Cloud FinOps—
Bringing Business Value for every penny

What is FinOps?

FinOps is a new discipline, cultural change that brings together the organizational governance, process and tooling. FinOps establishes the cost visibility of the cloud spend, predicts the cloud cost and creates the set of mechanisms for managing cloud costs. It brings the financial accountability for the cloud transformation and innovation. This is a new operating model for the cloud financial management. It's an enabling function for a successful digital transformation program by breaking down the boundaries between the technology, finance, and business product teams.

Why FinOps?

66% of the executives responded that the cloud usage is higher than initially planned for this year as per the Flexera State of the Cloud Report 2022. The same report says **50% of the organizations'** workload is in the public cloud and they estimate **32% of the cloud spend** is wastage. Gartner predicts that cloud will be the centerpiece of New Digital experiences of global cloud revenue and is expected to reach **$474 billion in 2022.** The Enterprises are operating on a centralized IT budget mostly, and with this digital transformation, it's running into the distributed P&L models.

Business Value

FinOps maximizes the business value by enabling business agility to understand the technological investments required to create sustainable business outcomes. Boston consulting group research says that 70% of the digital transformations fall short of their objectives. Transparency & Forecast in the cloud spend will help to prioritize the business value with customer centricity and innovation.

FinOps Foundation

FinOps Foundation is a program of the Linux Foundation dedicated to advancing people who practice the discipline of cloud financial management through best practices, education, and standards.
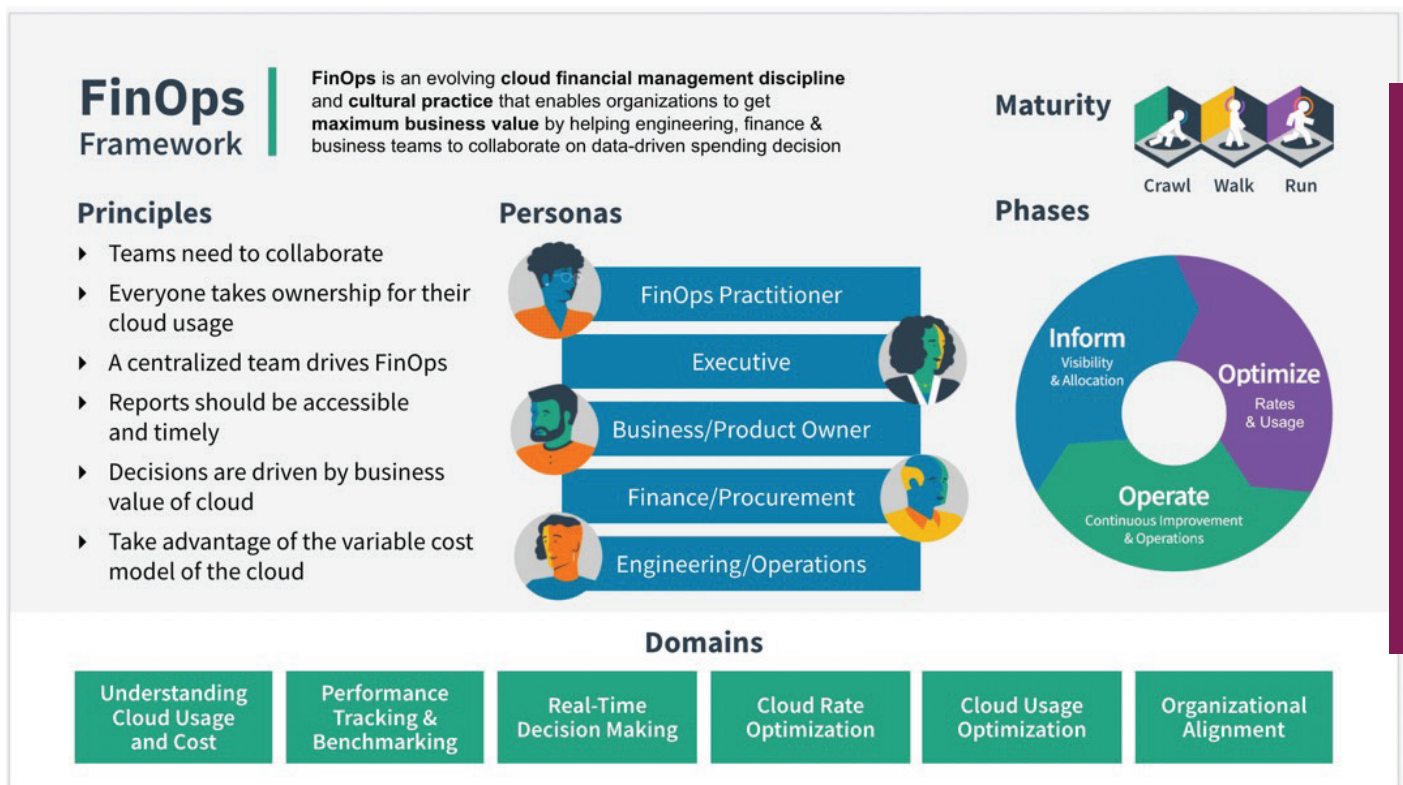
(source: finops.org)

FinOps foundation has a community of FinOps practitioners and technologists who evangelize their framework based on their experience of implementing them. This gives the guidance and confidence for an organization to adopt FinOps.

Metrics & KPIs

The metrics may vary based on the personas involved in the FinOps process like, e.g. Engineering Lead, FinOps Practitioner, CEO, etc., KPIs also vary based on the maturity level of the organization in the FinOps adoption. The purpose of the FinOps is not to reduce the cloud spend, but to drive the better Unit Economics. Like the cloud spend per transaction, the business metric should be similar.

CSP & FinOps

The Cloud Service Providers (CSP) have different terminologies in the cloud financial management. All the major cloud providers either partner with FinOps foundation or work with them to strengthen this discipline. CSPs are introducing new features on their platform for the cloud cost optimization based on the feedback from FinOps community.

Gartner's view on FinOps

Gartner has a divergent view of the centralized FinOps team. It recommends having decentralized team but cross-functional collaboration among cloud architects, cloud operations, developers, sourcing team, and the business leadership. Eventually, the organization will grow in cloud economics as a pervasive cultural practice.

FinOps Tools

FinOps Tools provides quick wins for the cost optimization goals and there are forecasting features using AI that is also available in some tools. CSPs provide various types of cost reports and AWS' recently released AWS Billing Conductor, logically groups the accounts and financial ownership, controls the price those accounts see in the billing console and cost and usage report, as well as distributes credits, fees, and shared services costs. FinOps foundation has a program to certify the vendor tools. The FinOps tools have also features to remediate in the cloud environments based on the recommendations.

FinOps Certification

FinOps foundation has 3 certifications. FinOps certified Practitioner, FinOps for Engineers and FinOps certified Professional. Those who are already playing FinOps practitioner roles or in the IT budget & forecasting team can take FinOps Practitioner and then FinOps Professional certifications. Engineers or Developers can choose FinOps for Engineers. If any consultant wants to learn about FinOps, the best book is Cloud FinOps by J. R Storment & Mike Fuller. FinOps foundation community doesn't allow individual consultants. So if you apply FinOps strategy for the FinOps certification, Cloud FinOps book is the best bet.
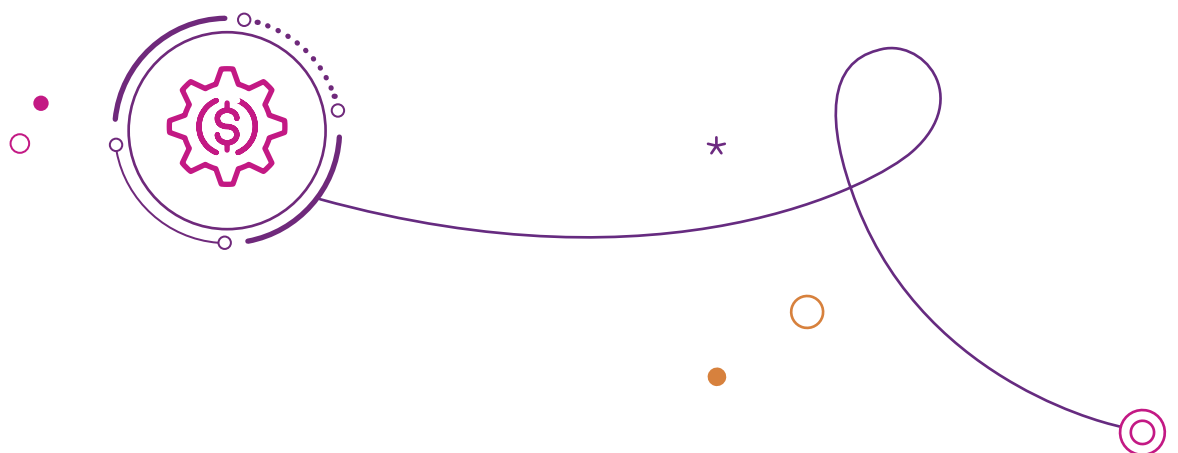
Cloud Economics

Organizations with huge spend on the cloud might already have a dedicated FinOps team. Some organizations might call it as Cloud Financial Management (CFM) team. Organizations need to be aware of the importance of Cloud Economics.

- If an Enterprise is planning to migrate large complex applications to cloud, when will you do right-sizing? Before migration or after?

- If the docker images are in S3, do you know it's cheaper to have Gateway Endpoint or Interface Endpoint for S3 instead of NAT gateway to download the images within VPC?

- Do you know on-demand EC2 instances at US-East (N. Virginia) are cheaper than US-West (N. California)?

- Have you ever wondered why CloudWatch cost is higher for an account?

- Have you checked the pricing mechanisms of Serverless NO-SQL DBs?

FinOps practitioner's role starts after the workloads are available in the cloud. But what is required is a Cloud Architect specialized in Cost Optimization for every project in an organization. These experts can have the title of **"Cloud Economist"**. The FinOps team will have a larger role, like getting negotiated rates from CSPs, unit economics and chargebacks, etc.

Bio

Rajan Ramakrishnan is a Chief Architect in the Central Architecture Group (CAG) Mindtree and he is a certified FinOps Practitioner, specialized in AWS.
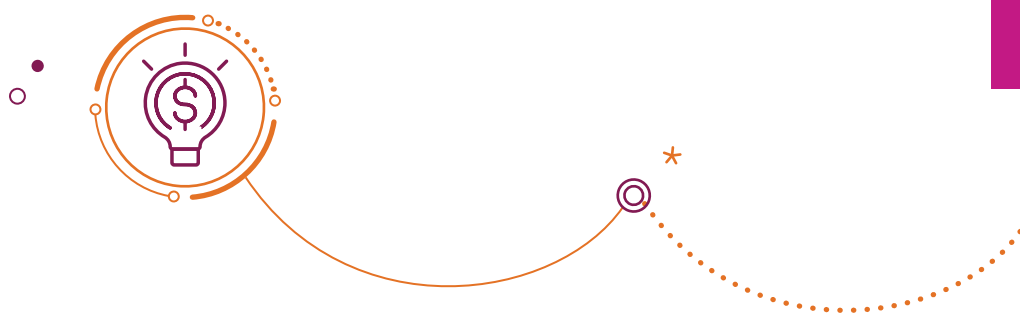
About Mindtree

Mindtree [NSE: MINDTREE] is a global technology consulting and services company that enables enterprises across industries to drive superior competitive advantage, customer experiences and business outcomes by harnessing digital and cloud technologies. A digital transformation partner to more than 260 of the world's most pioneering enterprises, Mindtree brings extensive domain, technology and consulting expertise to help reimagine business models, accelerate innovation and maximize growth. As a socially and environmentally responsible business, Mindtree is focused on growth as well as sustainability in building long-term stakeholder value. Powered by more than 31,900 talented and entrepreneurial professionals across 24 countries, Mindtree — a Larsen & Toubro Group company — is consistently recognized among the best places to work.

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