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Executive
Summary

FinOps (Cloud Financial Management) is essential to ensure members of your organization are taking ownership of their cloud use, primarily from a cost optimization standpoint. Over the last year, organizations around the world have experienced outside forces that have disrupted their typical business operations. There is no doubt that the cloud has become one of the biggest business disruptors to date, and now organizations must be able to leverage this technology to add value and boost efficiency.

Today, cloud technologies sprawl across several different departments within an organization, not just information technology (IT). And at this level of cross-ownership, it is very easy for organizations to lack the visibility needed to control costs. Without a complete view of the deployed cloud environment, you are likely wasting precious time and resources reconciling spend with business value.

Further, organizations have dealt with difficulties in optimizing spend and even security. These have been a few of the biggest challenges facing businesses today, heightening the need for stronger cloud financial management.

Leveraging the FinOps operating model, organizations can gain the visibility they need to optimize their cloud investments. When you bring financial accountability to the cloud, you're empowering your teams to make better, more informed business decisions. Cultural change is a crucial element of FinOps.

Ultimately, FinOps is about the adoption of technology, finding ways of working with new technologies, gaining accountability for spend, and giving people ownership over their costs and cloud use. While technology can help facilitate these changes, people will always be at the center.

At SoftwareONE, we combine the commercial and technological aspects of your FinOps journey to help you transform your organization efficiently, collaboratively, and cost-effectively.

Through our Software Lifecycle Management (SLM) and Technology Service (TS) offerings, coupled with our proprietary platform PyraCloud, we bring together the people, processes, technology and automation needed to set you up for success. Let's discuss how this cultural change can be combined with the right systems and best practices to make your organization's cloud financial management stronger than ever before.

Chapter 1
What is FinOps?

FinOps is the operating model for the cloud – combining systems, best practices, and culture to increase an organization's ability to understand cloud costs. It is the practice of bringing financial accountability to cloud spend – enabling global teams to make informed business decisions. FinOps empowers collaboration between IT, Engineering, Finance, Procurement, and the business. It enables IT to develop into a service organization that focuses on adding value to the business with cloud technology.

The Financial Operating Model for the Cloud	Enjoy the benefits of having an efficient, long-standing process in place.
Introduce Accountability	Introduce accountability for cloud spend in order to achieve full visibility and uncover new insights.
Roll Out a New Corporate Culture	FinOps must be adopted by everyone within the organization, which means a shift in corporate culture is imperative for financial and operational control.
Enable Data-Driven Decision Making	When you have complete visibility into your cloud costs, you can get the data you need to make better business decisions.
Enforce Cloud Cost Optimization	FinOps is not a one-time activity, but rather an ongoing operating model. Continue to enforce Cloud Cost Optimization so your organization never loses control of spend.
Accelerate Fulfillment of Customer & Market Requirements	FinOps allows you to optimize through automation, meaning you can accelerate the fulfillment of customer needs and market requirements.

Today, IT costs typically include licensing, data centers, cloud, support, people, and more. It can be incredibly difficult to have an eye on the full breadth of this spend if you do not have the proper processes in place to track and manage it. When your organization implements effective FinOps, you can use the financial resources saved to drive modernization. By practicing stringent financial management, you can make more money to invest back into the business. You can funnel resources into innovation instead of wasting them due to a lack of cost optimization.

OPEX vs. CAPEX

In order to understand the full benefit of FinOps, let's first talk about capital expenditure (CAPEX) and operational expenditure (OPEX).

CAPEX	is typically used to buy or invest in the purchase of services and goods for the greater benefit of an organization.
OPEX	is the costs a business incurs from day-to-day operations.

The cloud is classified as OPEX, which means organizations who migrate to the cloud would be moving from a CAPEX-heavy investment model into a higher OPEX model. Typically, when an organization has a higher operating expenditure, they need to factor that into their business model, whereas CAPEX depreciates over time.

For this reason, many organizations have concerns about their rising OPEX costs once they move to the cloud. Businesses are coming to the realization that since every employee consumes technology, consumption will be categorized as OPEX. Take Software as a Service (SaaS), for example.

Many customers are moving away from their data centers and purchasing SaaS services instead of moving their existing applications to the cloud. This trend has created a problem around SaaS management in particular, since SaaS is considered OPEX spend. As shifts like this continue to grow, leaders and other key decision makers may feel as though they are no longer in the driver's seat when it comes to spend.

If you identify with this very challenge, don't worry. FinOps is designed to provide the transparency, predictability, and governance needed so you won't become overwhelmed with OPEX costs.

With FinOps, you will be able to make better use of your budget through optimization and the identification of new cost savings opportunities. Then, you will be able to repurpose those cost savings, creating a huge opportunity to reinvest in your business and gain a competitive advantage.

Chapter 2
Why FinOps?

While the cloud promises many benefits, it's not without its challenges. Interestingly, many of these challenges originate from within organizations, often due to a poorly-enforced culture around managing cloud finances. This is why it's crucial for organizations to define and implement a FinOps governance model. If the employees within your organization don't have a model to follow, your strategy will not succeed.

One of the first boxes to check should be creating this governance model and then communicating exactly what it entails to your organization. After all, everyone must know the guidelines in order to properly follow them.

Beyond culture, there are plenty of other hurdles organizations may experience when it comes to the cloud. Here are a few of the main challenges many cloud customers often experience:

CUSTOMER CHALLENGES
with Cloud Financial Management

	Constant change within the cloud	Gaining and maintaining knowledge and experience on different cloud spend optimization techniques.
	Realization of savings	Identifying suitable candidates, implementing savings and measuring cost control / reduction, KPI achievement.
	Pitfalls prevention	Understanding the technical and licensing implications for each optimization strategy.
	Cloud spend visibility	Knowing where the current cloud costs come from with confidence that we aren't paying too much.
	Mitigation of business risks	Continue modernizing IT with control over the cloud cost.

Constant change – One of the biggest benefits of using the cloud is its inherent flexibility and scalability. However, these same benefits can easily become pain points without proper FinOps practices. Organizations need to have cloud spend optimization techniques that will confront issues like Shadow IT and license misuse. **Remember:** when you optimize your processes, you will be able to reinvest in your business and drive innovation in a way that was not previously possible.

No immediate savings – Moving to the cloud has the potential to make your IT investments more efficient. However, this is not a given. Organizations need to build a business case around materializing cost savings. This means they must identify the best possible solutions for their needs, implement specific measures to contain costs, and set KPIs to make cost containment a priority.

Complex technical implications – Moving from on-premises to cloud is a journey. Organizations need to understand the complex terms of their existing license agreements before they sign any contracts – and if the contract has already been signed, it's important to examine its impact retroactively. This is essential to remain compliant and lower wasted spend. In addition, it is important to understand the implications of selecting the right cloud services to use, as it is important to have access to the right skills and expert advice.

Poor visibility – If you don't have visibility into your cloud estate, it's difficult to determine sources of wasted spend. You must have insights into every aspect of your cloud environment. For example, tagging strategies can help your organization keep track of cloud resources and allocate costs back to the departments driving usage. Having full visibility into your entire cloud environment allows you to continuously identify optimization opportunities and make the necessary adjustments.

Increased business risk – If you can't predict your future cloud spend, you are at risk of exceeding budgets and derailing modernization initiatives. This may cause a disruption to your overall strategy and could give your competitors an advantage.

THESE CHALLENGES ARE NOT RESTRICTED TO A SINGLE INDUSTRY
They can be shockingly consistent across multiple industry verticals. Historically, all industries have slightly different experiences in terms of how the disruption impacts them. But the cloud has changed this – disrupting businesses with the same speed and impact no matter the industry.

CLICK TO SEE INFOGRAPHIC
"DIGITIZATION CAUSES MARKET DISRUPTION"

FinOps: A Transformation Investment

Most businesses are now trying to balance digitization, agility, automation, and costs – often with a budget that is too small. When faced with a challenge like this, many IT teams default to cost containment measures. However, focusing solely on shrinking the expenses of these transformative initiatives is rarely conducive to a positive outcome.

Rather, IT teams need to position their FinOps initiative as a way to not just save money, but make money. Let's begin by referencing the image below.

In this picture, we see that most businesses spend 55 percent of their budget on basic operations, 26 percent on growing the business, and a mere 19 percent on innovation.
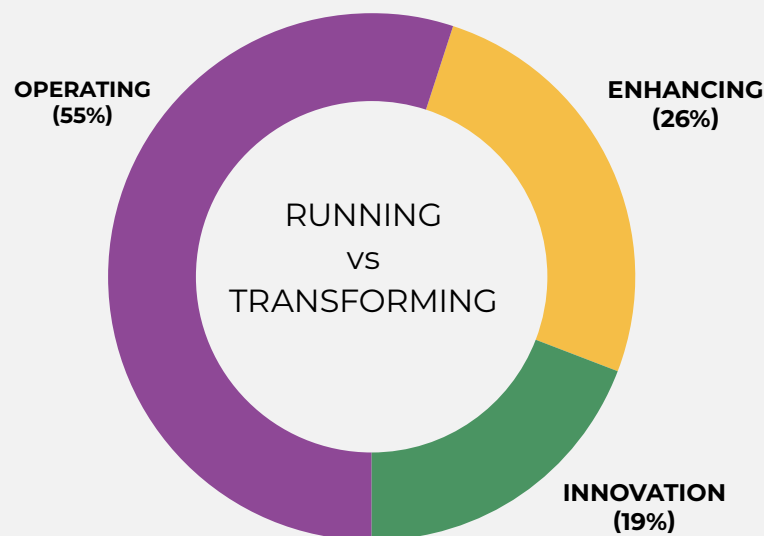
However, it's important to not look at all sources of spending as equals. For example, spending on innovation should remain static or expand since innovation is the lifeblood of business, and IT leaders must focus first on growing revenue, not only on cutting costs. To this end, any reduction in operating costs should be reinvested into growth - not cut out of the budget entirely.

This radical change in perspective can't be made solely through a PowerPoint with rational data points. The bottom line is, if your culture doesn't change, your business could cease to exist. There are various barriers to enacting culture change, with most concerns revolving around an insufficient budget. While it's important for organizations to make room for a FinOps budget, we know this isn't always easy as you're often taking care of escalations that consume resources, time and budget unexpectedly. As a result, you end up focusing on operational and maintenance tactics leaving little time, resources and dollars to focus on what really matters – innovating!

That's why Managed Cloud services are rising in the market today. While the cloud promises cutting-edge technology and operational efficiency, it requires quite a bit of upkeep. Unfortunately, many teams get bogged down by the day-to-day demands of the cloud and they're unable to find new and innovative ways to use the technology. With a managed service, they'll have the time in their day to experiment with new ideas.

OPERATING (55%) **ENHANCING (26%)** RUNNING vs TRANSFORMING **INNOVATION (19%)**

CLICK TO SEE COMPLETE INFOGRAPHIC
"RUNNING vs TRANSFORMING"

WHY ORGANIZATIONS SHOULD CARE ABOUT
CLOUD FINANCIAL MANAGEMENT

27%
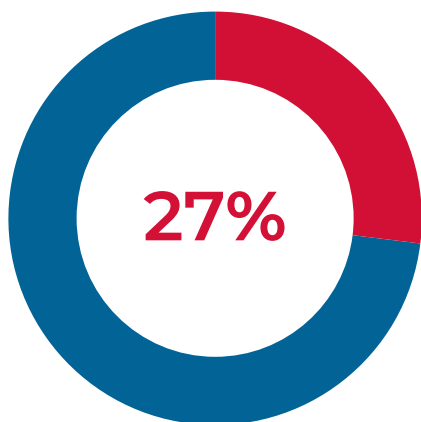
### The feeling of being mature

Only 27 percent of organizations feel they are "very mature" when it comes to optimizing software license spend. A lack of maturity in this realm results in wasted spend, but can be remedied through a comprehensive FinOps strategy.

Source: Flexera 2021 State of Tech Spend Report

Unused software

Over 30% of any new software and cloud expenditure will be unused through 2022. This is a clear signal that this area requires strong attention as it might have a huge impact on your business if not solved carefully.

Source: Flexera 2021 State of Tech Spend Report

30%

35-45 %
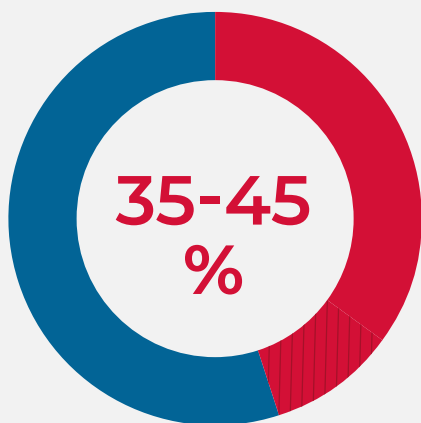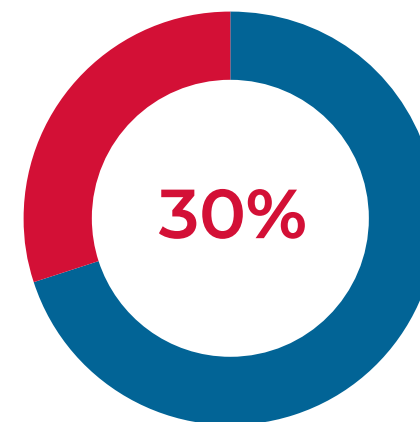
Waste of cloud spend*

Organizations are wasting approximately 35 to 45% of their cloud spend. The reason behind this waste is that many organizations do not maximize the value of license assignments, and most do not have a governance model to check compliance.
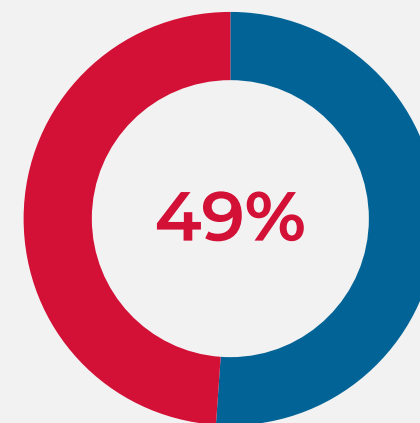
Lack of cloud spend mangement

49% of customers say they have little or no automation for managing cloud spend.

Source: State of FinOps Report 2021

49%

*The **top areas of waste** include over-provisioned or idle instances, abandoned cloud resources, and sub-optimal license assignment methodology.

Source: Flexera's 2020 State of the Cloud Report

Chapter 3
Getting Started with FinOps

Managing software and cloud spend requires your organization to make the most informed decisions based on the highest-quality data. The FinOps practice aims to bring your organization to this level of decision-making through **three specific phases: Inform, Optimize, and Operate.** These three phases enable different teams within your organization to have access to the information required to stay informed and make data-driven decisions concerning the cloud.

Why Do Other Teams Need Cloud Visibility?

Moving from CAPEX to OPEX has a far-reaching impact across your whole organization, and it's important that your cloud cost management strategy aligns with business objectives and includes relevant departments.

Departments like Finance need to familiarize themselves with the pay-as-you-use utility model of cloud, including elasticity and usage-based billing, and they need visibility in order to effectively manage costs.

Departments need to budget for existing and new projects with the ability to track current usage and spend, and forecast future spend. Without visibility they are unable to do this effectively.

IT needs to continuously optimize cloud environments to ensure workloads are running as efficiently as possible. Without visibility into how resources are being consumed, they cannot identify underutilized or unused resources and implement optimization strategies.

Cloud cost management can deliver tangible value. Business, IT and Finance teams must all work together to fully understand the costs behind the cloud resources being consumed and how these can be optimized. There are drawbacks to leaving out key stakeholders. If they are not consulted, you may end up struggling with the following challenges:

- Identifying who has ready access to the data.
- Understanding which teams outside of the IT department have a stake in cloud technologies for managing spend.
- Informing stakeholders and effectively analyzing the data to identify areas for optimization.

Let's break down three different phases of the FinOps journey that will open the doors for granular visibility across business units.

1. Inform

The Inform phase of the FinOps lifecycle is about truly gaining an understanding of your cloud spending in terms of governance and potential areas of cost savings.

First, think about cloud spend in terms of governance. Ask yourself, "Who is responsible for controlling it?" Your mind might immediately jump to two teams: Finance and IT. However, these two teams are only part of the story. In practice, good FinOps is a lot like good cloud security – everyone is responsible for it.

With that said, it's important to divide and conquer when it comes to FinOps. Start by defining key stakeholder groups and work with those groups to determine who is responsible for certain aspects of your governance framework.

This group of stakeholders is often described as the **"CLOUD CENTER OF EXCELLENCE"** and may include representatives from the following teams:

IT	(Specifically IT Leadership) should lead the charge on a FinOps initiative, as they will have useful knowledge regarding the technical aspects of cloud solutions.
Finance	Finance should come to the table with details on where cloud spend occurs, and supply any financial outcomes that can be directly attributed to those cloud solutions.
Operations	Operations should have a firm grasp on how the cloud impacts workflows, processes and productivity, and understand any interdependencies between cloud applications.
Security	Leaders from the security team will bring an in-depth understanding of how existing and upcoming cloud initiatives affect cybersecurity.
Business Product Owners	This represents a broad group of personnel that use your organization's cloud solutions in their day-to-day role. Try to bring at least one user from each department to the table to gain a better understanding of how they use cloud solutions to drive business value. These representatives will also help you communicate any new requirements downstream.

Once you've built your Cloud Center of Excellence, move on to questions more closely related to cloud costs. What is your forecasted spend? Could you be overlooking potential savings opportunities? To get a clear answer to these questions, it is important to have tools and processes in place so that you can continuously monitor your cloud spend.

With **SoftwareONE's proprietary digital platform PyraCloud,** it is not just the IT department that gets access to cloud spend insights. Procurement and Finance departments specifically can have their own unique dashboards configured to provide quick access to cloud spend data.

PyraCloud allows these teams to have their own custom views and shareable reports so they can model, manage, and track spend in the most appropriate way for their department. Further, this all-in-one platform provides the visibility organizations need to manage spending across their on-premises software assets and multi-cloud environments.

2. Optimize

The Optimize phase is all about learning to empower your teams by providing actionable recommendations. This, in turn, helps teams identify, implement, and measure the efficiency of their optimizations. During this phase, you will focus on aspects such as saving time and money, giving key stakeholders access to timely spending reports and usage data, and uncovering savings opportunities.

Here at SoftwareONE, we offer a unique approach around how to optimize your current costs. We recommend leveraging right-sizing and right-costing:

Right-sizing savings are those that optimize costs by changing the technical specifications of the resources which are running in the cloud environment.

Right-costing strives to optimize costs by leveraging commercial cost-savings programs from the cloud provider alongside your own cost-savings services. This is important because while many cloud providers have their own cost-savings programs, they don't usually factor in licensing implications. Understanding the cloud provider's cost-saving programs requires specialist knowledge and expertise provided by a partner. A third-party service can fill this gap.

On top of this, you can further optimize costs by automating elasticity, power cycling and the reduction of under-utilized resources in your AWS and Azure environments. Through Cloud Cost Optimization, you can achieve the best of both right-costing and right-sizing optimization strategies. At SoftwareONE, we specialize in providing advice in this realm – we can quickly identify and provide suggestions to minimize cloud waste, and our efforts have resulted in customer savings of 10-25% per annum.

Plus, when you partner with SoftwareONE, you will receive the tools and technical support you need when it comes to AWS and Azure. Our Simple for AWS and AzureSimple offerings give you access to PyraCloud, which will allow you to optimize at a more granular level and uncover new opportunities.

3. Operate

In this final phase of the FinOps lifecycle – Operate – organizations must learn how to lay the foundation for ongoing adoption. After piecing together what has been uncovered through the **Inform and Optimize phases**, you will turn your attention towards building governance policies that enable the goals of Technology, Finance and the Business to be jointly achieved. You should start by defining what you want to monitor, then implement a reliable monitoring solution and create real-time shareable reports, taking advantage of automation and optimization opportunities.

Again, the IT team is not the only department that needs to manage aspects of the cloud. PyraCloud allows all teams to get quick access to data, enabling more effective cloud spend management and negotiations of cloud agreements, allowing you to be more productive and informed.

PyraCloud can analyze your usage over a defined period of time to provide intelligent recommendations, e.g. where you can buy money-saving reserved instances or where you can shut down or resize your virtual machines. You can also track AWS Savings Plans to ensure you don't have any unused discounts and use recommendations to optimize usage.

Furthermore, you can take advantage of automation to turn off compute and databases when they are not in use – maximizing the pay-as-you-go elasticity benefits of AWS & Azure. You can automatically adjust the auto scaling settings of your machines to scale with demand and ensure you're only paying for what you need.
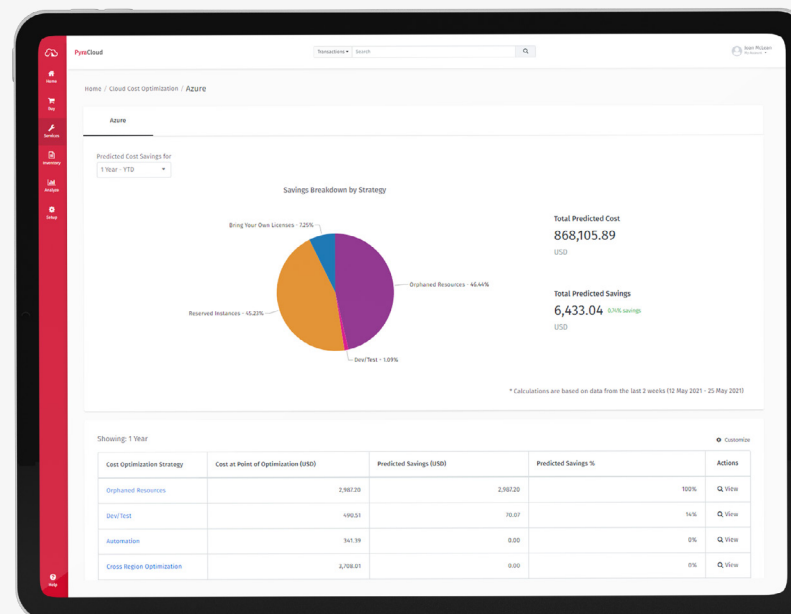

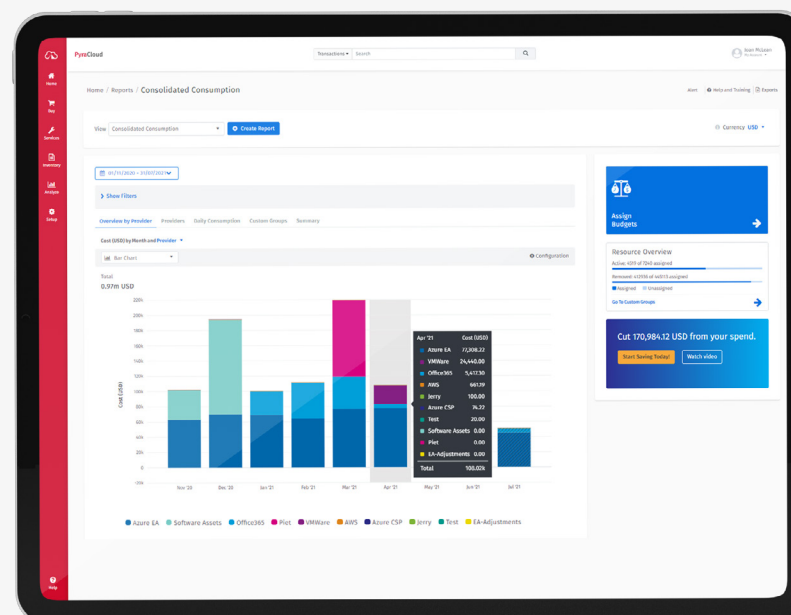**Figure 1** - Cloud Cost Optimization Dashboard in PyraCloud

Figure 2 - Consolidated Cloud Consumption in PyraCloud

Chapter 4
Reaching Your Goals

At SoftwareONE, our grand vision for FinOps revolves around the fact that we are masters of both the cloud and software. We are here to support your strategy from both a commercial and technical aspect. This gives us a unique perspective on how to minimize risk and maximize ROI in a way that places an emphasis on people, process, and technology. For instance, moving to the cloud is an important initiative – but many businesses have legacy applications that must be run on-premises, and cannot be moved to the cloud.

Choosing a partner that solely focuses on cloud expertise might not identify these barriers ahead of time, and they will likely struggle to optimize your on-premises environment from a risk, procurement, or sourcing perspective.

On the flip side, a partner who focuses primarily on optimizing on-premises software will have a difficult time maximizing the value of your cloud investments from an infrastructure, policy, consumption, and SaaS licensing perspective.

Neither of these types of partners will give you the best fit. Instead, you need a partner who understands the commercial goals of your business, and understands how to use technology to realize those goals. Further, the partner shouldn't only provide advice - they should be able to take action to fulfill your goals when needed.

Where SoftwareONE Can Support

Moving to the cloud not only provides financial benefits, but also an increase in business agility. If you manage this shift correctly, you'll be able to save on operational costs while finding opportunities to develop new, innovative capabilities for your organization. Unfortunately, getting to the point where your cloud solutions are properly managed requires a comprehensive modernization initiative – and putting that initiative together requires a lot of planning and expertise.

With SoftwareONE, you can achieve both of these requirements by leveraging our framework for optimization. We'll take a close look at your current on-premises and cloud deployments, and look for opportunities to do more with your existing investments using an advanced software management approach. We can help you find opportunities to divert operational spending to spending for innovation. We fully understand that FinOps is about more than just saving money – it's about making money.

Working with SoftwareONE will deliver unique benefits, such as:

Cloud Migration Support

We help you move your servers and applications to the cloud, allowing you to cut back on the cost of running your own centralized computing networks and servers, so you can improve your speed to market.

Enhanced Visibility

By using our proprietary PyraCloud platform, you'll be able to view your entire software estate through a single platform, whether your assets are in the cloud or on-premises. We even take it one step further with automated tagging for accurate showback and chargeback, and alerts for usage and spend anomalies.

Cloud Management

When your organization partners with SoftwareONE, you'll be able to access granular, data-rich shareable reports through our PyraCloud platform. We make it easy to track resource usage, configure alerts, and automate processes like scaling cloud usage to respond to demand.

Minimized Risk

Whether it's from a compliance or a security perspective, we'll ensure your business stays in the clear when it comes to common risks. By providing visibility and recommendations for cloud usage, you can remove unauthorized or unused licenses and receive immediate alerts when suspicious activity occurs.

Maximized ROI

Investing in innovation and modernization will not only help your team derive cost savings around FinOps, but also enhance existing tools and transform business operations.

SoftwareONE ensures your approach to FinOps is well rounded. We offer the following services to assist in this:

Cloud FinOps Diagnostic

This service will help you establish a baseline for your existing FinOps strategy. We'll assess your maturity level and share best practices along the way that can enable your enterprise to innovate with cloud technologies – specifically Azure and AWS. When we perform this in-depth assessment of your current on-premises and cloud environment, we can quickly identify any issues and provide actionable recommendations to resolve them.

Cloud Cost Optimization

Cloud Cost Optimization goes hand-in-hand with FinOps. With this service, we'll work with your team to find areas of savings and reduce risk, all while saving your team time and effort.

Managed Cloud

Making the most of your cloud deployment (whether it's on Azure or AWS) can be difficult. Through solutions like Simple for AWS and AzureSimple, you will gain ongoing assistance with aspects like cloud governance, configuration, security, backups, and more. This will give your team more time to innovate.

PyraCloud

After your migration is complete, you'll gain access to PyraCloud – a single platform for managing your software and cloud needs. Visibility is often a problem when it comes to ongoing cloud financial management, and PyraCloud provides the solution. Your organization will benefit from clear visibility over your cloud estate through optimized costs and the identification of new opportunities. You'll get a tool that allows every team in your business to understand sources of cloud spend at a glance, while also providing automated capabilities to optimize cloud spend and insights into right-sizing and right-costing your deployment.

SaaS Management

Our SaaS Management service is designed to provide organizations with the right tools, processes and expertise to discover, track and optimize their SaaS use and spend while promoting a culture of accountability for SaaS spend across the businesses' stakeholders and users.

Managed FinOps

Finally, our Managed FinOps service provides you with our multi-cloud management platform, PyraCloud, and our highly successful consultancy service as an ongoing offering throughout your cloud lifecycle. Managed FinOps helps you develop a right-sized, technology-led and cost-optimized cloud strategy that meets and exceeds both technology and business requirements – allowing you to achieve the strategic goals of IT, finance, and the business.

Conclusion

Organizations using the cloud face unique challenges such as cost transparency for consumed resources, ability to optimize, decommissioning **"zombie resources"**, or even being able to accurately report and forecast costs in an ever-changing cloud infrastructure. Through optimization and automation, you will be able to overcome the many challenges that come with the cloud and begin to enjoy the benefits that come with adopting the practice of FinOps. **FinOps can help your organization take full control of its spend and drive innovation.**

SoftwareONE will marry the commercial and technology aspects of cloud migration, usage and control in a way that is seamless and straightforward and will make all of our FinOps expertise readily available to your team to help you optimize and operate your cloud deployment. We combine the power of PyraCloud, Software Lifecycle Management (SLM), Technology Services (TS), and ongoing cloud optimization all in a single package.

Usually, you'd only get these benefits with several separate developers and vendors – but we pride ourselves on providing these services and tools in a single, intuitive offering backed by the expertise of our consultants who support you in identifying additional potential savings opportunities. By choosing to get all of these services from a single vendor, your IT team won't need to waste time and energy coordinating with multiple providers. Instead, you'll gain all of these benefits through one single partnership, saving you money, time, and sanity. The ultimate goal is for your organization to stop worrying about spend, and to get back to the collaboration and productivity you need to succeed.

Here at SoftwareONE, we are focused on combining SLM, TS and PyraCloud together in order to digitally enable our customers and support their journey to the cloud. We know that the commercial and technological aspects of your journey are equally important, and no successful strategy will move forward without paying close attention to both. With over 30 years of experience as a trusted advisor, SoftwareONE enables organizations to better control, manage and optimize cloud environments while ensuring minimal disruption – delivering you true transparency and efficiencies that will transform your business.

As a FinOps Certified Service Provider and a FinOps Certified Platform via PyraCloud, we are ready to support you at every phase of your journey. **Let us help you get started.**

software**①**NE®

DO YOU NEED HELP?
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