Cost management and FinOps

Managing costs is a challenge for organizations using public cloud services but also an opportunity to drive efficient consumption of IT.

The promise of cost reductions drives many organizations to adopt cloud, but many fail to gain the benefits and end up with increased costs. With proper cloud cost management, businesses and organizations can harvest the full potential and gain the benefits of cost savings.

Cloud Cost Management

Cloud providers generally charge on a pay-per-use basis, making it a very flexible resource that can deliver considerable cost reductions.

However, a faulty cloud adoption strategy may result in organizations missing the opportunities of scheduled or automated scaling.

While one of the key advantages of cloud and DevOps is decentralization, it also brings greater responsibility to enable guardrails, tags, and monitoring to prevent wasting cloud resources. Proper ways of working must be monitored, fine-tuned, and enforced over time.

CGI helps companies set up the cloud correctly and optimize their cloud usage to minimize cost.

We also provide visibility in cloud usage and costs for all accounts so companies and organizations can analyze, forecast, budget and report on cloud infrastructure costs.

This will enable them to track cloud costs and allocate to cost centers/teams, thereby gaining accountability across their organization.

To enable ongoing cost optimization and improvement, a proper cost management cycle of work must be put in place. For this, customers should consider establishing a FinOps team that include operations and finance, but also other stakeholders such as the line of business, IT and Cloud Center of Excellence.

Cloud cost management is a critical part of the operational governance structure.

To be successful, companies should:

- Provide cost insights and set guardrails and goals to promote ownership and realize accountability
- Optimize by actively monitoring actual usage, requirements, and organization rhythm
- Focus on rightsizing, scaling, and automation
- Assess workloads to determine if a long-term commitment can result in cost reduction

FinOps in practice

Examples of FinOps implementation tasks:

Understand fully loaded costs

- Map spending data to the business
- Set Cloud tag strategy and compliance
- Create showback and chargeback reporting
- Define budgets and forecasts
- Dynamically calculate custom rates and amortization metrics

Enable real-time decision making

- Provide timely and consistent spend / usage data to all skate holders
- Identity Anomalies
- FinOps in practice

Benchmark performance

- Trending & Variance Analysis
- Create Scorecards metrics & KPI's
- Benchmark internally and against "Industry" peers

Optimize usage

- Rightsizing
- Workload Management
- Automation

Optimize rates

- Balance use of various rate type
- Select discounts that match your flexibility
- Pre-purchase capacity
- Custom and volume Discounts / Sustained Usage
- Utilize Marketplace
- Licensing Optimization

Align plans to business demands

- Mini-Business Cases
- Tracking and Trending
- Communication strategy
- Ongoing reviews with stakeholders on optimization opportunities
- Develop a framework for decision making that aligns with the business drivers

CGI´s methodology for FinOps

① Plan and forecast

In this phase you must develop your cloud onboarding plan by aligning your business requirements, define business risks and tolerances as well as define budgets, spending and forecasts to the various business units. This will form the foundation for your cloud strategy, your purchase plan and the cycle of work and responsibilities.

- Business risks and tolerances
- Align plans to the business demands
- Define budgets and forecasts
- Map spending data to the business
- Set tag strategy and compliance

- Select discounts that match your flexibility
- Pre-purchase capacity
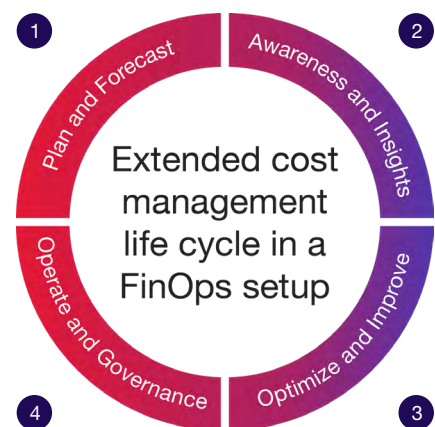- Create cycle of work and plan tasks Define scorecards

Figure: Extended FinOps

2 Awareness and insights

In this phase you must ensure you can monitor capacity, response times and costs, as well as identify anomalies in your usage and set cost alerts. Ensure you can provide timely and consistent data of the individual spend and usage to all relevant stakeholders. This should also be compared to some type of performance benchmark, to ensure your environment and supplier is optimal for your needs and usage patterns.

- Visibility & allocation
- Enable real-time decision making Performance benchmark
- Provide timely and consistent spend / usage data to all stakeholders
- Monitor capacity, response time, cost and identify anomalies
- Cost alerts and notification

3 Operation and governance

To properly operate and govern your cloud environment you should organize to have a Cloud Centre of Excellence (CCoE). Here relevant lines of business, together with Finance and Operations take ownership of improvements and operations of the cloud environment. To regularly evaluate and review optimization opportunities, policies and best practice should be part of the CCoE's agenda as well as updating your project onboarding plans and have clear visibility of proper charge-back to each relevant unit or department within the organization.

- CCOE, Operations, Finance & LOB collaboration for continuous improvements & operations
- Ongoing reviews with stakeholders on optimization opportunities
- Update policies and best practices
- Update project onboarding package
- Create show-back and chargeback reporting

4 Optimize and improve

Here you must put processes in place to optimize your usage, reduce over-capacity and manage the sizes and workloads for your organization. Recurrent and concurrent processes in this area can be automated for increased efficiency and control. The management of the cloud also needs to include regular oversight of the architecture, integration, and scaling features as well as a technical assessment, to ensure you have the right platform and features in place.

- Optimize usage
- Rightsizing & workload management
- Reduce over-capacity to a minimum
- Automate recurrent and concurrent processes
- Ensure proper architecture, integration and scaling features
- Technical assessment
- License management

With these areas in place, the organization will have a clear financial governance of its cloud environment which will build a cost-awareness across the entire organization, and where the organization has the ability to optimize its cloud resources, spend and utilization for optimal results.

About CGI

Founded in 1976, CGI is among the largest IT and business consulting services firms in the world.

We are insights-driven and outcomes-based to help accelerate returns on your investments. Across 21 industry sectors in 400 locations worldwide, our 90,250 professionals provide comprehensive, scalable and sustainable IT and business consulting services that are informed globally and delivered locally.

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