

ACCENTURE/IBM EVENT:

# FINOPS

## ADOPTING NEW ECONOMIC MODELS FOR CLOUD OPERATIONS

## Accenture/IBM event: **FinOps – adopting new economic models for cloud operations**

*A discussion dinner was held on the 15th of November, 2023, sponsored by Accenture and IBM. Senior executives from banking, insurance, and wealth management attended. The event's title was 'FinOps – Adopting New Economic Models for Cloud Operations'. Sinead Glynn of IBM and Dean Oliver of Accenture introduced the topic and responded to delegate questions and comments. The session was moderated by **Mark Foulsham**, Associate Director, CIONET UK.*



## Cloud is transforming the business landscape

In today's volatile and uncertain economic climate, business leaders are supporting IT organisations in their move to public cloud platforms, preferring to substitute CAPEX for OPEX and gain greater organisational agility. However, few leaders have considered the cost, complexity, and value of such migrations in re-platforming applications and adapting them to real-time consumption-based pricing models. New organisational ways of working, methodologies and tooling are required to manage and effectively control cloud costs and investments to achieve maximum value. FinOps, or Financial Operations, is essential to optimise this move to the cloud.

The evening event was designed to answer three related questions:

- Where does FinOps fit in the emerging cloud landscape, and how can it contribute to business value and cost efficiencies?
- How does FinOps enable a smooth transition to cloud-based operations and provide an effective bridge between IT and business stakeholders?
- What level of maturity is required to implement FinOps, and what mechanisms are needed to manage all partners across the full stack?



## What does FinOps offer the 'C' suite?

Initial comments by delegates across the financial services sector illustrated the absence of a shared understanding of FinOps and where it fits in the evolving cloud landscape. Sinead and Dean offered an introduction to the topic by describing FinOps as a framework and set of practices necessary to improve the financial management of the cloud. A banking delegate stated that implementing its public cloud platform has challenged IT's ability to be held accountable for costs on a day-to-day basis. This has led to tensions with business partners. FinOps is designed to address this gap.

According to Accenture, the benefits of FinOps include improved collaboration across the organisation by helping everyone to understand the financial implications of their decisions relating to cloud resources. FinOps provides real-time visibility and accountability into cloud costs helping IT and business management to know where resources are being deployed and by whom. Instead of monthly reporting, FinOps provides continuous information on cloud costs and performance. It can simplify management as the cloud landscape evolves into multiple platforms.

## From cost to value

All delegates recognised that moving from on-premise computing and applications to public cloud services is essential to meet the demands of a volatile and fast-moving business environment, especially across financial services. Cloud responds directly to the need for scalability, organisational agility and business integration. However, most delegates recognise that a hybrid state of on-premise and public cloud will persist for years ahead until legacy applications can be re-platformed to operate effectively in a cloud environment. One delegate from a global bank mentioned that his experience with public cloud migration illustrated rising rather than falling costs, including the need to write off depreciation costs on the in-house kit, or what he described as a double-bubble, and unleashing an unmet appetite to consume extra processing and storage capacity to spin up new applications.

In such situations, FinOps helps management to balance demand and supply by optimising cloud resources at a granular level. It gives the business a clear visibility of costs in real time. This helps eliminate unnecessary cloud usage (or waste) and align costs directly with business activity. Delegates agreed that experience with FinOps has brought IT and business into closer alignment and enabled product managers to measure IT's contribution to improving the customer experience and business performance.

In the words of a leading UK bank,

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*“ This is helping to reposition IT as a value component of the overall business landscape rather than a cost. ”*

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## Where should FinOps be positioned?

In today's competitive environment, business architectures and processes must be designed with cost in mind. Compute and storage are an integral part of such considerations. According to one insurance company delegate, allocating costs becomes a shared responsibility, enabling businesses to understand where IT resources are consumed and relate this to business activity. One example mentioned is an insurance company's ability to apportion IT costs directly to claims for storm damage. This takes away arguments about central cost apportionment and helps set realistic levels of IT spending against service profitability.

Another example given was product development. According to one delegate, FinOps can help wealth management companies assess the optimal use of market channels, comparing online to face-to-face interactions. FinOps has become a powerful tool for tracking development costs, especially regarding software applications and market launches. Daily meetings to monitor and discuss costs have become integral to business management in product launches and day-to-day operations. Sinead stated that the derived value from a well-executed Hybrid Cloud Strategy (including cloud appropriate operational models like FinOps), can be as much as 2.5X over traditional IT with cloud bolted on.

Another area where FinOps can make a definitive difference is clearing applications backlog. A banking delegate mentioned that FinOps has helped him make more informed judgements about handling lengthy backlogs. The ability to receive real-time feedback helps direct resources to the most critical applications and workloads. By applying FinOps to the entire stack, FinOps can help with business integration. One banker commented that FinOps has helped him identify areas of waste and thus improved operational efficiency in ways that would have been impossible without such tracking tools

A CISO from an international bank said that,

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*“ Building FinOps into solution design has become a key imperative for everyone in the 'C' suite who needs to minimise risk. ”*

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## How do I embrace FinOps?

Dean and Sinead summarised the discussions by offering practical advice on proceeding with a successful FinOps implementation. This includes:

- Undertaking solution designs with cost in mind and emphasising sources of value that the public cloud can offer.
- Adopting FinOps early in the cloud migration cycle to deploy cloud resources where they are most needed, especially in a hybrid situation.
- Convening business and IT management around FinOps to ensure collaboration and successful co-partnering in operations.

For further information, do contact Sinead and Dean at [sinead.glynn](mailto:sinead.glynn) and [dean.oliver](mailto:dean.oliver)





## About CIONET

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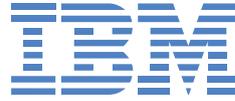
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