FinOps

The key to cloud cost management

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Organizations struggle with rising cloud costs FinOps* enables them to understand and permanently optimize costs, leading to more control and better decisions around cloud usage.

The Challenge

Why is it difficult to get a grip on cloud costs?

The adoption of cloud technology has drastically changed the way how organizations operate. The flexibility, scalability and speed that the cloud can offer enable organizations to accelerate innovation and better respond to changing market needs. At the same time, organizations face unexpected challenges, such as managing variable and unpredictable costs.

This is where FinOps - an amalgamation of Finance and DevOps - comes around the corner. Just as DevOps creates a culture in which development and IT operations teams work closely together to deliver software faster and more efficiently, FinOps ensures that teams collaborate and become self-responsible for optimizing their cloud spend.

Organizations - public and private - are all struggling with rising cloud costs. By implementing FinOps implementation, these organizations make their costs transparent and can optimize them on an ongoing basis, leading to more control over cloud spending and better decisions around cloud usage.

A word of caution is in order here: where the business community has woken up and is fully catching up to get in control, many government organizations are still lagging. This is worrisome, as the risks for them - in addition to financially, compliance and security may be even greater for them.

By continuously monitoring cloud usage, organizations gain more control over where data is stored and how it is used. This helps with regulatory compliance and reduce security risks. For government organizations, which face strict laws and regulations, this is an important side-effect of FinOps. Implementing FinOps increases their control over the usage consumption and cost of the cloud.

> **"The cultural shift to the cloud is huge. An important observation is the lack of cost awareness in the IT development organization."**

The urgency

Why is the risk so high?

The choice of cloud technology is driven by the promise of flexibility and cost savings. But once cloud environments scale up, cost structures prove much more complex and difficult to predict than originally thought. Unlike the fixed costs of in-house hardware, variable cost models in the cloud bring an additional layer of complexity, as expenses fluctuate based on usage and are difficult to predict. Moreover, the allocation of those costs is unclear, making it difficult to determine which teams or projects are responsible for specific expenses.

A tour of some internationally operating Dutch companies shows that cloud costs can rise exponentially, which prompted them to embrace FinOps.

At a large Dutch bank, for example, without intervention, cloud billings threatened to exceed one billion (!) euros by 2028. By embracing FinOps as a methodology, they managed to gain control of cloud costs and were able to halve this cost increase.

At a major Dutch airport, they found that the challenges were less in the technical area, but more in awareness and maturity of their processes. They saw that the main goal they could achieve through FinOps was to raise awareness and provide insights.

> **With cloud costs growing by 4% every month, it quickly became clear that something had to be done, or the situation would become untenable.**

The solution

In a nutshell: what is FinOps?

FinOps is a set of practices and principles that are aimed at optimizing cloud spending through collaboration between Finance, IT and the business. It is not a tool or technology, but an organizational best practice that promotes a culture of cost-consciousness.

FinOps was born out of the need to increase the dynamic of cloud expenses - which are variable and difficult to predict - can be better managed. At the heart of FinOps is that it enables real-time, data-driven decision-making, so that teams can not only work quickly and flexibly in the cloud but at the same time take financial responsibility bear and keep costs under control. Three pillars are central to this:

Insight	**Optimization**	**Control**
Creating transparency in cloud spending. Teams have access to detailed cost reports to base decisions on actual data.	The constant search for ways to use cloud resources more efficiently without compromising on performance.	Establishing clear financial responsibilities within the organization, with budgets allocated and monitored (show back and chargeback models).

FinOps requires not only new technology, but also a change in the way organizations are structured and managed. Successfully implementing FinOps means that Finance, IT, Operations, procurement and other stakeholders need to work more closely work together. This collaboration results in a central FinOps team, with representation from those key stakeholders.

This team drives the change, using use tools such as gamification to create learning opportunities and sometimes healthy competition between teams.

The Dutch bank from the earlier example deploys a FinOps Champions model, in which ambassadors in different teams spread cost awareness and best practices. These champions play a key role in the change process, especially in organizational units where traditional financial responsibility is less present.

In addition to qualitative indicators such as increased cost awareness the first cases also show significant savings of up to 30-40% (source: FinOps Foundation)

Succes stories

Where is the difficulty and how do organizations deal with it?

The implementation of FinOps brings some organizational challenges, including:

Creating cost awareness: it often proves difficult to make teams aware of the impact of their cloud usage on overall costs. For example, a leading Dutch supermarket chain recognized that IT teams often naturally have little regard for the financial implications of their choices, until FinOps is implemented to give them insight. At most organizations, the first goal of FinOps was to increase cost awareness by providing insights to teams.

Resistance to change: change often brings resistance, especially when new processes are introduced that challenge existing practices. This can be addressed by deploying gamification and continuous training, motivating teams to pursue cost optimization. Some companies deliberately chose to start with quick wins but are now making structural changes to make their processes sustainable.

FinOps has proven to have a major impact on efficiently managing cloud spending. For example, a Spanish-French technology company used their FinOps approach to provide an accurate forecasting and budgeting achieved, with only a 1% deviation compared to the realization of their cloud costs. This indicates how effective FinOps can be in managing the financial dynamics of cloud usage.

They have achieved success by using FinOps using it to foster a culture of cost-consciousness within their organization. By making costs visible and linking them to concrete actions, they managed to significantly optimize cloud costs.

FinOps and sustainability (GreenOps)
An emerging trend within FinOps is the integration of sustainability principles, also known as GreenOps. Cloud providers are offering more insight into the ecological impact of cloud usage, and more organizations are focusing not only on cost optimization, but also on reducing their carbon footprint.

The interviews revealed that a sustainability approach is sometimes more effective at convincing teams to optimize cloud usage than cost reduction alone. This combination of FinOps and GreenOps can help companies reduce both costs and their environmental impact.
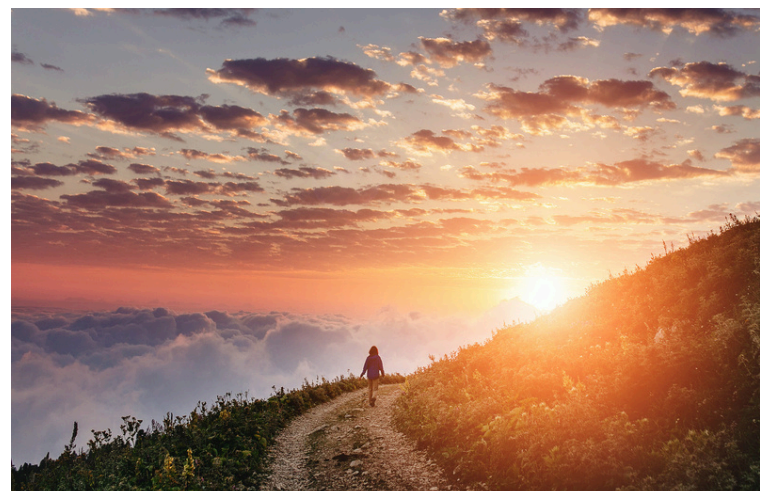
The Future

How to move forward?
Where do you start?

FinOps is more than a buzzword. It is a necessary approach to controlling cloud costs in a world where cloud technology is the backbone of organizations. It requires a comprehensive approach to technology, culture change and collaboration between multiple organizational units.

At Highberg, we are ready to assist organizations supporting every step of the FinOps journey. Contact us for a no-obligation conversation about how we can help to establish a successful FinOps program that both optimizes costs and adds value.

Highberg's approach

At Highberg, we understand that every organization has unique challenges in managing cloud costs. We have been advising our clients on 'cloud cost management', but with the additional insights from FinOps, we are better able to flesh this out. With our experience in cloud implementations and working with decentralized teams within Agile and DevOps structures, we know how to achieve sustainable changes. Through our expertise in turning plans into action and making measurable culture change, we help organizations not only manage costs, but to do so in a way that benefits the entire organization benefit.

Our approach to FinOps is customized and focused on practical implementation. In doing so, we offer:

- FinOps training and introductory workshops: our certified FinOps experts train your teams to be cost-conscious and use the cloud more efficiently.
- FinOps transformation program: we guide your organization through the full implementation of FinOps, from setting up the right processes and tools to stimulating matching culture.
- Gamification and continuous improvement: with our proprietary gamification platform, we help management and operational teams in an inspiring and motivating way to optimize cloud costs, where continuous improvement is central.

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