BEYOND COST OPTIMIZATION

HOW TO SOLVE YOUR FINOPS CHALLENGES

JESSE DEROSE

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HELLO!

I am Jesse DeRose (he/him)

I’m your guide for successful FinOps programs.

You can find me at www.derose.cloud.

Cloud Computing

78%

of executives adopted cloud in most or all parts of their business

(Source: PwC)

19.4%

year-over-year growth of cloud infrastructure

(Source: IDC)

45%

IT spending will shift to cloud

(Source: Gartner)

Anything is Possible in The Cloud

Expensive
Anything is ~~Possible~~ in The Cloud

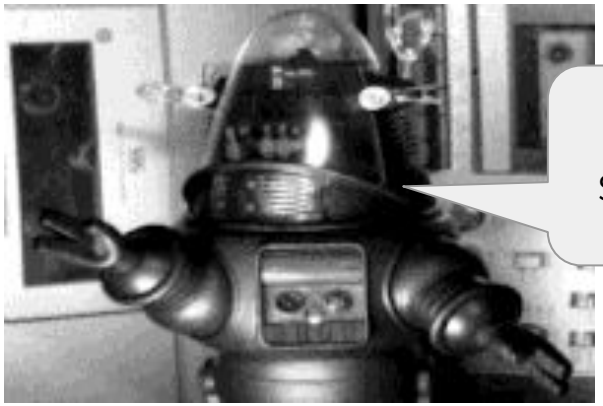
Data Center vs Cloud

	Data Center	Cloud
Pricing Model	Hardware (Servers), Rack Space	Instance, GB, Metric, API call, Load Balancer Capacity Unit, etc.
Billing Frequency	Upfront, then monthly depreciation	Hourly
Forecasting Capability	Stable	Variable
Financial Model	Capital Expenses	Operating Expenses

FinOps

FinOps is a ... discipline and cultural practice
*that enables organizations to get **maximum business value***
by helping engineering, finance, technology and business teams
*to **collaborate on data-driven spending decisions**.*

Source: FinOps Foundation - What is FinOps?



Danger!
Spend is too high!

Reactive,
Short-Term
Work

Return to
Business as
Usual

Cycle Source: https://www.duckbillgroup.com/resources/unconventional-guide-to-aws-cost-management/

"I'M NOT GOING TO STOP THE WHEEL, I'M GOING TO BREAK THE WHEEL."
DAENERYS TARGARYEN
HBO
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GAME OF THRONES

FinOps is a ... ***discipline and cultural practice***
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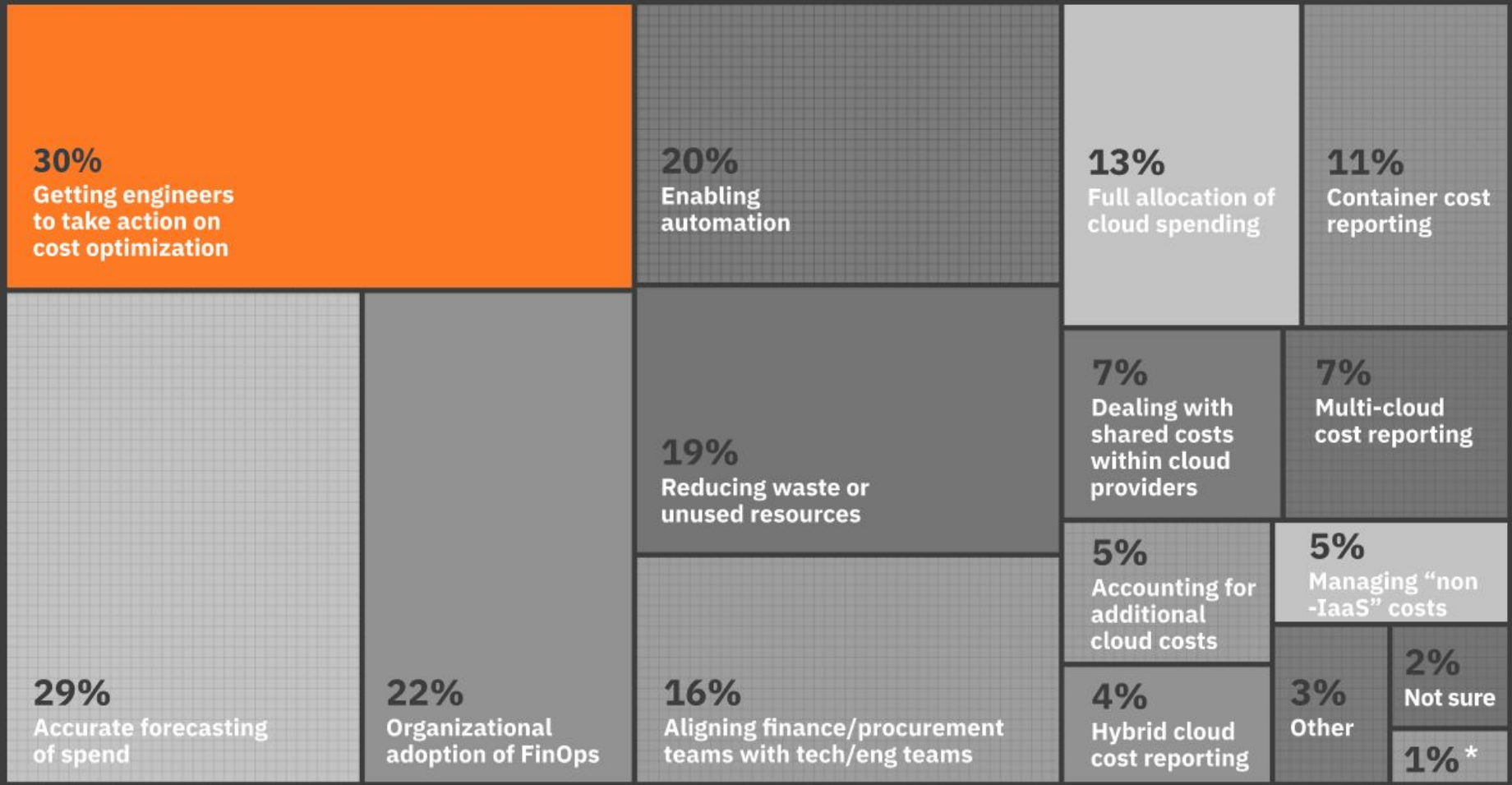
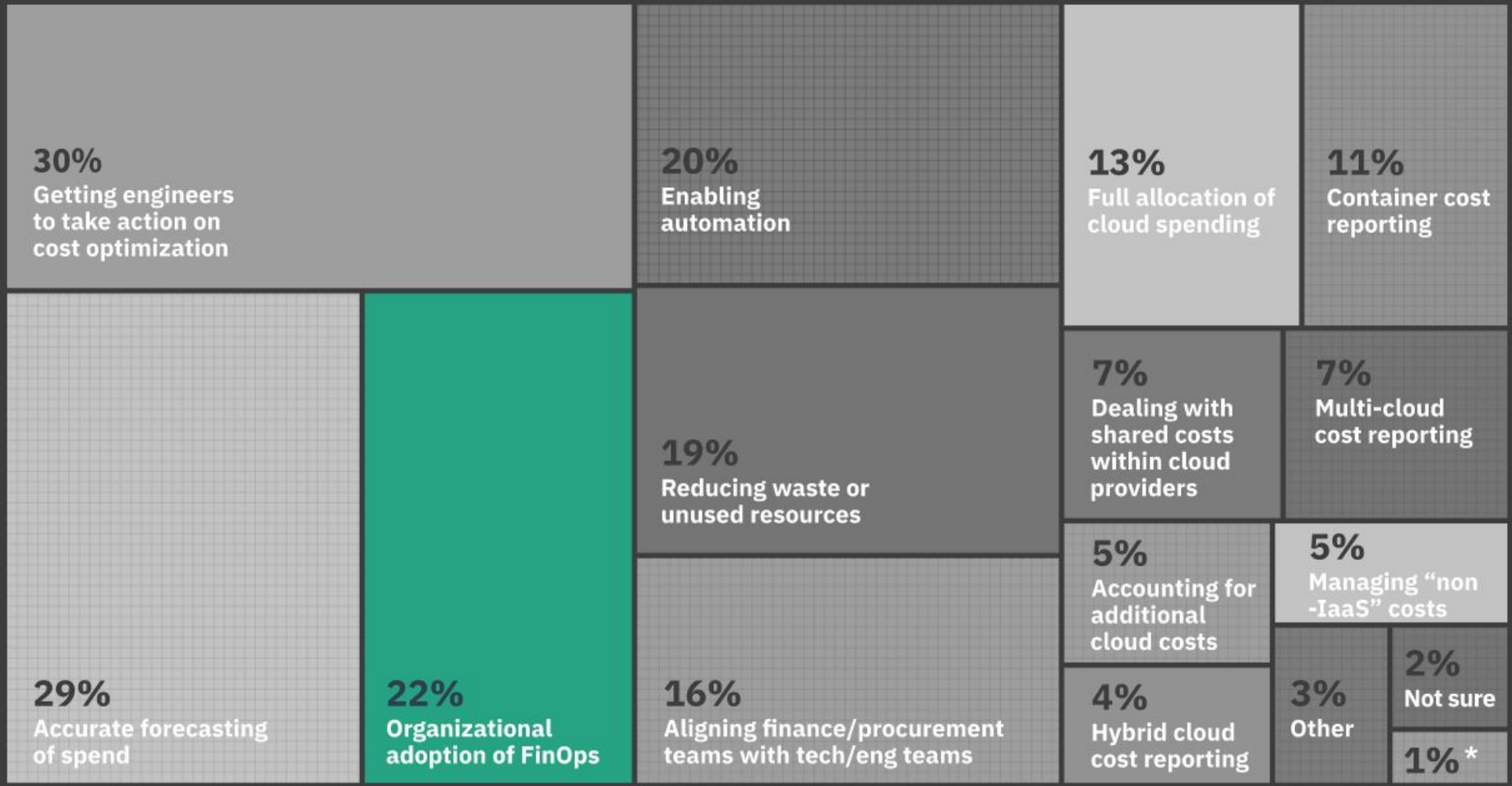
Source: FinOps Foundation - What is FinOps?

Cost-Conscious Culture

Source: https://data.finops.org/

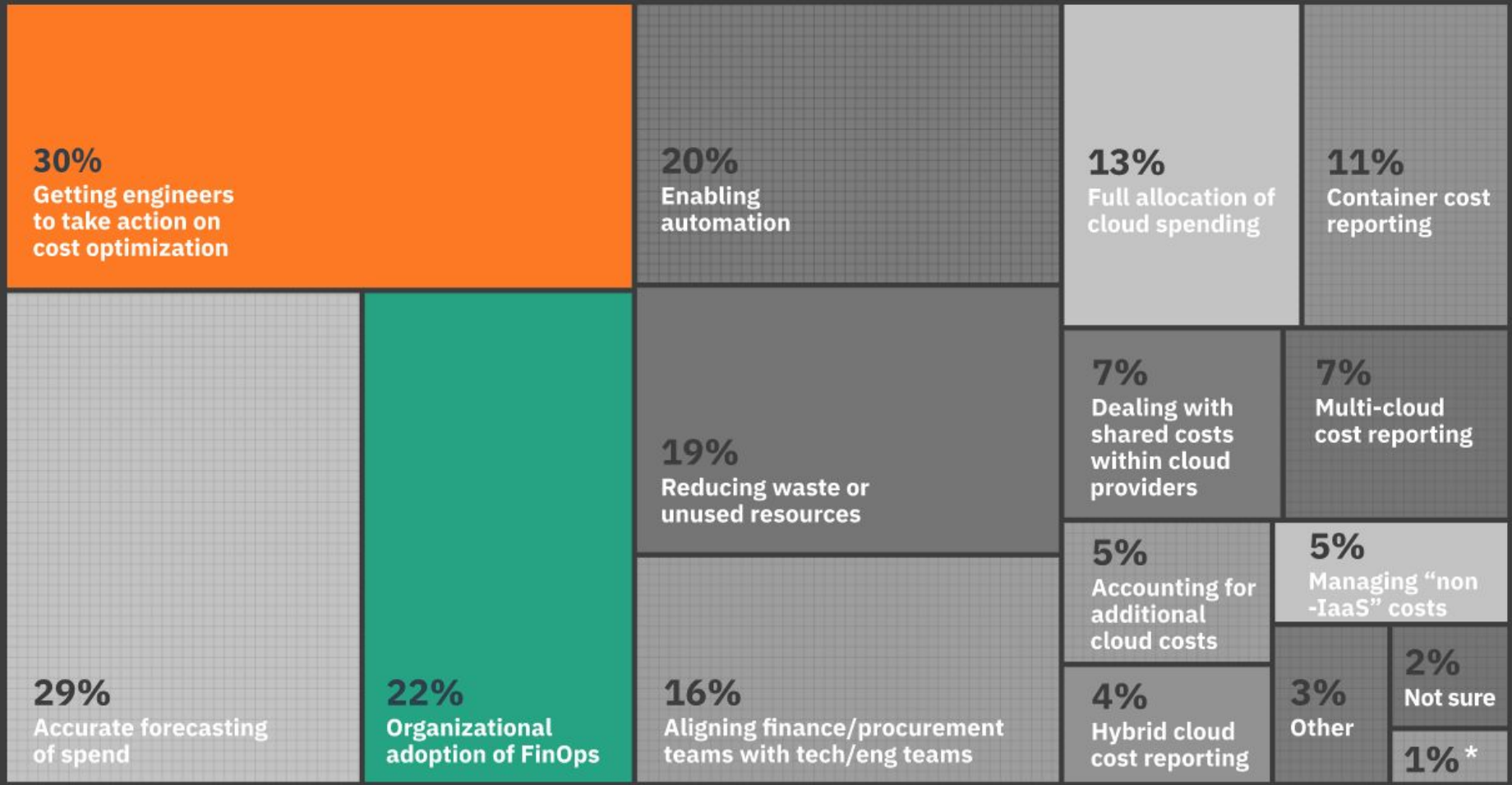


Source: https://data.finops.org/



*Multi-currency cost reporting

Source: https://data.finops.org/



Source: https://data.finops.org/

- Get senior leadership bought-in and communicating
- Incentivize employees to care
- Make the happy path the easy path

Business Practice 1

Leadership Buy-In and Communication

Why does the company need to care?

- Accurate forecasting
- Product operating costs
- Business KPIs

Understanding Cloud Usage and Cost

Within this Domain, the organization will work to gather all required information about its cloud usage and cost, normalize it, make it available for review, including circulating it to those personas that will use it in other Domains **Read more**

Performance Tracking & Benchmarking

Within this domain, the organization sets and maps its usage and cost to budgets, uses historical information to forecast, and establishes and measures KPIs and other performance indicators, including benchmarking. **Read more**

Real-Time Decision Making

This Domain improves stakeholder enablement by curating data in stakeholder-specific contexts, iteratively improving decision velocity and aligning organizational processes to the realities of operating in the cloud. **Read more**

Cloud Rate Optimization

Within this domain, the organization works to define its pricing model goals, uses historical data to make pricing model adjustments by buying commitment based discounts, and works to manage the pricing aspects of services it is using in the cloud. **Read more**

- **Intersection of Cloud FinOps & Sustainability**

Cloud Usage Optimization

Within this domain, the organization identifies and takes action to match running cloud resources to the actual demand of the workloads running at any given time. This work involves predictive rightsizing of resources, managing workloads to align with the correct number of scaling resources, turning resources off when not in use, and other techniques. **Read more**

Organizational Alignment

Within this domain, the organization acts and automates to manage cloud use within the context of other IT Finance activities, and integrates FinOps capabilities with existing organizational processes, organizational units, and technology. **Read more**

- **Intersection of FinOps & ITSM**

Source: FinOps Foundation Domains

How does this goal fit into the **business roadmap**?

If you think you're communicating enough, you probably aren't.

Business Practice 2

Incentivize Employees to Care

Companies must **boost the commitment** of two different groups of people if they want change projects to take root:

… the most **influential executives**, who are not necessarily those with the top titles.

And … **the people who must deal with the new systems, processes, or ways of working**.

Source: The Hard Side of Change Management

- Opportunity or threat
- Organizational change effectiveness
- Influencing factors
- Personal values and motivators

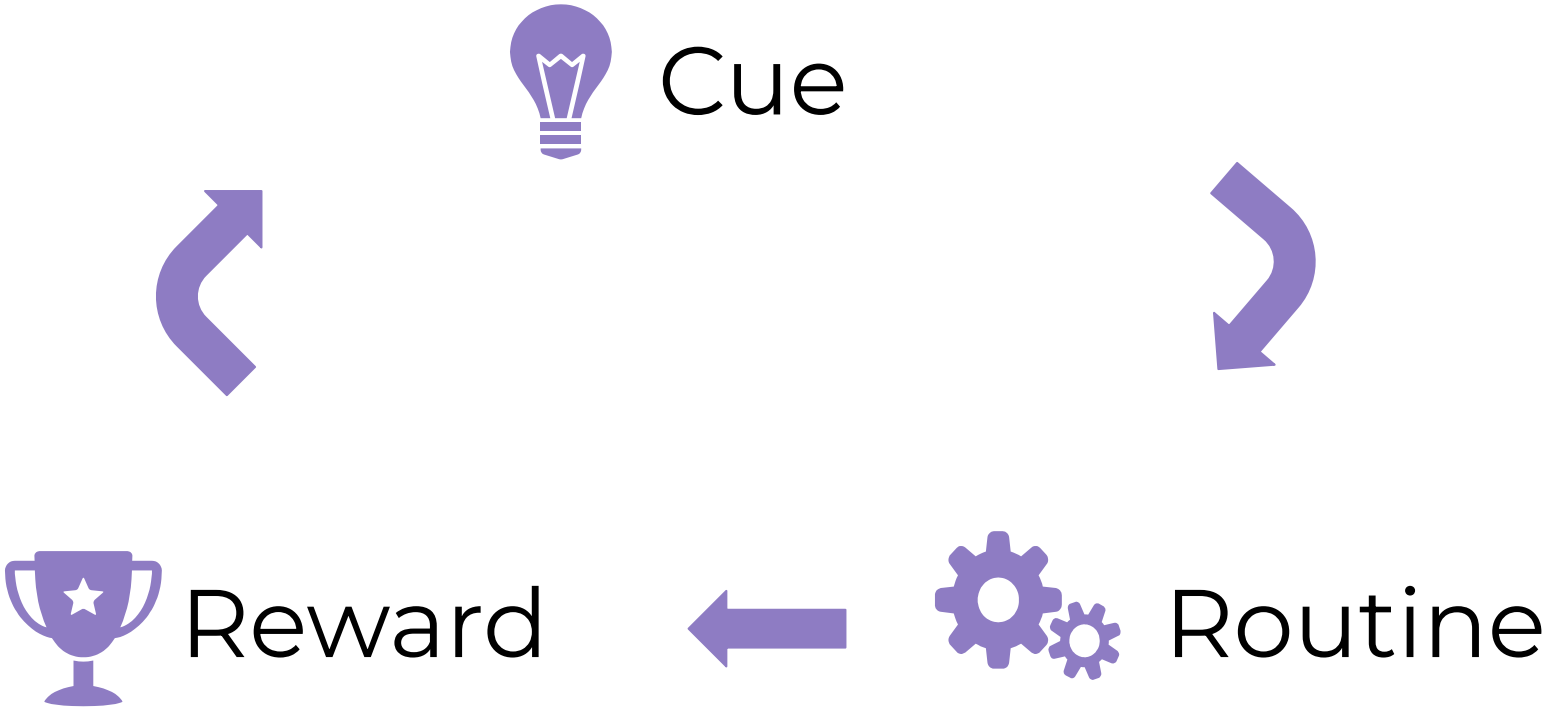
Source: Prosci ADKAR Model

Business Practice 3

Make the Happy Path the Easy Path

Source: Huffington Post

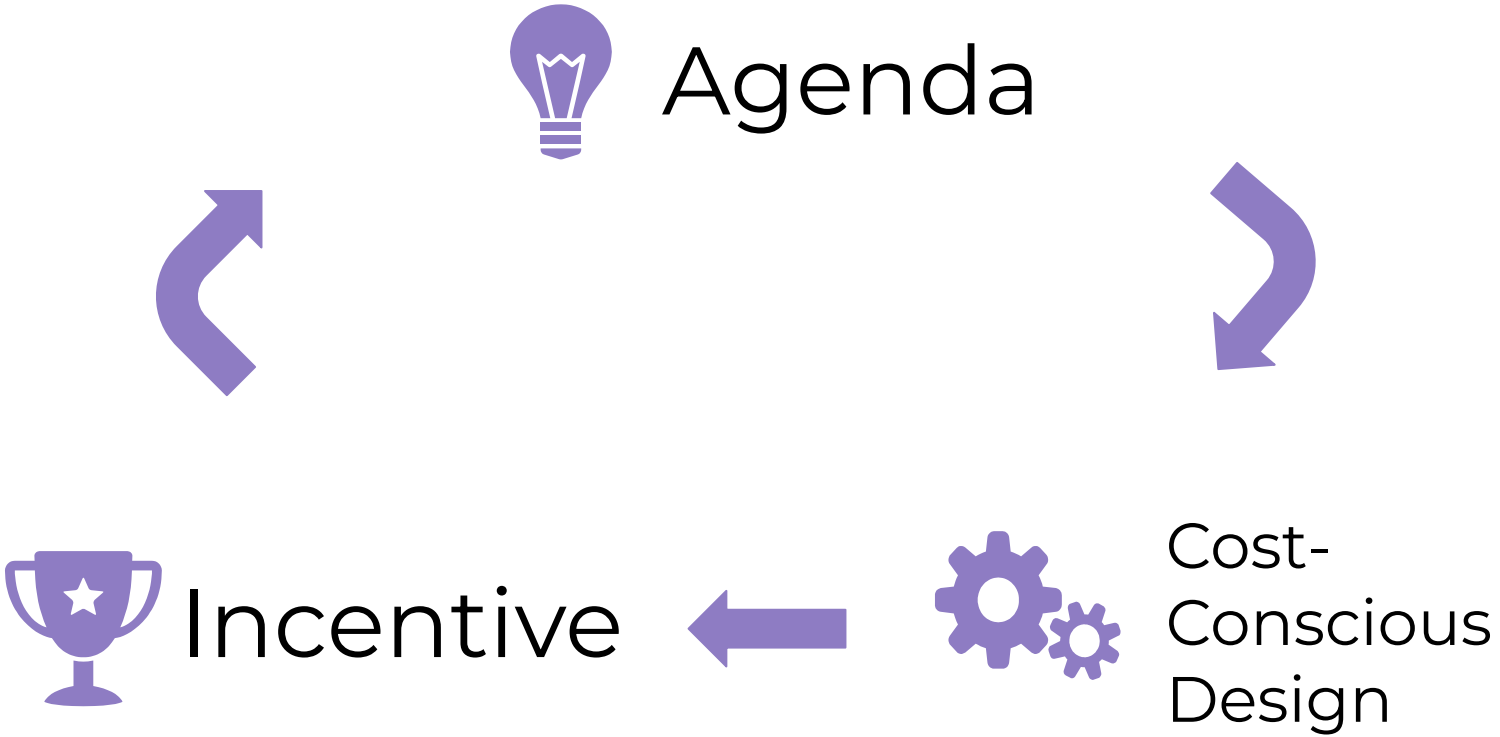
Habits



Source: The Power of Habit - Charles Duhigg

There is nothing wrong with a reactive approach. But, a proactive approach can't be a derivative of cost, it should be part of the #design, #strategy, and #provisioning process in the engineering teams.

Source: Dvir Mizrahi on LinkedIn

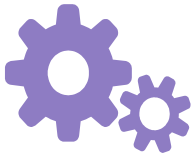


Source: The Power of Habit - Charles Duhigg

Empower Teams to Create Change

Deploy

Tag
Resources



Source: The Power of Habit - Charles Duhigg

- ✗ Short-term cost optimization
- ✓ Long-term cost management

- Get senior leadership bought-in and communicating
- Incentivize employees to care
- Make the happy path the easy path

Additional Reading

- https://bit.ly/BeyondCostOp
- The 3 Key Components of Behavior Change - NeuroLeadership Institute
- The Hard Side of Change Management - HBR
- The Power of Habit – Charles Duhigg
- Prosci ADKAR model
- The Secret to Leading Organizational Change Is Empathy - HBR
- Transitions - William Bridges
- This New Strategy Could Be Your Ticket to Change Management Success - Gartner
- The irrational side of change management | McKinsey

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