

DIGITAL COMPASS

Unpacking FinOps



 **stratascale**
An SHI Company

FinOps is paving the way for enterprise agility

FinOps from a strategic and transformative lens.

Why FinOps?

A mature FinOps program can give you the answers you need.

When to build and when to buy in FinOps

When does it make sense?

Editor's Note

When I joined Stratascale, I saw that its unique vision set it apart from other partners. The teams at Stratascale were built to overturn the traditional consulting model by providing access to consultants, practitioners, and team members who had been executives at large Fortune 1000 clients. The diverse perspectives and consultative methodology are represented in this magazine's approach to FinOps.

Success in FinOps requires the right combination of people, process, and technology. Throughout their FinOps journeys, enterprises will have to tackle significant cultural changes that impact a diverse set of stakeholders across their organizations. We founded Stratascale precisely to help clients conquer the tough challenges involved in such complex transformations.

In the following articles, you will find perspectives from our Office of the CTO and practice leadership, spanning from strategy and governance to deployment expertise. As members of the FinOps Foundation, our experts offer both practical guidance and tactical expertise to help you make a real difference in your cloud cost management efforts. I encourage you to read the articles, find one that resonates with your current situation, and reach out to that expert for additional conversations.



Jason Hood
Chief Technology Officer, Stratascale

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When to Build and When to Buy in FinOps

By Josh Stone Managing Director – Digital Solutions



One of the most common questions an IT leader asks themselves is: “To build, or to buy?” When does it make sense to develop functions, practices, and solutions in-house versus leveraging partners, SaaS, or managed services to do the work on your behalf?

The same build versus buy question applies across the domain of FinOps, from the tools used to the people analyzing the data to the savings opportunities. In this article, I will take you through the different build versus buy options in FinOps and offer considerations to help you make the right investments in your organizational capabilities today and in the future.

FinOps is here to stay

Over the last five years, FinOps has significantly grown in reach, breadth, and familiarity among cloud-aware IT organizations. In the next five years, according to Global Market Estimates, the Global Cloud FinOps Market is expected to grow by 330%, to \$2.75 billion by 2028. The second annual [FinOps X](#) practitioner conference grew by 250% year over year (only capped by limited pass availability) and 48 of the Fortune 50 organizations have adopted FinOps.

In its annual DevOps trends graph, InfoQ has moved FinOps from Early Adopters to Early Majority. The growth explosion in FinOps has matched the growth explosion of cloud spend and will only continue.

Cloud Cost Savings Versus FinOps

The first step in the journey to FinOps adoption is often a reaction to the known waste that’s accumulated from months or years of cloud consumption. The first concerted attempt is like a spring cleaning, identifying and implementing savings levers while removing built-up waste. It brings a high return on investment (ROI), but like spring cleaning, it’s only a matter of time before the waste piles up again.

01

The first decision ahead of build versus buy in FinOps:

Do I invest in cloud cost optimization/ FinOps or not?

IT and finance organizations still on the fence about adopting FinOps should consider carefully before making the technology, process, and cultural investments in adopting FinOps.

Consideration

Cloud consumption and operating model

An organization’s need for FinOps hinges on its patterns of cloud consumption, as driven by its operating model. Enterprise FinOps capabilities serve to address the variable, decentralized, direct, and immediate consumption patterns enabled by the public cloud.

In a **cloud-centric** consumption and operating model, engineers leverage self-service capabilities so they are building, scaling, changing, destroying, and rebuilding resources all the time. On the other hand, organizations who use the public cloud in a traditional **datacenter-centric** model mostly run long-lived servers (often on VMware-on-cloud services) that they build once (often by a “build team”) and then patch over time.

For organizations operating with this datacenter-centric model, developing advanced FinOps capabilities is usually overkill.

In most cases, running long-lived static server resources in a public cloud provider will cost as much as – if not more than – their previous datacenter counterparts. This means that organizations using the datacenter-centric model will often see higher ROI by first investing in the transition to a cloud-centric operating model. Such a model unlocks the agility, speed to innovation, and cost savings from “pay-per-use.”

Indeed, cost optimization for datacenter-centric public cloud consumers is straightforward: They can achieve the most potential cost savings simply by purchasing reservations and setting up archive storage policies – both of which are easily achievable without investing in the full technology, process, and cultural change of FinOps.

FinOps Horizon Report

FinOps poses challenges for organizations because it requires fundamental shifts in how people work. It's not easy, so we drew a roadmap to show you the way. Read our [Horizon Report on FinOps](#) for insights on:

How FinOps became essential for enterprises operating in the cloud.

The significant benefits an effective FinOps program can **drive for enterprises**.

What an effective FinOps program looks like.

Considerations for leaders planning their FinOps programs.

Practical recommendations for implementing FinOps.



02

The second build versus buy decision in FinOps

Do I buy managed services from a provider to manage my spend for me or do I build an internal function and team that tracks, forecasts reports, and optimizes?

Consideration

Limitations of managed services providers (MSPs)

Building an internal FinOps function is a heavy lift, so many leaders may be tempted to reach for the managed services easy button. But third-party managed services for cloud cost reporting and optimization recommendations or implementation have limited long-term effectiveness. Organizations who rely on MSPs often encounter two issues:

Reaction time

Cloud services can be billed by the hour/minute but waste may not be visible or known until the next report (often monthly).

Addressing symptoms, not causes

Like the spring cleaning scenario from earlier, a FinOps MSP might help you identify waste via reporting. But the real issue is, how did that waste get there in the first place? If you don't tackle the root causes, waste will reoccur.

Consideration

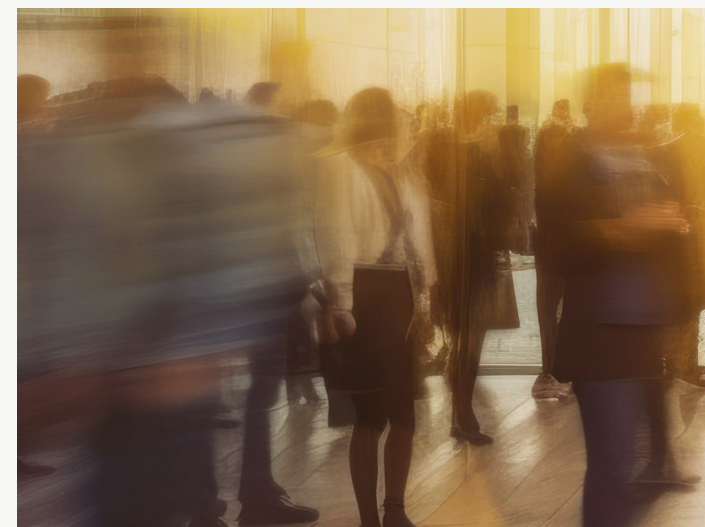
What's the potential for optimization?

FinOps is a process, culture, and systems transformation that, like all transformations, takes significant investments in dollars, time, and change management. Organizations should only invest if the long-term savings and cost avoidance potential exceeds the **standup costs**.

Potential savings is proportional to overall cloud spend. As a rule of thumb: Until you are spending **more than \$2 million** annually on public cloud, you're likely better off using managed services, which provide optimizations for a flat subscription. Once your annual spending grows or is forecasted/planned to exceed \$2 million, it's worth the investment to establish a dedicated FinOps practice. This relation of annual cloud spend to investment extends to the target FinOps team size:

Spend		Team Size
< \$2M	————	Leverage an MSP
\$2-\$5M	————	1-2 People
\$5-\$10M	————	3-5 People
\$10-\$100M	————	5-8 People

*At 5-8 people organizations, follow the [2-Pizza Team Rule](#) for DevOps made popular by Amazon



03

The third build versus buy decision in FinOps.

Do I buy tooling, or build it myself?

When first considering buying versus building cost reporting and optimization software (tooling), recognize that there are multiple ways of tooling. It's useful to break tooling into two categories:

Core FinOps platform tooling – a central source of truth on cloud spend that supplies:

- Allocation.
- Showback/chargeback.
- Savings recommendations.
- Budgeting.
- Forecasting.

Supplemental tooling – specialized tools or existing enterprise systems that handle:

- Asset management.
- Automation.
- Cloud governance.
- Kubernetes or other PaaS cost allocation.
- Usage/utilization/performance metrics.
- Reservation/commitment management.

Considerations for purchasing FinOps Tooling

When considering building versus buying FinOps tooling, it's best to consider:

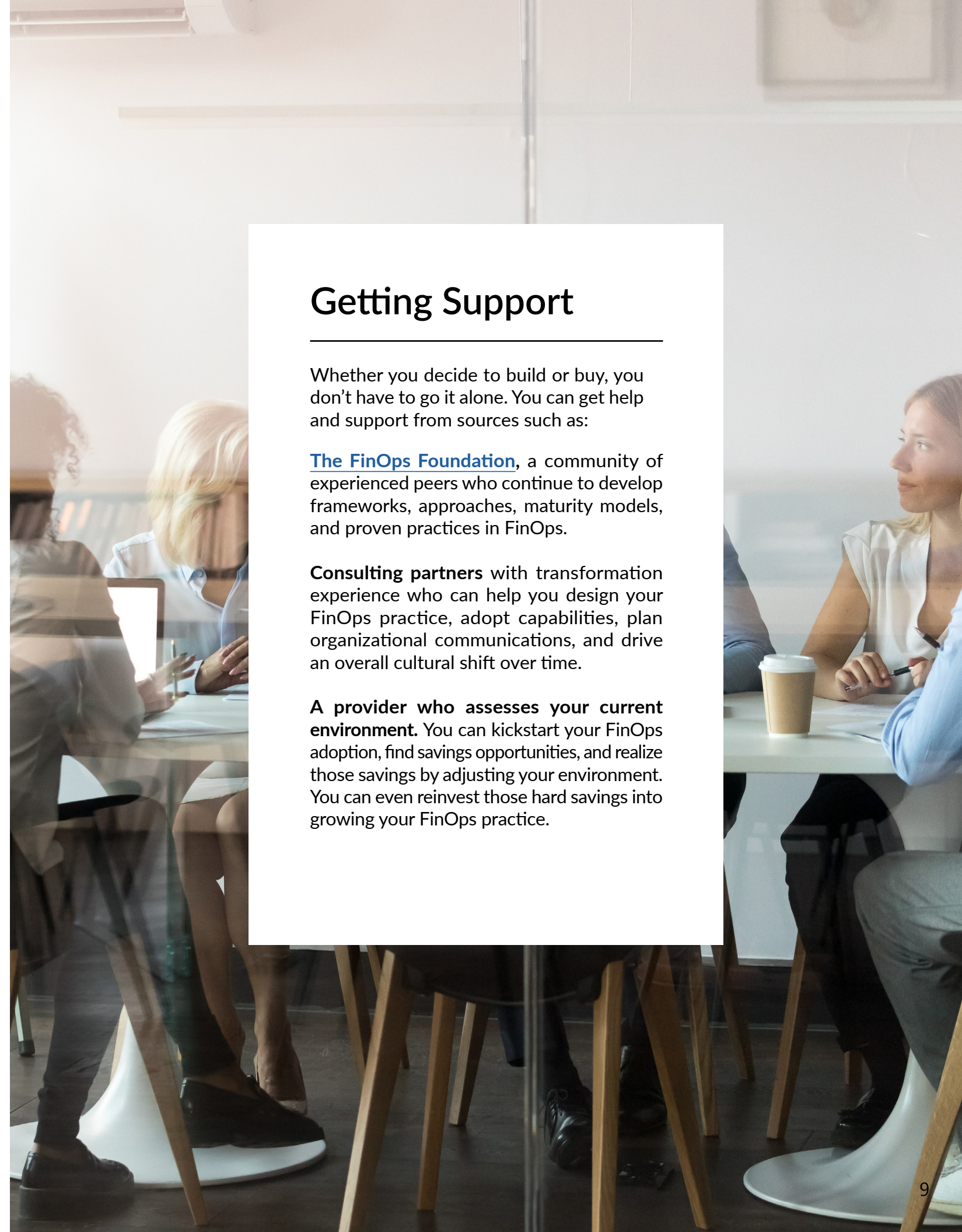
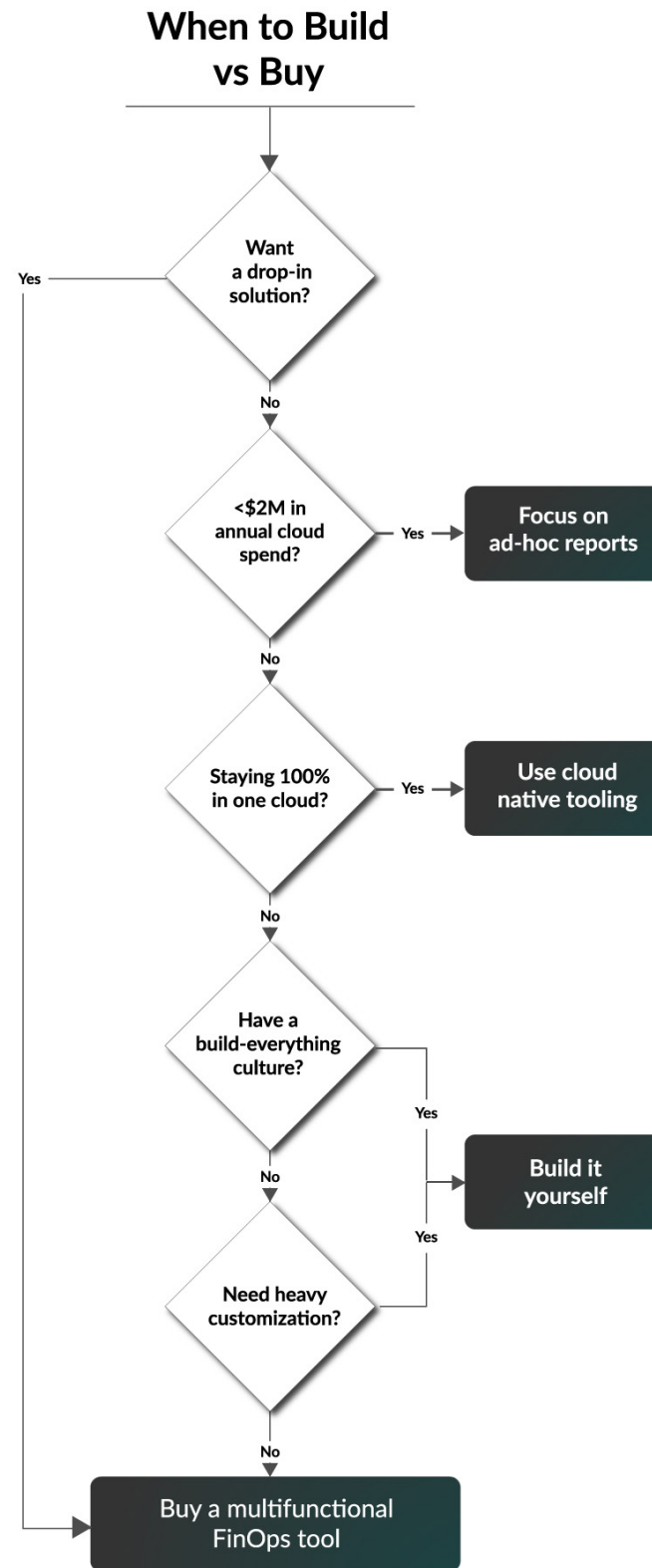
1. **Single versus multi-cloud.**
2. **Level of customization.**
3. **Organizational culture.**

If you fit the mold to invest in FinOps – \$2M+ annual spend with cloud-centric workloads – you should look first at buying a multifunctional core FinOps platform such as Apptio Cloudability or VMWare CloudHealth, **unless**:

You will 100% remain with a single cloud provider long-term – in which case, you can leverage cloud-native reporting and optimization tracking.

You have a build-everything culture or discrete functional requirements that necessitate building a custom solution in-house.

For supplemental tooling, it's important to consider reservation/commitment management tooling such as Spot by Netapp, CloudWiry (now part of Apptio/IBM), ProsperOps, or Zesty. These solutions specialize in adding intelligent automation to increase your reservation/commitment coverage while lowering the risk of over-committing. The pricing model is often “pay for what you save,” and the technology has advantages of scale that go beyond what an enterprise could do manually or using tooling built internally. Any large and dynamic cloud resources that can take advantage of intelligent reservation/management should consider buying, as these tools often pay for themselves.



Getting Support

Whether you decide to build or buy, you don't have to go it alone. You can get help and support from sources such as:

The FinOps Foundation, a community of experienced peers who continue to develop frameworks, approaches, maturity models, and proven practices in FinOps.

Consulting partners with transformation experience who can help you design your FinOps practice, adopt capabilities, plan organizational communications, and drive an overall cultural shift over time.

A provider who assesses your current environment. You can kickstart your FinOps adoption, find savings opportunities, and realize those savings by adjusting your environment. You can even reinvest those hard savings into growing your FinOps practice.

Why FinOps? It's Not Just for Cost Savings

By
Dan Newman Field CTO and Incubation Manager

Do you find yourself asking why your cloud bills have increased, how you can forecast your cloud budget, or whether you have the right workloads running in the cloud? A mature FinOps program can give you the answers you need.

When it comes to operating costs, everyone should aim for financial accountability — and gaining visibility into those costs is the first step.

In a previous article, we discussed building versus buying a platform for gaining visibility into your environment. Once you have decided how you will move forward with a platform, you can begin collecting the necessary information.

Wide-ranging Benefits

Here is the beauty of adopting FinOps: When you begin to gather and correlate the necessary data to provide financial accountability, the level of collaboration between the providers and users allows for greater dialogue around your cloud budget.

Understanding your cloud budget can help drive further alignment around financial accountability and give you a better idea of what everyone needs to do to meet their business objectives. Moreover, discussions around how teams can work together to meet their business objectives will foster a proactive organization, establish a better sense of direction, and help teams see how their efforts fit into the larger business strategy.

When you understand why resources are being consumed, and you combine that knowledge with the information you gathered around the cost of running and supporting those resources, you can then start assigning them business value. This step helps you articulate the returns realized for the costs of the resources running in the cloud.

Business leaders can use such information to prioritize where to invest time and resources to maximize budget and drive positive business outcomes. When you gather similar information around support costs and combine that with information about consumption, you can start identifying the technical debt of resources that support a particular business function.

You may also uncover areas of opportunity that drive further investment and provide a true Total Cost of Ownership for a given business outcome. Such financial transparency and understanding foster a common ground for technology and business leaders to align on the value of every dollar spent in support of the larger business strategy.

Embrace the “Why”

By leveraging FinOps, you can gain control of your cloud spending and provide cost savings based on best practices and information analysis. However, the value gained by asking “why” can bring financial transparency and collaboration to all areas of IT and help transform how you manage your technology going forward.

Since FinOps is not just for cost savings, I encourage you to take the lessons learned from your FinOps journey and drive the conversation into all areas of technology management. A great place to start is to look at adopting a [Technology Business Management](#) approach to running your IT organization and take the value derived from your FinOps journey to the next level.





Inform, Optimize, and Operate

How to Maximize Business Value with FinOps and Innovative Technology

Cloud computing has revolutionized business operations — offering scalability, agility, and cost savings. At the same time, cloud computing can be complex and expensive, which is where FinOps comes in.

FinOps is a management practice that helps organizations optimize their cloud spending and maximize business value. It enables informed investment decisions by providing visibility into cloud costs and usage. FinOps is especially important for large enterprises with complex cloud environments with multiple workloads and users.

By adopting a FinOps approach, enterprises can reap several benefits:

- Reduced cloud costs.
- Improved resource utilization.
- Enhanced visibility into cloud spending.
- Increased agility and innovation.
- Improved collaboration between business, IT, and finance teams.

By
Kendra Perry Manager of Emerging Technology
Chris Hudson Innovation Advisory Group Manager



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Modern businesses are actively breaking down organizational silos by fostering collaboration with IT operations teams, notably within realms like DevOps, as well as DevSecOps. The Innovation Advisory Council Survey by Vation stresses that CIOs are prominently focused on optimizing operational efficiency and cost savings, with 40.9% considering it a top priority.

FinOps has arisen as a discipline that bridges the gap between finance teams and IT operations teams to rein in costs in cloud environments, spanning IaaS, SaaS, Kubernetes, Cloud Data Stores, and AI/ML. It's worth noting that many organizations have transitioned to these technologies without a comprehensive understanding of their financial implications.

FinOps' central goal is to deliver clarity and efficiency in cloud spending, necessitating businesses to understand their cloud expenses and employ effective management. FinOps offers a structured approach for collaboration and continual improvement, empowering businesses to maximize the value derived from their cloud investments.”

Troy Cogburn
VP Chief Technology Evangelist, Vation Ventures

How FinOps Can Help Foster Innovation

FinOps can help large enterprises foster innovation in several ways. First, it can help to reduce cloud costs, freeing up the budget for investment in innovative projects. FinOps can also improve resource utilization, ensuring resources are allocated to critical tasks. Finally, FinOps can improve essential collaboration among business, IT, and finance teams.

Here are a few examples of how organizations use FinOps to drive innovation:

Funding R&D Projects:

[The Coca-Cola Company](#) used FinOps to allocate costs accurately, encouraging [responsible cloud usage](#), which enabled them to fund R&D projects exploring innovative cloud technology applications.

Facilitating Experimentation:

[Samsung](#) utilized FinOps to gain spending visibility and control, allowing them to experiment with new cloud technologies without fear of overspending.

Efficient Scaling:

[Cimpress](#) optimized cloud spending through FinOps and reinvested saved resources in innovative product development, highlighting how FinOps can efficiently scale innovative products and services.





How You Can Implement a FinOps Approach

Here's a step-by-step primer for implementing a FinOps approach in your organization:

01

Adopt a cloud-first approach:

Migrate as many workloads to the cloud as possible. This will provide the foundation for FinOps.

02

Automate cloud management:

Manual cloud management is inefficient and prone to errors. Automating tasks such as provisioning and de-provisioning resources, managing costs, and monitoring performance can save time and money.

03

Use data-driven decision-making:

FinOps revolves around making data-driven decisions on cloud spending. Technology leaders should use data to track cloud costs, identify waste, and make informed decisions about their cloud investments.

04

Encourage collaboration:

FinOps requires collaboration between business, IT, and finance teams. Building a culture of cooperation ensures everyone works toward shared goals.

05

Remain adaptable:

The cloud constantly evolves, so technology leaders must be flexible in their IT strategy and prepared to change their cloud deployments as needed.

The Future of FinOps

Organizations will gain a significant competitive advantage as artificial intelligence (AI) and machine learning (ML) become increasingly integrated into FinOps practices. AI and ML can automate many of the manual tasks involved in FinOps, such as cloud spend monitoring, anomaly detection, and resource optimization. Through automation, FinOps teams can focus on more strategic initiatives.

AI and ML can also help improve decision-making around cloud spending. These technologies can forecast future cloud costs, identify areas of wasteful spending, and recommend cost-saving measures. Additionally, companies can use AI and ML to gain deeper insights into cloud usage, identifying trends, patterns, and outliers. These insights can even contribute to the development of predictive models to inform decisions on potential cloud investments.

For FinOps, AI and ML present exciting opportunities but also challenges. AI and ML models can be complex and expensive to implement and manage, requiring specialized expertise. Additionally, the models are only as good as the data they are trained on. FinOps teams must have access to high-quality and timely data to use these technologies effectively.

While cloud cost data may not be as sensitive as personally identifiable information (PII) or credit card data, protecting it from unauthorized access is still important, as cloud cost data can reveal sensitive information about an organization's cloud usage, such as the types of workloads they are running or the amount of data they are storing. Additionally, AI/ML models can be vulnerable to attacks that can cause them to make incorrect predictions.

Despite these challenges, the potential benefits of AI and ML for FinOps are substantial. Organizations that successfully integrate these technologies into their FinOps practices will be well-positioned to optimize cloud spending, make informed decisions, and gain a competitive edge in the cloud era.

FinOps is one of many sectors rapidly transformed by AI, ML, and automation. These technologies may entirely change the way FinOps teams manage cloud expenses and usage. It is crucial to be aware of the problems these technologies can cause and to take action to solve them.

FinOps teams may increase their efficacy, productivity, and capacity to make data-driven decisions by embracing AI, ML, and automation. This can result in substantial expense reductions, better resource usage, and elevated corporate value.

FinOps Market Trends

The marketplace for FinOps tools is nascent and has been evolving rapidly. The major cloud service providers all have native tools, but those hardly cut it for large enterprises, the majority of which are (or will become) multi-cloud. Read our FinOps Market Trends report to learn about:

- The drivers for FinOps.
- Common FinOps challenges.
- The FinOps lifecycle.
- A “crawl, walk, run” FinOps maturity model.
- Available FinOps tools and software vendors.

[Click here to read our FinOps Market Guide](#)





FinOps Paving the Way to Enterprise Agility

By
Derek Shank Head of Research

Executives may view FinOps as a business capability necessary for operating in the cloud but not truly strategic or transformative for today's enterprises. But FinOps points toward new ways of making business decisions around finances, with important implications for enterprise strategy and competitive advantage. When we look closely at FinOps capabilities, we can see the potential for transforming enterprise funding models, with important implications for employees, customers, and shareholders.

FinOps Creates Fast Feedback Loops for Effective Decision-Making

In many ways, the datacenter world and the cloud world have fundamental differences with important implications for operations, strategy, and governance, as illustrated in the graphic on the right.

Data Center

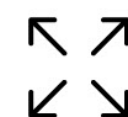
Overprovision infrastructure capacity in an up-front purchase, to ensure you don't run out before the next hardware refresh.

Infra-hogging workloads don't matter, so long as overall capacity is available. **Reducing infrastructure consumption doesn't provide any savings.**

Capacity planning interfaces with budgeting and procurement to provide **cost control.**

Up-front purchase plus predictable fees (facilities, licensing) means infrastructure cost over the refresh cycle is fixed.

Cost reporting at regular, infrequent intervals (e.g., quarterly) is sufficient, because **daily costs are predictable and easy to understand.**



Cloud

No need to prepurchase up-front or to provision. Capacity is always available on demand.

If a workload uses lots of excess capacity, **it costs a lot extra and you could save money by reducing that.**

Capacity planning is no longer necessary and **no longer provides cost control.**

You can scale down infrastructure resources when they are unneeded in order to save money.

Pay-as-you-go costs can **vary wildly by the hour or by the minute.** They are **complex, difficult to understand,** and must be reported on in **near real-time.**

FinOps can be summarized as a set of practices enabling organizations to make real-time collaborative decisions about the trade-offs between speed, cost, and quality. It stands in sharp contrast to traditional methods of budgeting, which involve long-term planning and slow, waterfall-like cycles, where the budget for a fiscal year starting in January is often prepared in July of the previous year.

Slow Budgets Inhibit Agility

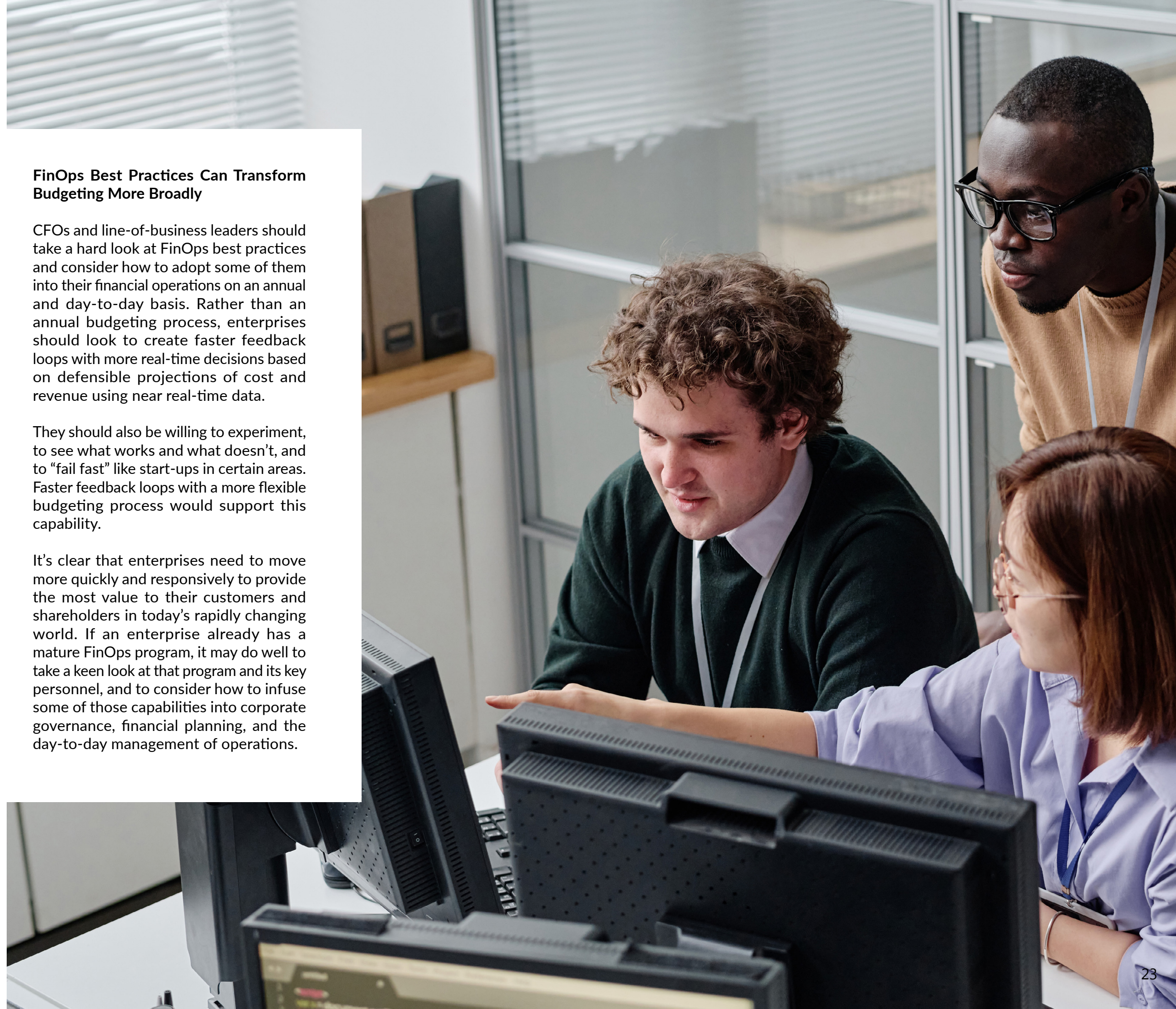
Long, slow budget cycles mean that a strategy or plan of action is often locked in, with little opportunity for change or course corrections due to new developments. If situations change or new things come up, organizations often have to embark on death marches, pass up on valuable opportunities, or perform creative gymnastics to pull funding from other resources. The rigidity and sluggishness of the budgeting process makes it difficult for enterprises to react swiftly to the changing marketplace. And being able to react swiftly is a matter of survival in today's business landscape.

FinOps Best Practices Can Transform Budgeting More Broadly

CFOs and line-of-business leaders should take a hard look at FinOps best practices and consider how to adopt some of them into their financial operations on an annual and day-to-day basis. Rather than an annual budgeting process, enterprises should look to create faster feedback loops with more real-time decisions based on defensible projections of cost and revenue using near real-time data.

They should also be willing to experiment, to see what works and what doesn't, and to "fail fast" like start-ups in certain areas. Faster feedback loops with a more flexible budgeting process would support this capability.

It's clear that enterprises need to move more quickly and responsively to provide the most value to their customers and shareholders in today's rapidly changing world. If an enterprise already has a mature FinOps program, it may do well to take a keen look at that program and its key personnel, and to consider how to infuse some of those capabilities into corporate governance, financial planning, and the day-to-day management of operations.





Emerging Tech Corner

Each issue, the Stratascale Emerging Tech team shares an innovative solution that solves business challenges for our clients. We dig into the technology and business ROI to bring you solutions to consider. FinOps has become a top priority for many F1000 companies as they strive to align costs with business value, centralize and reduce cloud expenditure, and enhance the efficiency of existing resources. Harness Cloud Cost Management aims to bring transparency, enabling a better understanding of cloud costs and the optimization of these expenses. This approach helps leaders make data-driven spending decisions and maximize the business value derived from cloud resources.



Business Strategy

- Optimized Customer Experience.
- Cloud Cost Optimization.
- Operational Risk Reduction.
- Reputation Loss Risk Reduction.
- LEAN-er SDLC Establishment.

Technology Strategy

- Self-serve/Automated Software Delivery.
- Kubernetes Deployments (GitOps).
- Cloud Cost Management.
- Software Build Automation.
- Test Automation.
- Secrets Management.
- Monitoring.

Challenges

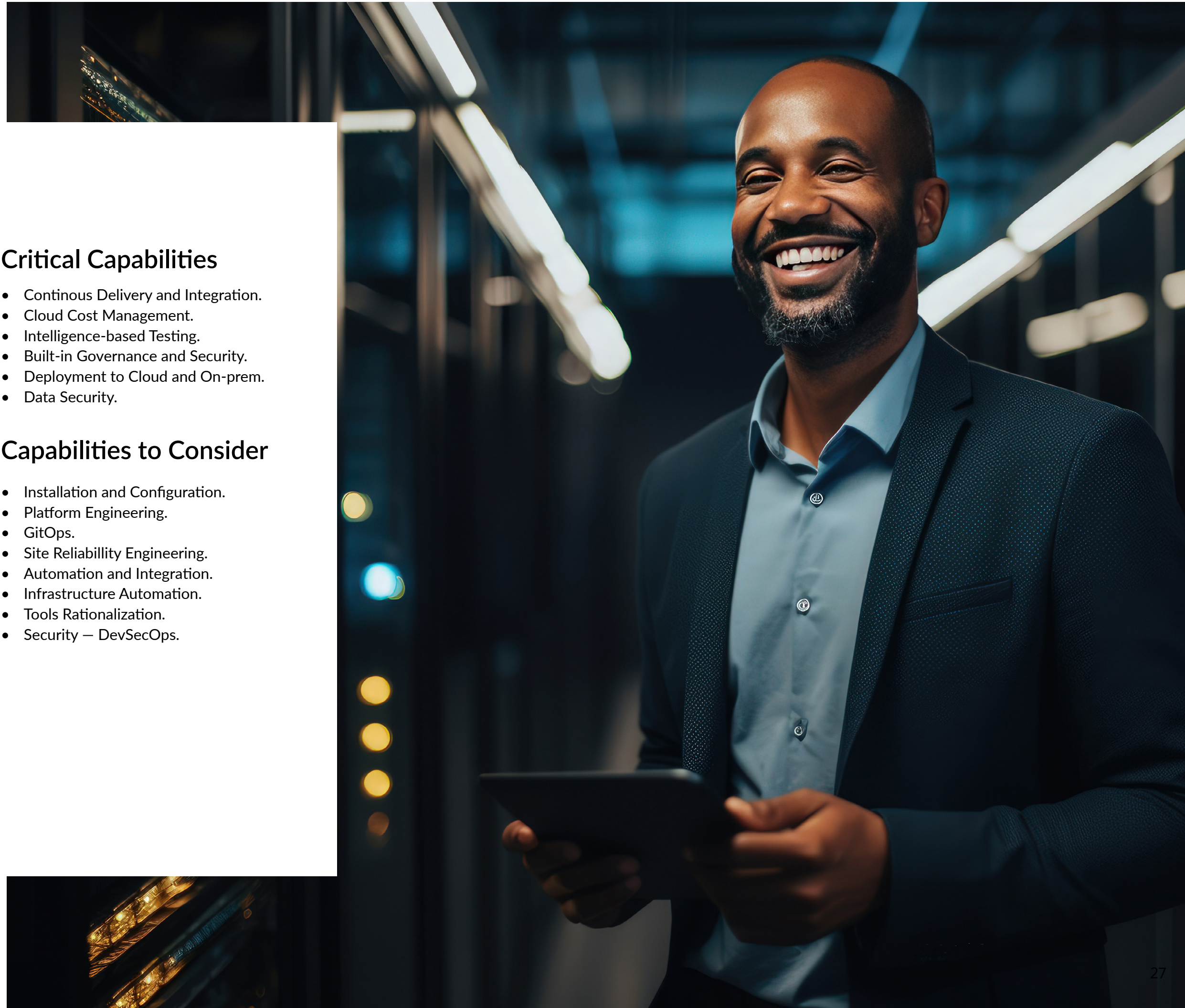
- Manual Code Promotion.
- Lack of Standard Approach.
- Manual Security Testing.
- Proper Integration Slowdown.
- Time to Production.
- Security Enforcement.

Critical Capabilities

- Continuous Delivery and Integration.
- Cloud Cost Management.
- Intelligence-based Testing.
- Built-in Governance and Security.
- Deployment to Cloud and On-prem.
- Data Security.

Capabilities to Consider

- Installation and Configuration.
- Platform Engineering.
- GitOps.
- Site Reliability Engineering.
- Automation and Integration.
- Infrastructure Automation.
- Tools Rationalization.
- Security – DevSecOps.



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As a cloud and DevOps architect in the Fortune 20, Josh had multiple roles designing, building, and supporting public cloud, private cloud, and DevOps platforms.

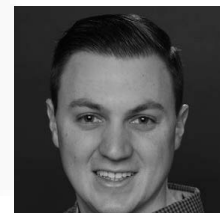
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Kendra has over 20 years of experience in cybersecurity and intelligence roles, finding innovative technologies that solve problems in industry, government, and academia.

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An expert on emerging technology and innovation, Troy covers venture capital investment, cybersecurity, cloud, data intelligence, and DevOps.

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About Stratascale

Stratascale is a consultant, systems integrator, and technology advisor in one. We support the entire end-to-end transformation process – from discovery to solution deployment. It starts with understanding your business, your strategic goals, and the challenges you must overcome.

We not only offer that last mile of strategy critical to moving your initiatives forward, but also engage our technical teams, possessing the practical wisdom required to execute successfully. The company is also a General Member of the FinOps Foundation and a Certified Service Provider.

[Learn more at Stratascale.com](https://www.stratascale.com)