

How to make your CFO appreciate the rising Cloud costs?

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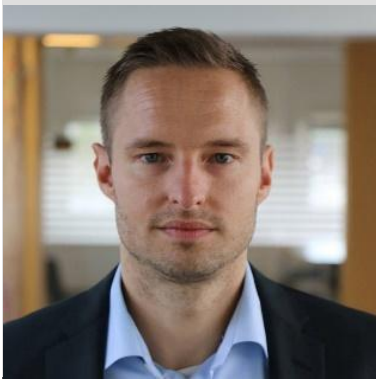
Ikke fordi, der er noget galt med cloud, slår han fast. Det er bare svært at styre:

"Hvad du bruger på cloud, ved du, lidt populært sagt, først den sidste dag i måneden. Der er ikke den samme forudsigelighed, og jeg skal ikke kunne sige, om cloud-leverandørerne tænker i at gøre det knapt så transparent, men der er en risiko for, at licenserne og opgørelserne ændrer sig, eller klik-priserne stiger. Vi har jo rent historisk set, hvordan licenspriser ændrer sig," slår Lars Ole Dybdal fast.

Han understreger, at finops-indsatsen, hvor den finansielle styring af cloud-løsningerne optimeres, er centralt i et moderne cloud-setup:

"Det viser, hvorfor vi som it-kunder aldrig skal lægge alle vores æg i en kurv. Vi skal sørge for, at vi spreder risikoen, og at vi har en plan B. For det er det det eneste sprog, der forstås," fortæller han om de erfaringer, Coop har gjort sig de seneste år.

Before we get started, here are your experts for the day



Rune Alleslev

*Head of IT Finance &
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*Head of Cloud FinOps and
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PwC's Cloud FinOps and IT Cost Efficiency experts

What we will cover today



WHY

Why the CXO's are pushing the panic button due to the cloud cost increase



WHAT

What are the methods to understand and control cloud costs vs. business value



HOW

How to implement it in your organisation



A clear understanding of...



...the **financial** consequences of moving to Cloud



...what you can do about it



...concrete tips to what to do first



WHY

Why the CXO's are pushing the
panic button due to the cloud
cost increase



WHAT



HOW

The story of a subscription..



One shopping account

Cloud is a key enabler of the digital transformation – bringing value and but also new challenges...



Companies are moving from on-premises infrastructure to the cloud...



A high proportion of upfront (Capex) investments



Low upfront investments



Centralised buying and management of infrastructure and assets



Decentralised buying and management of resources (“democratisation of IT”)

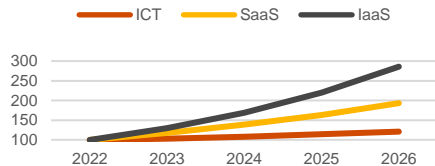


The Opex cost is predictable as it is typically a fixed monthly fee



Variable cost tied to the service and volume

Growth in cloud spend is outpacing general ICT spend growth



...changing processes and creating value...

...as well as facing new challenges



Higher and increasing cost if not managed properly



High transparency but difficult to act on



More unpredictable long term financial planning



Double cost if the legacy infrastructure is not decommissioned

98%

of CIOs are spending more on digital transformation (PwC)

54%

experience increased IT spend after moving to Cloud (IDC)

39%

On average, cloud expenses exceed the planned cloud budget year to year (IDC)

28%

of the requested cloud resources are not needed by organizations (Flexera)



Hence, the CFO will not hesitate to hit the "panic button" over the escalating cloud costs and demand answers...

"Why are the costs consistently increasing by 20% each month?"

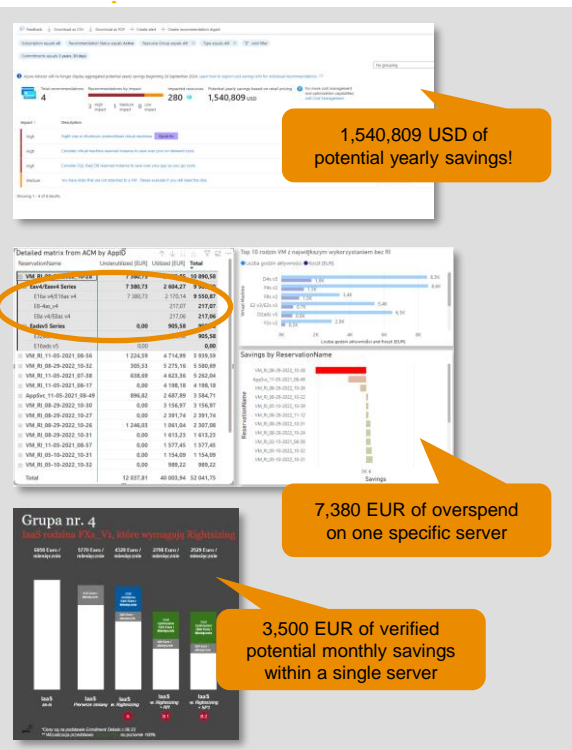
"What measures are you taking to control the costs?"

"Is there a valid business reason for the surge in cloud expenditure?"

Gartner:

"Tech leaders are turning to cloud cost management as a way to implement cost savings strategy as they continue their cloud spend"

We witness it daily...and we notice recurring patterns behind it...



Pattern

Reason



Over-Provisioning of Cloud Resources

- Lack of precise forecasting / "just in case" on-prem mentality



Underutilized or Idle Cloud Resources

- Development and test environments are left running, large instances are used for small tasks



Orphaned Cloud Resources

- Storage volumes, or snapshots that are left behind after instances are terminated or after cloud migration by backup/restore method



Unused / underutilised Reserved Instances

- Poor Forecasting: Incorrectly predicting resource needs.
- Changing Workloads: Workloads changing after reserved instances are purchased. Deploying other than reserved instance types.



Inefficient Storage Solutions

- Not optimizing storage tiers (e.g., using SSDs for data that could be stored on HDDs), over-relying on high-performance storage for infrequently accessed data



Suboptimal Instance Types

- General-Purpose Instances for Specific Needs.
- Misaligned Resource Allocation: Instances with mismatched CPU, memory, and storage.



Excessive Redundancy

- Overly Cautious High Availability: Replicating data across too many regions or maintaining too many backups.
- Disaster Recovery Overkill: Excessive disaster recovery setups beyond business needs.

...the root cause is mainly treating the cloud as "another Data Center"... and as the result losing the control in variety of ways

...which causes this phenomenon called **panic of cloud spend**.

Panic of cloud spend is a situation in which an organization experiences a sudden and unexpected increase in cloud computing costs, which leads to **management anxiety** and, consequently, to **accidental decisions** how to address the topic.

\$

Lack of implemented BI tools for daily cost analysis = no transparency

\$

Mindset among engineers that Infrastructure is "free" = while it's PAYG

\$

ITSM and Finance processes are missing the FinOps part = no actions = no results

\$

No focus on optimization activities = no optimisation achieved

\$

No "owners" of cloud resources = orphan costs and topics



WHY



WHAT

What are the methods to understand and control cloud costs vs. business value



HOW

FinOps was specifically developed to tackle all of these challenges

FinOps is an operational approach and cultural practice that maximizes the business value of the cloud, enables data-driven decision-making, and creates financial accountability through collaboration among engineering, finance, and business teams.

Culture

Processes

Tools

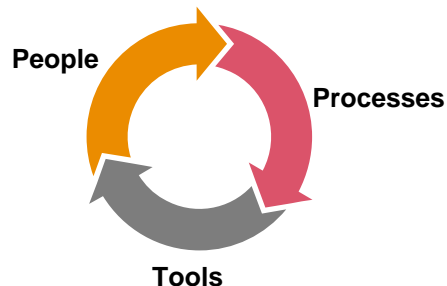
Created by practitioners...



...for practitioners

FinOps helps you optimize cloud cost without sacrificing business value

In essence FinOps combines...



... and maximizing cloud business-value by:

- ✓ **Providing** an operational approach and cultural practice
- ✓ **Enabling** data-driven decision-making
- ✓ **Creating** financial accountability the cooperation of various teams in organizations

Adopting a set of principles



Teams need to collaborate



Everyone takes ownership for their cloud usage



A centralized team drives FinOps



Reports should be accessible and timely

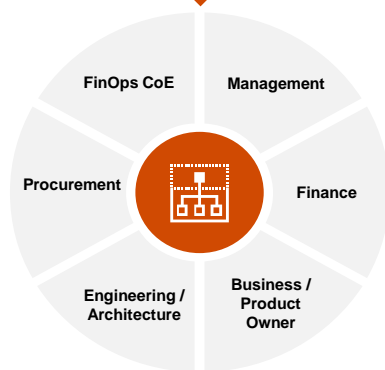


Decisions are driven by business value of cloud



Take advantage of the variable cost model of the cloud

Involving the right stakeholders



In a simple maturity journey

01 Inform



- Understand and visualize cloud spend.
- Determine total cost of ownership and accountability.
- Analyze costs of cloud workloads.

02 Optimize



- Refine design according to goals.
- Link cloud usage to business outcomes.
- Identify and implement optimization opportunities.

03 Operate



- Establish governance
- Enhance efficiencies through automation.
- Support Cloud Resource and Enterprise Agreement negotiations.

There are many reasons for continuous cost optimization... ...and there are also many ways to achieve it

Market pressure, striving to increase margins, reinvesting budget savings.

We buy (only) what we need –
rightsizing.



For a FinOps practitioner, the
glass is 2x too big.

We dispose of what we
don't use.



Like cleaning in "real life" - it is
not a one-time action because it
will be the same in a week.

We don't skip over the little
things. Amounts (because in
scale and time they are
responsible for huge amounts)



In 1987, NorthWest Airlines
saved \$500,000 (\$1,317,000) by
cutting its drink limes to 16
instead of 10.

We buy wisely
and cheap.



CSPs offer many purchasing
options, even with several
dozen percent discounts from
standard prices.
(reservations, spot instances)



WHY



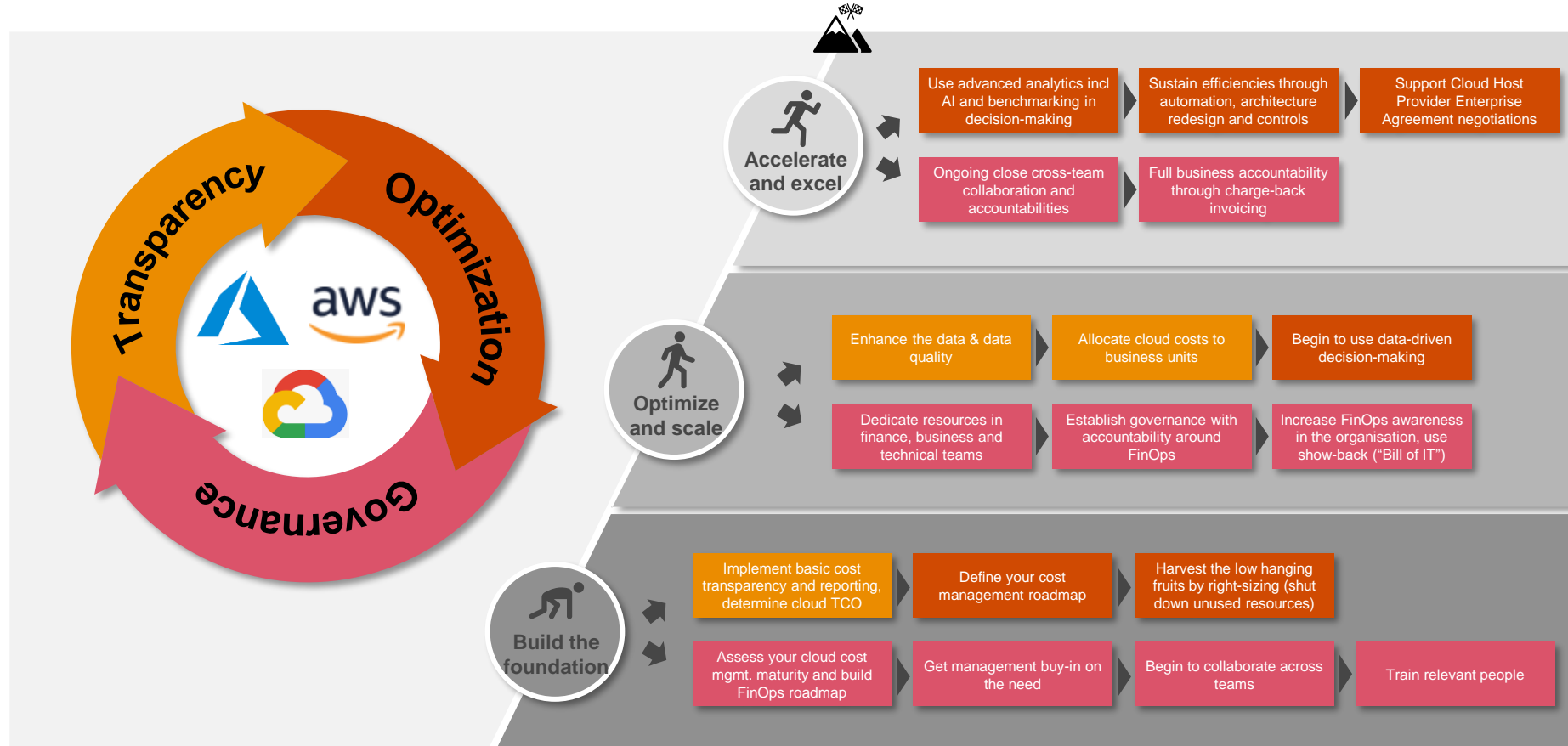
WHAT



HOW

How to implement it in your organisation

The key to FinOps is to establish transparency, governance and an optimisation approach in three overall phases

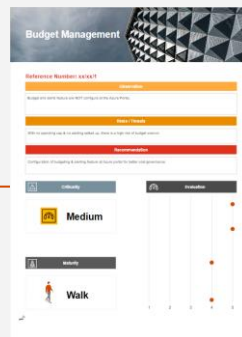


You need to know your starting point to create the right plan for elevating FinOps maturity in your organization...

Maturity assessment is crucial for laying the foundation of an effective FinOps strategy...



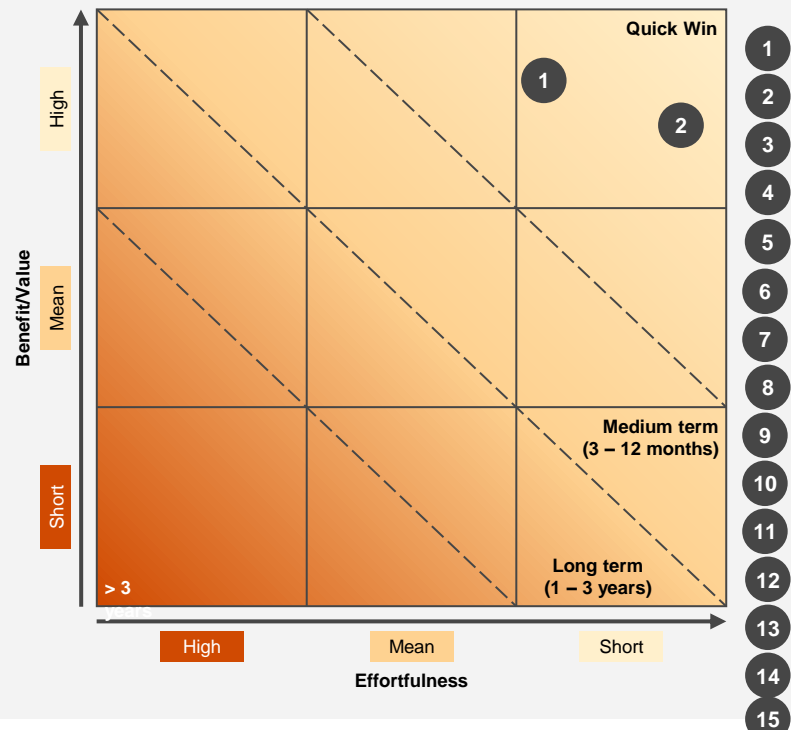
Maturity assessment will assess from FinOps perspective the following areas in your org:

[illegible]

... and creating the FinOps roadmap tailored to your organisation

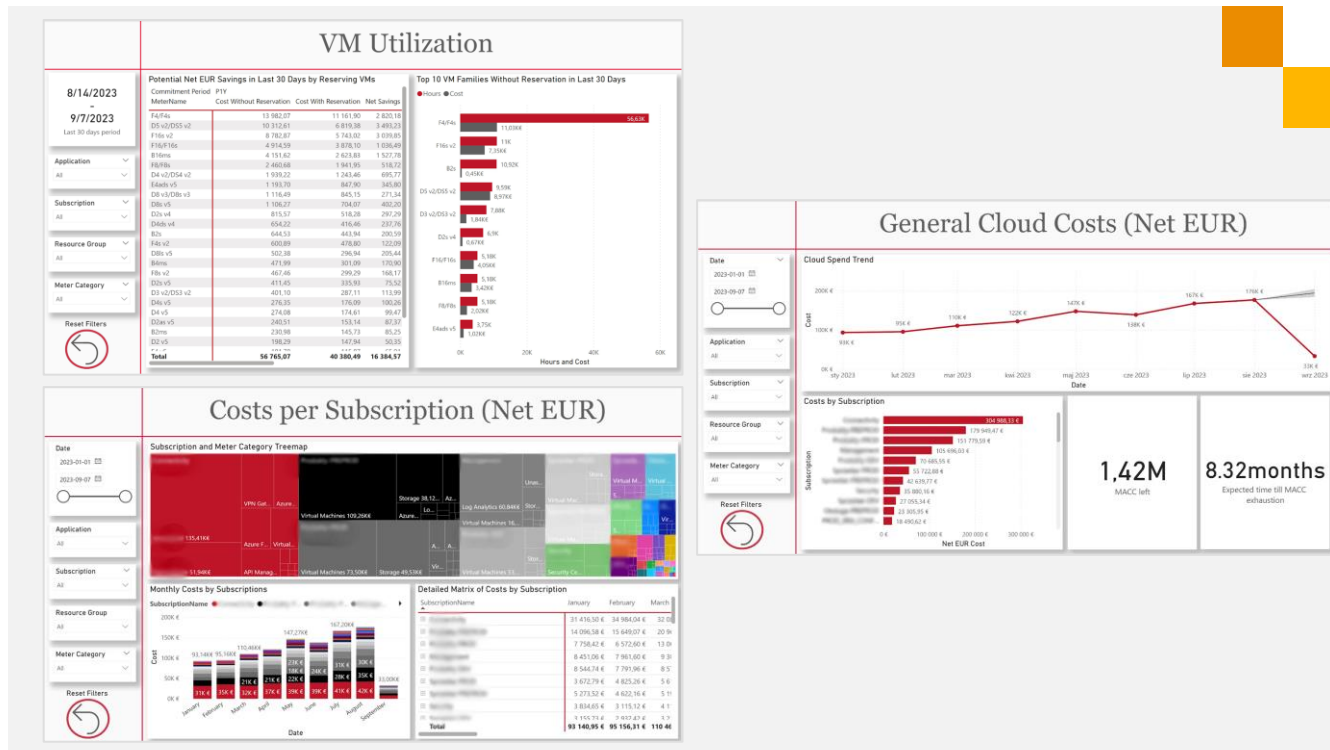
FinOps roadmap tailored to your organisation

Area	#	Description
Crawling CFO understands how the cloud supports the company's business strategy (motivations)	1	Tagging implementation and resource hierarchy
	2	Removing unnecessary resources
	3	Manual IaaS scaling
	4	Cost Transparency Power BI Dashboards
	5	Costs analyzed based on invoices (once a month)
Going CFO comprehend the cost breakdown between applications/environments and optimization activities	6	Implementation of metrics, cost allocation (show back)
	7	Disabling resources according to schedule. Use of discount models
	8	Autoscaling (use of PaaS services)
	9	Specify budgets for applications
	10	Costs analyzed daily. Implemented tools for forecasts and alerts
Running CFO understands the correlation between business development and cloud costs	11	Alerts when anomalies are detected. Charging costs to owners (Chargeback)
	12	Correlation of cloud costs with business value
	13	Using Serverless services, Spot Instances
	14	Control of cost forecasts when creating/updating infrastructure
	15	Costs analyzed in real time, alerts based on AI



One of the key roadmap elements is getting the cloud cost transparency

Data visualization with BI platform is crucial for FinOps enablement as it simplifies complex data, aids real-time monitoring, supports decision-making, and enhances communication.



And finally, a checklist with some do's and don'ts



Do's

- ✓ Begin by understanding what you have in cloud and who owns it
- ✓ Define your short and long term goals of FinOps (e.g., reduce costs, increase efficiency, improve visibility)
- ✓ Appoint a dedicated team or individual (e.g., a Cloud FinOps Manager) responsible for cloud efficiency management.
- ✓ Implement a tagging strategy to categorize and track cloud resources by department, project, or owner
- ✓ Create budgets for cloud spending and implement forecasting tools to predict future costs
- ✓ Identify and eliminate underutilized or idle resources.
- ✓ Rightsize instances to better match actual usage needs
- ✓ Train relevant teams on cloud cost management practices and tools.
- ✓ Schedule regular reviews of cloud spending and adjust strategies based on findings and changing business needs.



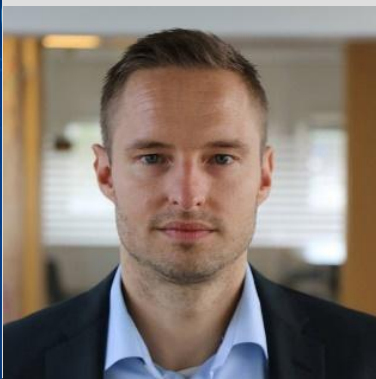
Don'ts

- ! Don't reserve cloud resources until you have rightsized your cloud resources, reduce waste and orphan resources and can properly forecast future needs.
- ! Don't overlook the importance of tagging resources; it's crucial for tracking and managing costs effectively
- ! Neglecting measuring and tracking efforts. Without proper tracking, you won't know whether your efforts are effective or not.
- ! Resist the temptation to provision more cloud resources than necessary "just in case." This leads to unnecessary costs
- ! Letting cost-cutting measures stifle innovation. While it's important to be financially responsible, it shouldn't come at the expense of strategic projects or innovations
- ! Letting the pursuit of immediate financial efficiency overshadow the importance of post-project optimization. There's always room for improvement after the project is completed.
- ! Don't commit to a single cloud provider without considering the potential risks and costs associated with vendor lock-in
- ! Thinking that FinOps is solely about saving money.

A woman with dark hair in a bun, wearing a dark blue shirt with white polka dots, is raising her right hand. She is smiling and looking towards the front of the room. In the background, several other people are seated, looking in the same direction. The setting appears to be a modern office or conference room with large windows.

Q&A

Thank you for your attendance!



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