDC Tech Buyer Presentation, *FinOps QuickStart Guide for Enterprise Adoption*, Doc #US49689622

Use FinOps Discipline to Structure Your Implementation

FinOps cloud discipline enables users to maximize business value, achieve financial excellence, and promotes deeper collaboration, ownership, and accountability for cloud costs. It aims to improve transparency of cloud costs and bring consistency and standardization to internal billing (e.g., "chargeback" of IT consumption) and usage reporting (e.g., "showback" of IT consumption).

The three phases of the FinOps life cycle provide a structure for effective implementation



1. Inform

- Visibility and transparency into spending
- Setting tags (descriptive metadata)
- Budgeting and forecasting
- Cost allocation
- Cross-disciplinary team

2. Optimize

- Rightsizing
- Workload placement
- Rate and discount optimization
- Culture and ownership
- Minimizing waste and unused resources
- Identifying tools and software

3. Operate

- Automation
- Centralized billing
- Defined control and governance
- Communicating optimization and spend patterns to Inform other stakeholders
- Embed FinOps in processes and operations

IDC Market Presentation, Downturn Economics: The Recession Tech Playbook — *Focus on Cloud Economics,* Doc # US49989823; *IDC Market Presentation, Cloud Clarity and FinOps Fundamentals for the European C-Suite: Finding the Silver Lining in Storms of Disruption*, Doc # EUR149549922; the FinOps Foundation uses a related metaphor of stages as Crawl, Walk, Run.

Set up FinOps Processes and Discipline

2

Inform: Set up FinOps Goals, Processes, and Culture

Implement New Processes and Ways of Thinking

Key FinOps Attributes

- Enabling cross-functional collaboration between multiple **teams** to manage cloud costs
- **Culture change** for organization to enable people, processes, and best **practices**
- Involves **more than just tools** or app
- **Disciplined** approach for ownership of cloud spending
- Understanding **supply/demand** to leverage product investments and business value

IDC Tech Buyer Presentation, *FinOps QuickStart Guide for Enterprise Adoption*, Doc #US49689622

Difficulty controlling cloud costs is among the top reasons for cloud failures, making it vital for organizations to deal with the issue. But to truly address spiraling costs and cloud “sprawl,” companies need to be open to a review of the full process and commit to improvements around tooling, processes, governance, reporting, and new ways of working.

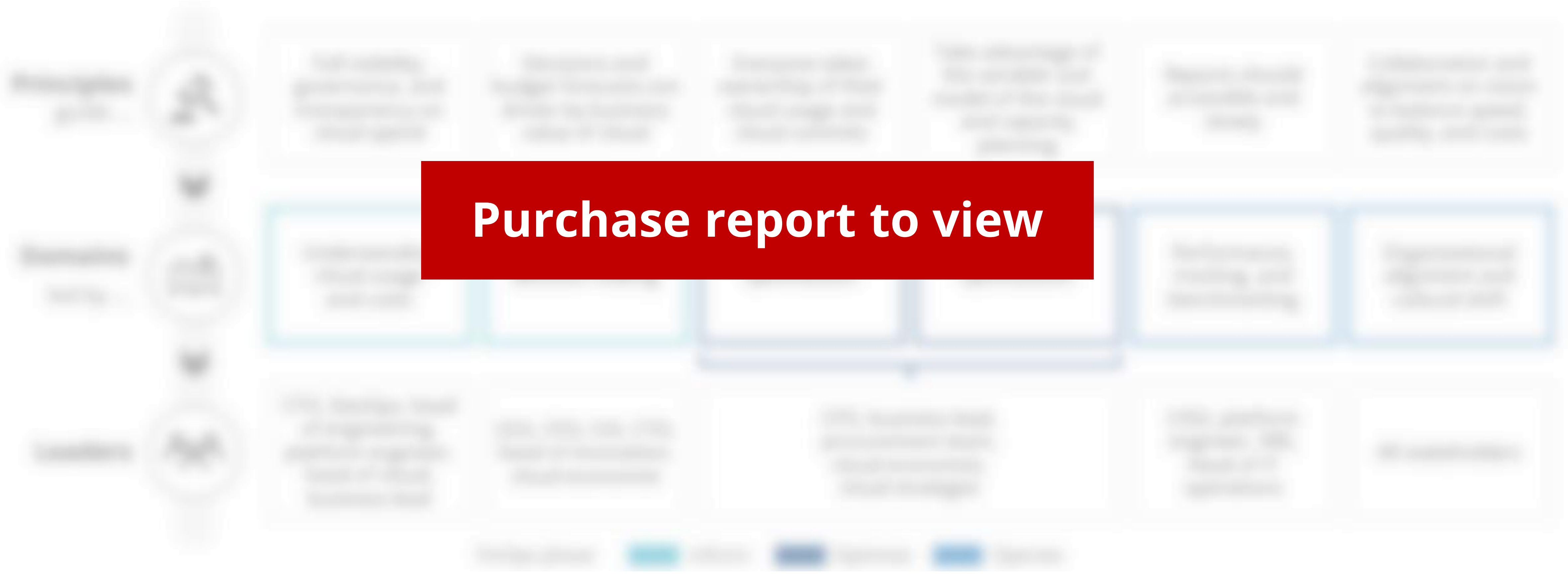
A modern FinOps team has access to tools to reduce costs and provide better forecasting of cloud spending, but FinOps is more than tools and optimizing costs. FinOps is about collaboration, accountability, and the culture change necessary for a digital business.

IDC Survey Spotlight, *What Are the FinOps Challenges in Cloud Operations, and How Are European Organizations Optimizing Cloud Costs Today?* Doc # EUR149137522; IDC Perspective, *As a Service Adoption Drives Change for Digital Infrastructure and FinOps Teams*, Doc # US50440223

FinOps Fundamentals: Principles, Domains, and Leaders

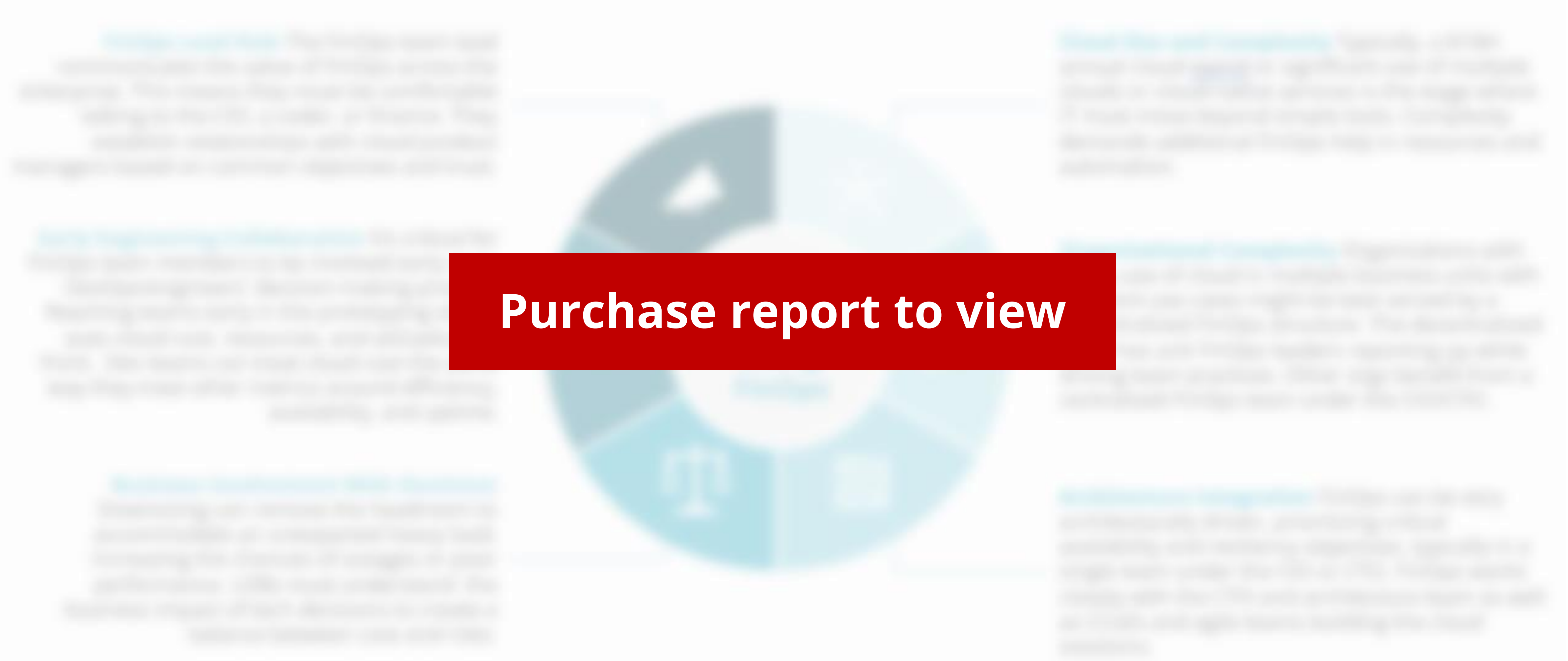
FinOps is a team sport and requires diverse expertise to be successful.

Organizations should start their FinOps development by establishing guiding principles that set the standard for cloud initiatives and projects. These principles provide direction for domains (more tactical goals) and are put into action by a diverse team of line-of-business (LOB) and domain experts.



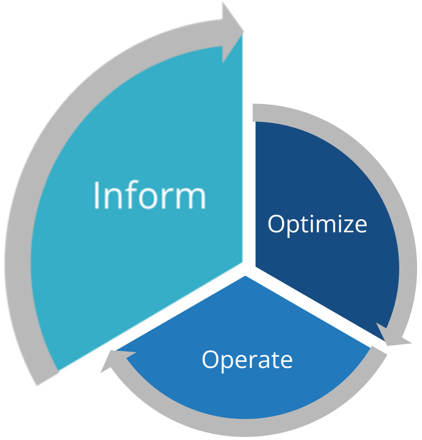
Build a Rightsized FinOps Core Team and Enterprise Culture

CIOs must consider multiple factors to best architect a rightsized, high-quality FinOps organization and culture.



Begin Initial Steps to FinOps

2



Organizational Change

Start with **organizational** changes. Appoint a FinOps practitioner lead, reporting to C-level. Typically, a full-time evangelist and coordinator, this person will lead the central team made up of other part-time members.

Mission and Goals

CIO to develop with the practitioner lead **the mission and goals** of FinOps team. Communicate these out to the organization often and in a variety of ways (e.g., team meetings, email, team sites or intranet portals).

Collaboration

Build **collaboration and break down silos** by recruiting part-time participants to join FinOps team for various areas of IT including development, engineering, operations, cloud architects. Ensure regular meetings.

FinOps phase 🟦 Inform 🟦 Optimize 🟦 Operate

IDC Tech Buyer Presentation, *FinOps QuickStart Guide for Enterprise Adoption*, Doc #US49689622

Inform: Peer Advice

2

This phase includes:

- Visibility and transparency into spending
- Setting tags (descriptive metadata)
- Budgeting and forecasting
- Cost allocation
- Assembling a cross-disciplinary team

Assembling a Cross-Disciplinary Team

"I have one person that's responsible for FinOps as part of the asset management team. ... There's a small team that meets every week. It includes the cloud engineering team, the cloud engineering manager, and this asset management employee. So that is the FinOps team, and we also bring in the finance folks that are finance business partners to the meeting."

– CIO, global motorcycle manufacturer

Visibility and Transparency

“If we promise our consumers that we will deliver spare parts for our appliances for 5 to 10 years, then we also need to be delivering cloud connectivity (for our connected appliances). There is a significant cost to this, and we need to determine the best way to handle it.”

- CIO, global consumer goods organization

Setting Tags

“The challenge with tagging is that people end up using the hyperscaler tags, but those are used by engineering. There have been many cases where an application starts at a cost center while it’s being migrated and once it goes live, it goes to another cost center. Then the tags need to be updated. This can end up being a big mess. Another option to consider is generating unique IDs from each hyperscale resource and then tagging them on the tool side.”

– FinOps board member

CIO Tip:

Move intentionally, rather than quickly.

Consider who needs to be involved, what information is necessary, and how it will be disseminated to ensure that business units understand that every development decision in the public cloud is a budgeting decision.

IDC Market Presentation, *Downturn Economics: The Recession Tech Playbook — Focus on Cloud Economics*, Doc # US49989823

Establish FinOps Stage Goals

Delivering Value to Business

Report

Seeking a single source of truth. Dashboards and business-friendly reports showing cloud costs.

Inform

Ensuring all stakeholders have all the information for decisions. This starts with surfacing all cloud costs and defining reports/metrics that make sense to the business. Understand supply and demand of products/ business.

Optimize

Reducing monthly cloud costs. This can be done by either changing pricing tiers or by enabling operations to adjust resources optimally.

Operate

Establishing processes that support these practices and grow business. These determine costs and ROI of future cloud projects.

FinOps phase 🟦 Inform 🟦 Optimize 🟦 Operate

IDC Tech Buyer Presentation, *FinOps QuickStart Guide for Enterprise Adoption*, Doc # US49689622

Expect to Implement Organizational and Cultural Changes

FinOps Requires a Collaborative Culture Integrated Across the Enterprise

Purchase report to view

IDC Perspective, *CIO Guidance: Building a FinOps Team*, Doc # US49279122

Understand Key FinOps Impact on Different Areas

Finance

- Fixed-asset cost infrastructure shifts to a variable cost of services.
- Cloud budgets split between IT/LOBs must be consolidated.
- Long-term capital investment planning shifts to resource acquisition on demand when needed.
- Budgeting process needs the flexibility to reflect variable costing.
- Forecasting reflects short-term adaptive scenario planning.
- Billing and vendor payment processes are radically disrupted.
- New cost allocation schemes are needed based upon the idea of "you run it, you pay for it."
- Incentives up and down the chain aligned to common objectives.

Engineering

- FinOps is embedded in engineering projects early on.
- Engineers are responsible for the cost-effectiveness of their cloud use just as they are for performance or uptime requirements.
- To avoid technical debt, DevOps teams must incorporate good FinOps behavior.
- FinOps takes 10% of story points to include optimization in each agile sprint.
- Engineers writing infrastructure as code have controls and guardrails before committing the company to spend.

Procurement

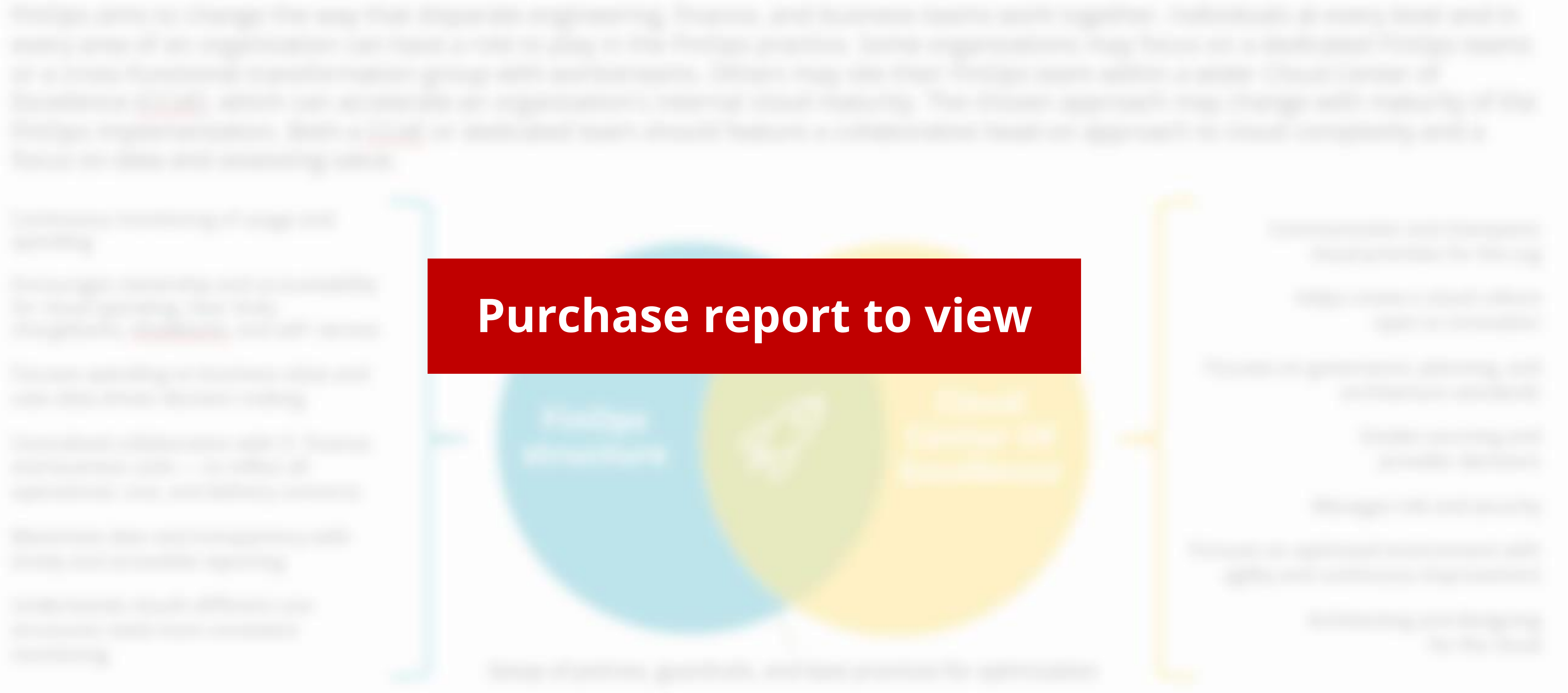
- Significant changes in vendor management are happening as hyperscalers and software as a service (SaaS) shifts to FinOps oversight.
- Contract management now requires constant FinOps monitoring and optimization of deals.

Data/Analytics

- Massive data ingestion and normalization are required, particularly when using multiple cloud providers.
- Benchmarking of the various cloud solutions becomes critical.
- Big companies have existing "dashboard teams" to help.
- FinOps can feed these teams their data for KPIs and executive reporting deck or develop their reporting capabilities.
- Advanced FinOps is moving to unit pricing metrics and KPIs to enable benchmarking and financial decision support.

IDC Perspective, *CIO Guidance: Building a FinOps Team*, Doc #US49279122

Consider the Optimal FinOps Setup for Your Organization



Purchase report to view

IDC Market Presentation, *Cloud Clarity and FinOps Fundamentals for the European C-Suite: Finding the Silver Lining in Storms of Disruption*, Doc # EUR149549922; IDC ebook, *Getting the Most Value From Your Cloud Spend*; investigate additional models at the **FinOps Foundation**.

Ensure Transparency

Transparency Helps Overcome Internal Obstacles

Most companies find the biggest obstacles to successful cloud projects are internal: pushback and fear of change or lack of resources, including expertise in cloud architecture and economics.

IDC believes transparency is critical to digital transformation and the cloud journey. It’s a key underpinning for discovering the right course of action and for actually getting things done.

Data visibility and transparency on cost data can help overcome political challenges and is vital to digital infrastructure governance and management — driving toward business results and improved decision making.

Transparency Tools

Cloud cost transparency software (including SaaS) is used to manage mixtures of private, public, hybrid, or multi-cloud spending.

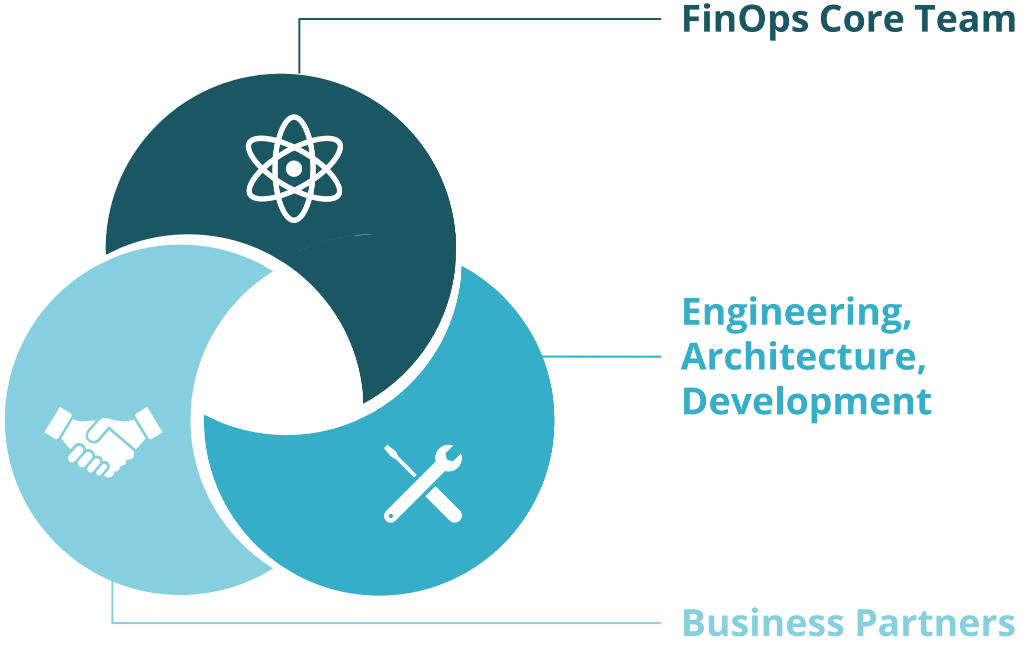
Reporting and analytics capabilities are now commonplace in most vendors' products. While FinOps is larger than just cloud transparency, transparency tools and their resulting recommendations, reporting, and analytics create a single source of truth necessary to enable the internal FinOps team of the enterprise.

Beyond tools, FinOps is focused on people and processes, allowing enterprises to control cloud costs and move to chargeback accountability models.

IDC Market Share, *Worldwide Cloud Cost Transparency Software Market Shares, 2021: Rapid Growth Continues*, Doc # US49543623

Building the Team

Building the Ideal FinOps Team



FinOps Teams Address a New Set of Cloud Pain Points with a New Set of Capabilities

Three key facets of the FinOps organization are:

- **The FinOps Core Team:** Delivering optimum cloud innovation at optimum price requires a core FinOps team with a mission: to understand and optimize the complex, variable-cost, and financially volatile world of cloud contracts, provisioning, billing, tagging, and more. The core team needs to become experts in interpreting and analyzing this data.
- **Engineering, Architecture, and Development:** Even an exceptional FinOps team cannot do it alone. Cloud engineers and agile developers allocate and trigger additional (often unconstrained) cloud resources in their daily decisions, with tremendous financial implications that the engineers may not be aware of.
- **Business Partners:** The business is central to all cloud decisions as the owner, driver, and funder of digital innovation investments — and it is responsible for the achievement of expected business benefits. The core team must work closely with the LOBs that control budgets in order to optimize spend across the enterprise.

Rightsize Your Team for Your Maturity Level

FinOps Teams Are Growing from the "Crawl" Stage to "Walk" and "Run" Stages

Team Size and Structure

Many CIOs start with their initial "crawl" phase by elevating key people with an understanding of the basics of cloud billing and financials. But managing cloud requires the skills of cloud-oriented professionals with job titles such as FinOps lead, cloud architect, FinOps analyst, cloud operations, and DevOps engineer.

FinOps Team Lead

The most critical FinOps decision is to find the right leader. The job requires leadership attributes and someone who has earned the respect of both the business and IT community. Excellent communication and storytelling skills, as well as the ability to take appropriate action when faced with conflict and difficult decisions, are also required. Typically, this head of FinOps will report directly to the CTO, CIO, or CFO.

As teams' advanced skills mature through the "crawl, walk, run" stages, the investment in the FinOps team will provide ROI though cloud optimization decisions that can save millions in unproductive cloud spend.

Typical FinOps Team Size Evolution

FinOps Team Growth Plan	Crawl	Walk	Run
Current team size	3	5	9
12 months from now	6	8	14

Data from March 2022 FinOps Summit

IDC Perspective, *CIO Guidance: Building a FinOps Team*, Doc # US49279122

Driving Adoption of FinOps: HOW

Crawl, Walk, Run; Maturing Your FinOps Team

Pre-Walk Planning

Basic reporting, limited tools, collaboration between some teams, immature processes, easy wins.

Processes understood and well communicated, goals and KPIs identified, core costs well managed.

Difficult edge costs managed, automation commonplace, very high percentage (90%) of costs allocated, difficult KPIs are met.

CIO Tip:

It's never too early to start.

You don't need a fully matured cloud strategy — you can work on cloud strategy and FinOps in parallel. If you have the luxury, take advantage of being able to start from the ground up.

This work is attributed to FinOps Foundation under ccby4.0 license.

FinOps Foundation

IDC Market Presentation, *Downturn Economics: The Recession Tech Playbook — Focus on Cloud Economics*, Doc # US49989823;
IDC Tech Buyer Presentation, *FinOps QuickStart Guide for Enterprise Adoption*, Doc # US49689622

FinOps Personas: WHO

Purchase report to view

Create a Dream Team for Your Cloud Center of Excellence

FinOps Domains FinOps Leaders	Understanding Cloud Usage and Costs	Real-Time Decision Making	Cloud Usage Optimization	Cloud Rate Optimization	Performance, Tracking, and Benchmarking	Organizational Alignment and Cultural Shift
CEO		✓				↕
CFO		✓	✓	✓		
CTO	✓	✓				
CIO		✓				
CISO					✓	
Cloud economist		✓	✓	✓		
Head of cloud	✓					
Cloud strategist			✓	✓		
Head of ITOps					✓	
Site reliability engineer					✓	
Platform engineer	✓				✓	
Head of engineering	✓					
Head of innovation		✓				
Procurement team			✓	✓		
DevOps	✓					
Business lead	✓		✓	✓		

FinOps phase ■ Inform ■ Optimize ■ Operate

IDC Market Presentation, *Cloud Clarity and FinOps Fundamentals for the European C-Suite: Finding the Silver Lining in Storms of Disruption*, Doc # EUR149549922
Note: The view on this slide is applicable to larger organizations; smaller organizations are likely to use a more condensed approach.

WHERE Will We End Up?

What a successful FinOps team looks like

Culture: Accountability for costs, collaboration among groups, focus on business value realization

SMART Metrics and Goals: Transparency of costs, specific targets defined, single tool and system of record for cloud costs

Planning: Forecast of cloud costs, accuracy continually improving, projects prioritized by standard process/return

Organization: Typically centralized, but may be decentralized for large/multi–BU; frequent meeting and communication

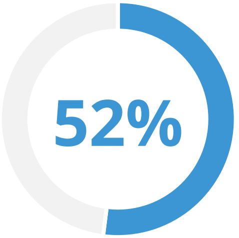
Financial: Move from showback to chargeback; don’t forget the tags!

IDC Tech Buyer Presentation, FinOps QuickStart Guide for Enterprise Adoption, Doc #US49689622

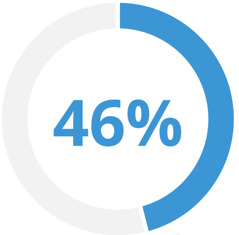
Optimize with Tools and Capabilities

How Are FinOps Teams Managing and Optimizing Cloud Expenditures?

Cloud Management Tools



We use cloud management tools (e.g., pricing calculator, usage reports) from the cloud services providers (e.g., AWS, Azure, Google Cloud Platform).



We use third-party cloud management tools (services) to monitor, analyze, and predict cloud infrastructure management.

Fastest growing;
>100% YoY;
3X public cloud

Add Tools and Capabilities to Optimize FinOps

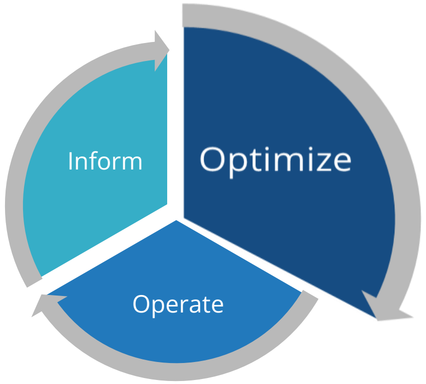
Your expanding FinOps team will need governance practices able to be continuously reinvented to stay abreast of the speed of the cloud's continuous innovation and consumption. Rather than the before-the-fact governance of fixed-asset spending, with cloud and FinOps practices the product, finance, and engineering teams must collaborate to meet the needs of the constantly changing here and now.

Tools provide a complement to the culture changes needed for a successful FinOps team to deliver optimum innovation at optimum price.

Source: IDC Future Enterprise Resiliency & Spending Survey — Wave 1, February 2022, n = 508, enterprises >500 employees;
IDC Tech Buyer Presentation, *FinOps QuickStart Guide for Enterprise Adoption*, Doc # US49689622

Steps in Expanding and Optimizing the FinOps Processes

4



Single Source of Truth

Discuss metrics and review tools organization currently owns to develop **single source of truth for cloud and IT spending.**

Tools and POC

Develop requirements and perform **POC of tools**; select and implement if necessary. If using an internal tool, work to standardize and integrate all costs and data through it for central reporting.

Expansion

As collaboration and teamwork matures, **add members** such as line-of-business product owners, procurement, and finance.

Dashboards

With standard tool and metrics agreed to by team, next **develop dashboards** and begin publishing them for the organization.

IDC Tech Buyer Presentation, *FinOps QuickStart Guide for Enterprise Adoption*, Doc #US49689622

Optimize

4

Peer Advice: Optimize

This phase includes:

- Rightsizing
- Workload placement
- Rate and discount optimization
- Culture and ownership
- Minimizing waste and unused resources
- Identifying tools and software

CIO Tip:

Move intentionally, rather than quickly.

The end goal for FinOps is not obtaining the lowest cost; it is selecting the right technology and using it in a way that maximizes the ROI. Build a portfolio of “cloud options and futures” across commitments, on-demand, reserved and spot instances to align workloads to cloud economics.

Minimizing Waste and Unused Resources

"[The FinOps team] monitors the workloads, looks at who is using what, determines if there are any orphaned assets, etc. The goal of that group is to rightsize the environment that's already migrated and learn from what we have done as we move new workloads to the cloud."

— CIO, global motorcycle manufacturer

Rightsizing

“The team has set up a target of 100% reserved instances with a 90% utilization rate. So that is the target KPI that the team has set, and they monitor it on a weekly basis.”

— CIO, global motorcycle manufacturer

Culture and Ownership

"[FinOps] is about making everyone accountable for cloud costs. You don't need a massive team because ultimately it is about empowering people broadly to take accountability."

— FinOps board member

IDC Market Presentation: *Downturn Economics: The Recession Tech Playbook — Focus on Cloud Economics*, Doc #US49989823

Add New Capabilities and Build Credibility

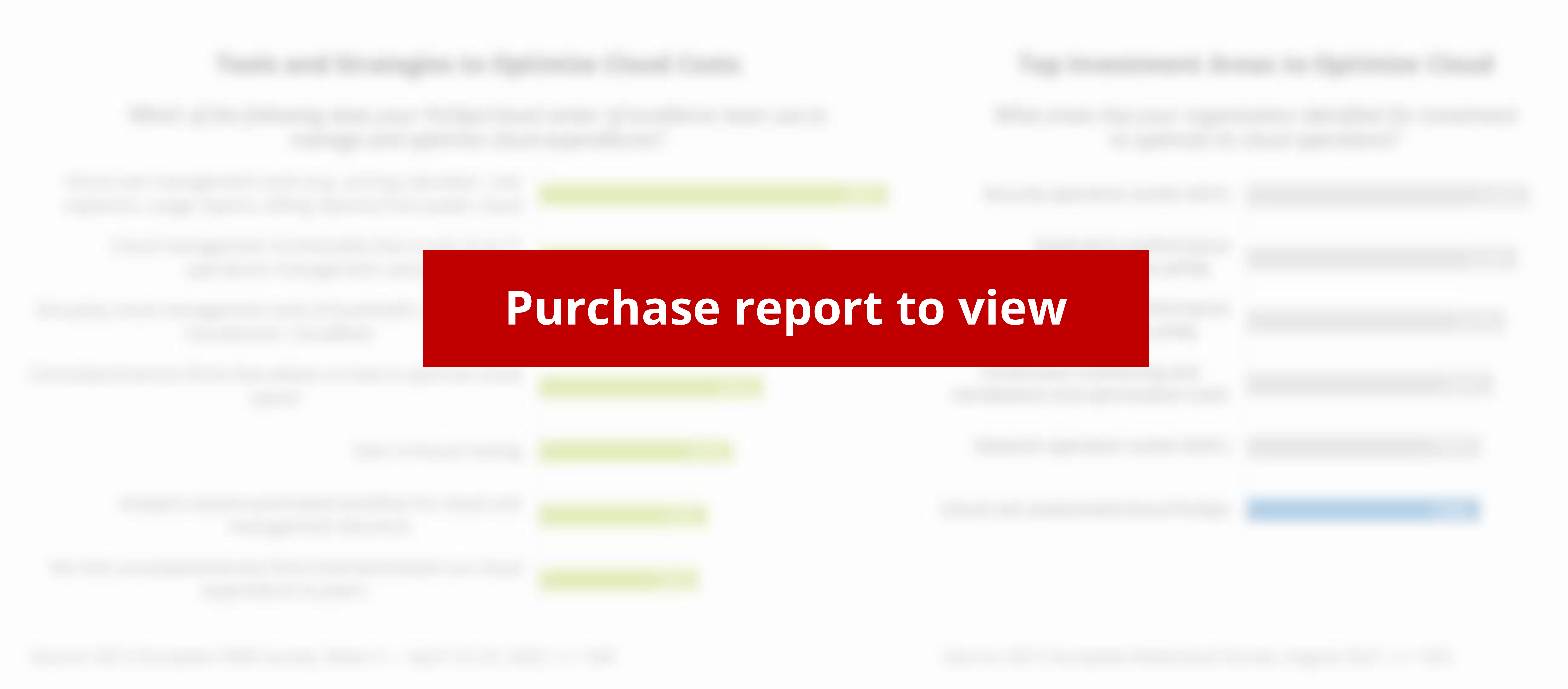
Use Crawl, Walk, Run approach to add new capabilities and build credibility

Key FinOps Capabilities

- Showback to chargeback
- Cloud resource optimization, review recommendations monthly
- DevOps education and best practices
- Cloud cost forecasting by quarter, then by month
- Continual improvement of metrics, contract management/renewal
- Introduce cloud governance with guardrails
- New project costing and ROI, set priorities for investments and portfolio
- Identify areas of automation and workload placement

IDC Tech Buyer Presentation, *FinOps QuickStart Guide for Enterprise Adoption*, Doc #US49689622

Choose Strategies and Investment Areas



Purchase report to view

Watch Out for Common Optimization Challenges

Top Challenges Facing IT FinOps Teams and CCoEs

North America	EMEA	APJN
Developing accurate cloud expenditure forecasts (49%)	**Understanding how to optimize cloud spend for architectural and business benefit** (38%)	**Establishing governance to ensure IT FinOps cost and optimization recommendations are implemented** (48%)
Understanding how to optimize cloud spend for architectural and business benefit (45%)	**Understanding cloud price models and how to apply these optimally** (32%)	**Allocating cloud costs to the correct team** (45%)
Getting insight into waste and oversizing (40%)	**Establishing governance to ensure IT FinOps cost and optimization recommendations are implemented** (31%)	**Understanding how to optimize cloud spend for architectural and business benefit** (40%)

These challenges indicate that many organizations are struggling to scale native capabilities or not getting the expected value from the capabilities of their FinOps tools. Cloud expenditures must be balanced against the strategic technology road map, and teams must use more granular cost allocations, milestones, and outcomes to fully understand the “who,” “what,” and “why” of cloud cost drivers. Look for vendors that proactively help buyers align costs to business outcomes to create lasting win-win relationships. However, tools need to go beyond graphs and reports to provide intelligence and conclusions from the data. Be skeptical of overly optimistic or unrealistic recommendations from cloud provider tools.

Source: Future Enterprise Resiliency & Spending Survey — Wave 1, IDC, February 2022, NA n = 235; Wave 1, January 2022, APJ n = 370, Doc #AP49123822; Wave 3, May 2022, EMEA n = 228, Doc #EUR149137522, May 2022

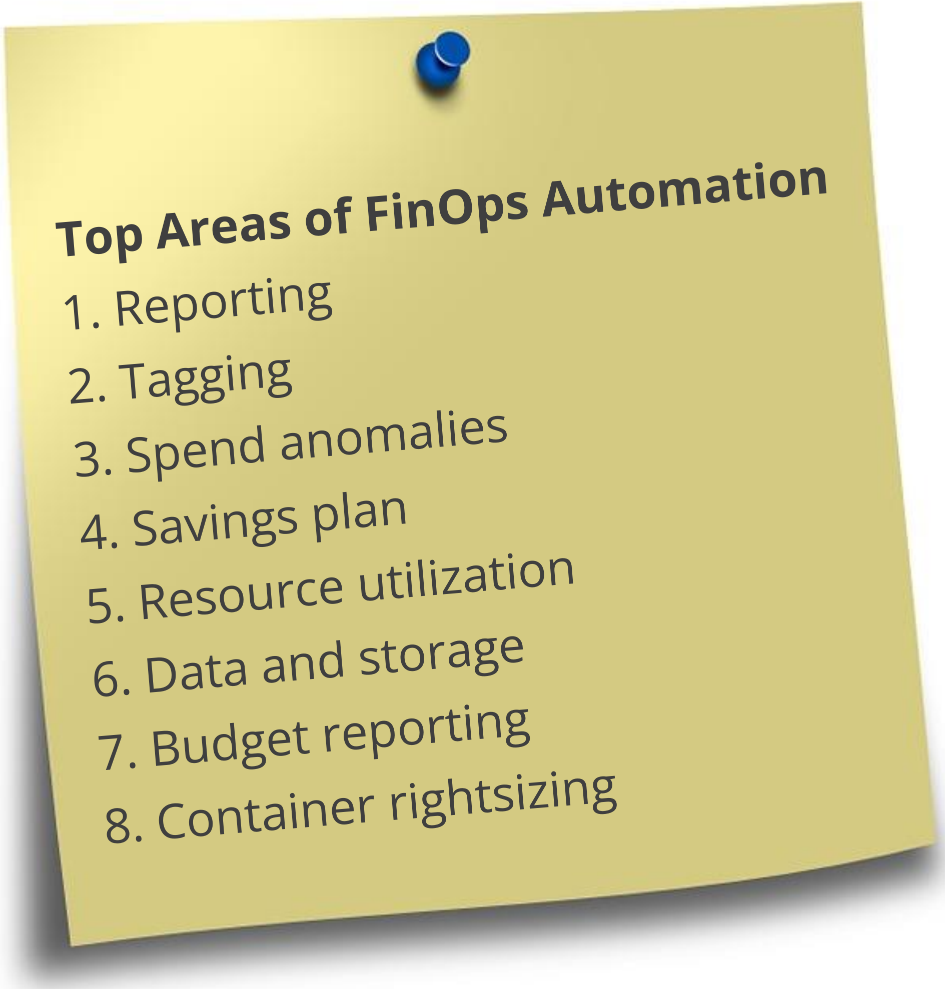
Roadblocks: FinOps Pain Points and Who/How to Resolve

Purchase report to view

Practices for Dealing with Top Challenges

Purchase report to view

Expand and Operate



Top Areas of FinOps Automation

1. Reporting
2. Tagging
3. Spend anomalies
4. Savings plan
5. Resource utilization
6. Data and storage
7. Budget reporting
8. Container rightsizing

Operate and Expand FinOps

Elevate Cloud Management Skill to a Strategic Level

As the FinOps organization matures, it should seek to embed FinOps in processes/operations and add skills, tools, capabilities, and units.

In this operate/run phase, key expansion areas are automation and SaaS management platform (SMP) capabilities. Automation projects typically have a high return on value, and even mature FinOps teams will struggle to maintain complex container and resource optimization without it.

Cloud cost transparency tools have been popular in the past few years for managing cloud spending of IaaS. Until recently, there was not a similar tool to surface spend on SaaS cloud. SMPs help manage, optimize, govern, and secure an enterprise's ever-growing SaaS usage.

Peer Advice: Operate

5

This phase includes:

- Automation
- Centralized billing
- Defined control and governance
- Communicating optimizations and spend patterns to Inform phase and stakeholders
- Embed FinOps in processes and operations

CIO Tip:

Embrace the journey.

Maturing FinOps requires a shift in how business thinks about the technology both on the front end and behind the scenes. Commit to clear and frequent communications to ensure strategy alignment and to share progress with metrics/KPIs.

Defined Control and Governance

"We're reviewing our budget every quarter and prioritizing the work we do from an IT perspective together with the business units. But we see the disconnect between the budgeting cycle the company runs. ... It's really unfortunate because there's so much value in reprioritizing the work every three months."

— CIO, global consumer goods organization

Communicating Optimization and Spend Patterns

“We have a corporate philosophy that shies away from a traditional budgeting process. I certainly must provide what I think our IT spend will be for 2023. But our point of view is that you could get locked in a budget and not do something that's very profitable just to try to stay within that budget. So, we try to avoid that exercise.”

— CIO, U.S. textiles organization

Embed FinOps in Processes and Operations

“Some small spenders say, ‘We don't spend too much on cloud, so we don't need FinOps.’ But it is the perfect time to start FinOps, so you have the discipline early on right when you do migrations and build on the cloud.”

— FinOps board member

IDC Market Presentation, *Downturn Economics: The Recession Tech Playbook — Focus on Cloud Economics*, Doc #US49989823

Add Additional Processes and Capabilities as FinOps Maturity Grows

Key Capabilities/Process	Justification/Description	Business Benefit
Cost allocation (metadata and hierarchy)	Enables clear reporting of cloud costs	Cost transparency
Data analysis and showback	Cloud consumers understand their costs	"You use it, you pay“
Managing commitment-based discounts	Spending and contract controls	Lower costs
Managing anomalies	Less wasted resources, cleaner environment	Less waste
Forecasting accuracy	Enables cloud investment planning	Clear options and better decisions
Managing shared costs	Enables clear cost allocations	Accountability of IT resource consumption
Cloud budget management	Optimizes maint spend vs. innovation balance	Focus on business value delivery
Resource utilization and efficiency	Maximize performance of key apps	Better customer experience
Workload management and automation	Agile infrastructure to meet customer demands	Do more with less or same staffing levels
Measuring unit costs	Enables benchmarking and KPIs	Continual improvement
Chargeback and IT finance integration	Enables accurate allocation of cloud costs	"You use it, you pay"
Data ingestion and normalization	Enables data-driven decision making	Better decisions and proactive resolutions
Onboarding workloads	Frictionless cloud provisioning	Provide new environments in minutes

IDC Tech Buyer Presentation, *FinOps QuickStart Guide for Enterprise Adoption*, Doc #US49689622

Use Automation to Optimize Value, Particularly for Containers

Purchase report to view

Add SaaS Management Platform (SMP) Capabilities

Many companies have dozens or even hundreds of SaaS-related subscriptions, using only Excel to manage.

SMP Definition:

Also referred to as SaaSOps, SMP is a process and usually a tool used to manage, optimize, govern, and secure SaaS products used within the business. The primary goal is to give greater visibility and accountability over the full range of SaaS enterprisewide. Today, no cloud cost transparency solution will optimize IaaS and SaaS spending in a single platform.

FinOps teams should add SaaS spending to their scope while maturing process around unit economics. Migration to SaaS can free up IT operations for higher-value roles in architecture and a Cloud CoE. Keep the focus on resiliency.

SMP Capabilities: SMP vendors must provide very different capabilities than cloud cost transparency products because IT rarely has a complete, centralized list of an enterprise's SaaS applications.

SaaSOps category products must:

- Provide visibility over a company's full range of SaaS solutions
- Allow administrative control over individual user and team access
- Manage solution integrations and policy adherence
- Dictate security and privacy policies relating to SaaS access and usage
- Provide process automation capabilities surrounding SaaS administration

IDC Market Presentation, *Downturn Economics: The Recession Tech Playbook — Focus on Cloud Economics*, Doc #US49989823

Develop FinOps: Metrics and KPIs — Externally and Internally

Purchase report to view

Recommendations for Scaling

Purchase report to view

Module Review

To establish and expand FinOps, you should:
Lay the groundwork for FinOps
Set up FinOps goals, processes, and culture
Build the ideal FinOps team
Add tools and capabilities to optimize FinOps
Expand and mature operations, adding additional LOBs, dashboards, and capabilities

Find more IDC research guidance to help your organization change the IT organization.

Explore idc.com

Additional Future Enterprise Planning Guides are available at idc.com/planning-guides.

Or reach out to your IDC IT Executive Programs (IEP) Success Manager for updates on the latest research in the series or to speak to a relevant analyst.