

Creating a Financially Sustainable Cloud:



A FinOps Perspective on
Obtaining Value,
Optimising Costs and
Driving Cultural Change



VERSION 1



INTRODUCTION

A staggering 30% of cloud expenditure goes to waste, as revealed by Forbes. Our own experience shows that on average we can reduce customer consumption by up to 20% for every pound spent. Microsoft's foresight in 2023 showed a potential 72% reduction in Azure compute costs through seamless, non-disruptive measures (e.g., reserving capacity or obtaining discounts). Despite these statistics, most organisations find themselves struggling to ensure they stay on top of cloud spend, as revealed by the FinOps Foundation in 2023. Indeed, Flexera's State of the Cloud Report 2023 revealed that managing cloud spend was the number 1 challenge for organisations for the first time in a decade surpassing security.

The overwhelming need for a clear return on cloud investment and cost optimisation has become increasingly apparent in today's business landscape. As organisations continue to leverage cloud services, concerns over spiralling costs, perceived lack of business value, ownership issues, and complex pricing and billing models have spurred the demand for effective solutions. Hindsight is a wonderful thing, and we now know that the easiest way to manage your cloud costs is to build FinOps principles and ways of working in from the very beginning, but for some organisations they're too far down the road and past this point, so we've built supporting services for all stages of maturity and abilities.



EXAMPLE: Cost Optimisation FinOps Offering

Pain points

- ❑ Spiralling / growing cloud costs with no or limited insight into why this has happened
- ❑ Perceived lack of business value from cloud use
- ❑ Lack of ownership and accountability
- ❑ Over-provisioned, under-utilised resources or environments
- ❑ Lack of or poor tag compliance to identify and quantify resource usage.
- ❑ Complex pricing and billing
- ❑ Conflicting business unit priorities
- ❑ Poor cloud architecture and overall governance
- ❑ Lack of waste cleanup and removal

Method

Aligned to the business' objectives, a discovery and assessment of your current cloud spend, and environment will identify the areas for remediation and improvement. Best practice cost control and optimisation measures will be identified, prioritised and on agreement, implemented, linked to operational process improvements to ensure measures form an ongoing and continual practice of managing costs.

Disruptive (changes to your cloud environment) and non-disruptive (changes to your pricing terms and conditions) can be combined to provide the greatest overall effect and outcome.

Outcome

Based on industry best practice, our experience, and intellectual property, we provide the basis to deliver a long-term cloud cost optimisation solution. Our staged optimisation process will identify unused resources, implement rightsizing and consolidation, waste identification and removal, implement auto-scaling, automation, budgets, and policies amongst other practices to achieve the optimal outcomes. We deliver increased visibility of cloud costs by also considering non-disruptive measures that do not impact operations such as utilising reserved capacity at a discounted rate, mitigating software rental costs with BYOL and negotiating beneficial contract terms and concessions.

Benefit

- ❑ Immediate cost optimisations will provide assurance your cloud spend is truly based on your current needs and usage.
- ❑ Lasting impacts to ensure your costs remain controlled and optimised, creating greater confidence on the deployment and management of cloud resources.
- ❑ Confidence that your pricing approach is optimised for your needs and structured for the immediate term.



EXAMPLE: FinOps Operating Model (Consulting)

Pain points

- ❑ Difficult to harmonise teams when DevOps and engineering are not Finance, Procurement is not technical and C-level executives just want results.
- ❑ No idea if an optimised cost is also money well spent – who is responsible for determining the return of investment of cloud spend, and how is this measured?
- ❑ Difficulty in maintaining control and visibility of cloud spend over the long term.
- ❑ Lack of ownership of resources and financial accountability
- ❑ Speed of deployment and the ability to remain agile is often not quantified against business value.
- ❑ Poor communication about long-term business objectives provides no context for the role and importance of day-to-day operations.
- ❑ Processes hinder progress or fail to bring spend under sustainable long-term control.
- ❑ People lack the skills and knowledge – or authority to feel comfortable with controlling cloud spend.

Method

A successful and sustainable FinOps capability requires shared responsibility within any organisation and is a cultural as well as technical shift. Establishing an effective FinOps discipline brings together technical and non-technical staff, requires collaborative processes and communications through a well-structured operating model that spans governance, processes, people, and technology. If security is job number 1, FinOps can be considered job number 1.1 and like security, is everyone's responsibility. With a focus on business value, we define an optimal FinOps operating model that places all involved at the heart of ensuring FinOps is fully embedded in the culture of the organisation, 2nd nature and that spend is fully linked to that value on a continuous basis.

Outcome

Through assessment and analysis of your Governance, People, Processes and Technical landscape using our own FinOps framework and methods, we will identify areas for improvement and remediation, including recommendations on any structural changes required to implement FinOps as an organisational capability with a lasting impact. To be successful, FinOps must be sponsored and there must be a willingness to embrace change, therefore we recommend executive ownership / sponsorship of the operating model.

Benefit

- ❑ **Lasting:** Establishing a FinOps operating model will ensure that there are lasting and permanent changes that ensure value is realised, benefits understood, and costs are optimised.
- ❑ **Agility:** FinOps provides data-driven insights to enable organisations to be flexible, agile and adapt to changing demands or requirements. This helps reduce friction between teams as change becomes less complex and costly.
- ❑ **Transparency:** FinOps enables cloud costs to be accurately forecasted, budgets set and unforeseen overspend avoided. Enhanced visibility of cloud spend allows for better informed data-driven decisions to be made. Granular reporting instils accountability and promotes the need for responsible cloud use.
- ❑ **Collaboration:** FinOps brings together IT, finance, procurement, product owners, operations and C-level executives to develop collaboration and communication to achieve a common objective. This improves understanding of roles, priorities and challenges to help align different mindsets through empathy and a common purpose.
- ❑ **Mindset:** Adopting a principle of shared responsibility for cloud spend can help stem or reverse apathy across an organisation by promoting a culture that demonstrates the value and importance every role has within the organisation.



TAKING CONTROL AND SPENDING WISELY, IN A LASTING WAY

So, how do you take control of your financial operations and manage lasting change effectively?

At a simplified level there are two 'levels' most companies are looking at when it comes to tackling the issue:

1. Managing and optimising cost now – reducing cloud spend in the immediate term.
2. Organisational Adoption of FinOps – how to embed FinOps as a lasting discipline.

If you're not sure what stage you're at, ask yourself which of these sounds closest to your current dilemmas:

1. Do you know what your current cloud spend is? And in that, where the large portions of that spend is coming from, and whether it's adding value to your business? Is everything tagged, measured, and reported on?
2. Do your team understand the importance of managing cloud spend, and the effect each department has on the wider business? Do you think they would know what to do, and feel able to do it if they spotted something that isn't right?
3. Do you, or your team, know how to create lasting change within the organisation to make cloud spend effective for you and have buy in across the board to committing to that journey?

It's important to note that maturing your FinOps capability may well move at different rates across governance, people, process, and technology domains. For example, immediate cloud spend savings can be achieved without necessarily amending processes or changing the culture of your organisation – they may follow later. Regardless, we define 3 stages across these domains, that allow each to set their own pace of change to achieve an optimal outcome.



Stage 1: Enlighten and Inform

Diagnose and assess your current maturity.

Key activities

- Conduct a FinOps Readiness Assessment to determine the organisation's current capability and readiness for cloud financial management.
- Perform a read-only cloud environment review.
- Assess the current state of your FinOps operating model, your organisations culture and ability to sustain FinOps as a discipline.
- Build and mobilise the team.
- Agree the scope and terms.

Deliverables

- FinOps Readiness and maturity scoring profile, gap analysis & recommendations to address these.
- Deep dive discovery of cloud & SaaS commitments, entitlements, and deployments,
- Understanding of people, process & systems.
- Define communications strategy.
- Risk register of cloud & SaaS commitment and license entitlement.
- Recommendations, actions and action plan across Governance, People, Process and Technology.

What does this help with?

- ❑ At what stage of the FinOps journey is the business?
- ❑ What are the information and data gaps?
- ❑ What is the scale of the problem? – where are the issues across Governance, People, Process and Technology
- ❑ What is the art of the possible?
- ❑ Are stakeholder responsibilities, activities & timelines understood, agreed and known to form an effective, structured roadmap?
- ❑ How do we communicate the need for & importance of FinOps to the business?
- ❑ What can be done, which areas need remediation and what can be improved?

Stage 2: Prioritise and Optimise

Begin the process of taking control, realise savings.

Key activities

- ❑ Design of activities in accordance with recommended actions, across domains of governance, people, process, and technology.
- ❑ Confirmation & agreement of roles and responsibilities, timelines, and milestones for a clearly defined set of deliverables and strategy for implementation.
- ❑ Implementation of immediately identified cost savings and optimisations can commence whilst longer term changes across governance, people and processes catches up.

Deliverables

- ❑ Implementation of baseline operating model, covering governance and controls, consumption costs, use-case needs, contractual commitments, and entitlements.
- ❑ Established progress reporting measurements and mechanisms for timelines, roles and responsibilities, dependencies, targets, and actions.

What does this help with?

- How do we define and design FinOps programmes of work?
- What does a FinOps roadmap look like?
- Who can deliver FinOps actions?
- How should change be remediated?
- How do we determine what the priorities should be?

Stage 3: Operate and Continuous Improvement

Evolve your FinOps capability and embed it as permanent discipline.

Key activities

- Implement and mature Governance, People and Process changes to establish the target FinOps operating model.
- Continual assessment and reporting of KPIs and costs.
- Work with organisation to create a FinOps Centre of Excellence to integrate FinOps culture and champions.
- Linkage of FinOps to business value and return on investment in cloud spend.
- Continuous Improvement.



Deliverables

- Implement processes & procedures (tagging, approvals, budgets etc.).
- Continual disruptive remediation (well-architected deployments, reducing oversized or not needed, and effective scheduling of resources).
- Continual non-disruptive optimisation (BYOL, reservations/savings plans, contracts).
- Continuous and trackable cloud spending progress reports with KPIs & an established cadence.
- Transition to FinOps-as-a-Service or handover to the customer for the inhouse continuation of the process.

What does this help with?

- How to adopt cultural and organisational change through FinOps?
- How to implement FinOps governance & policy at scale?
- How to reduce resource wastage & unused resources?
- How to enable & use automation to reduce operational & consumption costs?
- How to accurately forecast, set budgets & alerts?
- How to maintain effective FinOps as an operational procedure through continuous improvement?
- How to ensure money is well spent and facilitates a return on investment.

For most, the issue of getting cloud spend under control is a pressing one. Version 1 has built several service offerings and associated accelerators to help you with your FinOps journey, wherever you are in that journey and no matter what your focus is. Some of these include:

- FinOps Readiness Assessment
- Retrospective Tagging Solution
- Azure and AWS Marketplace Offering
- Landing Zone Accelerator Tagging Module
- CloudBridge Cost Modules
- FinOps Maturity RACI Matrix
- Non-Disruptive Costs Reduction Analysis
- FinOps Consulting

Wherever you are in your journey Version 1 can support you to take control of your cloud spend and implement the organisational change necessary for long term benefits – contact us at sales@version1.com

About Version 1

Version 1 is a leader in digital transformation, partnering strategically with global organisations to transform and adopt technology and drive innovation in a responsible way. With an end-to-end offer designed to address the most difficult challenges faced by clients, and supported by the latest cutting-edge technologies, Version 1 is focused on delivering successful client outcomes through the power of world-class teams. This pledge is underscored by the key principles of the organisation, a triangle of balanced priorities comprising customer success, empowered people, and a strong organisation. Version 1 is made up of a fast-growing team of 3200+ people across 4 continents, all innovating differently to drive value through sustainable transformation.