FinOps and the Evolving Role of ITAM

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The cloud has become one of the biggest disruptors to business; however, organizations must be able to leverage this technology to add value and boost efficiency.

Today, cloud technologies sprawl across different departments within an organization, not just IT. With this level of cross-ownership, it is very easy for organizations to lack the visibility needed to control costs. Without a complete and accurate view across cloud ecosystems and the on-premise world, organizations will have difficulties in optimizing spend, be wasting time and resources, and struggle to effectively managing other areas of concern such as security and sustainability.

Even before COVID-19, 80% of organizations typically overshot their budget in the cloud. Reasons include a lack of a clear strategy during cloud migrations and an inability to uncover and address anomalies. Some were even under the impression that migrating to the cloud would save money; however, the primary advantage of cloud migration is actually increased speed and innovation.

These challenges have heightening the need for stronger cloud financial management (FinOps). FinOps strives to bring together technology, business and finance professionals to better understand cloud costs and make more informed decisions regarding the cloud – inherently increasing its business value. The major business outcomes include: improving accountability for cloud spend, fostering a culture that examines IT resources through an operational and financial lens, and encouraging data-driven decision-making.

The drivers for change

FinOps is a company-wide, cross-departmental model that involves finance, IT, and operations and further impacts any team that uses a cloud-enabled solution. The reasons why organisations should care about cloud financial management are clear:

- Maturity: Only 27% of organisations feel they are 'very mature' when it comes to optimizing software license spend. A lack of maturity in this realm results in wasted spend. (Flexera 2021 State of Tech Spend Report)

- Governance: Organizations are wasting approximately 35-to-45% of their cloud spend. Many organizations do not maximize the value of license assignments, and most do not have a governance model to check compliance. (Flexera's 2020 State of the Cloud Report)

- Wastage: More than 30% of any new software and cloud expenditure will be unused through 2022. (Flexera 2021 State of Tech Spend Report)

- Management: 49% of organisations say they have little or no automation for managing cloud spend. (State of FinOps Report 2021)

Where ITAM can help

There are many hurdles organizations can experience when it comes to gaining control over the cloud. The following are some of the main challenges they experience and where FinOps + ITAM can help:

- Constant change within the cloud: Gaining and maintaining knowledge and experience on different cloud spend optimization techniques

- Realisation of savings: Identifying suitable candidates, implementing savings and measuring cost control/reduction, KPI achievement

- Pitfalls prevention: Understanding the technical and licensing implications for each optimization strategy

- Cloud spend visibility: Knowing where the current cloud costs come from with confidence that your organization isn't paying too much

- Mitigation of business risks: Continue modernizing IT with control over the cloud cost

Adopting the FinOps Framework

The FinOps operating model aligns well to the traditional approach taken by ITAM and has a three-step, continuous lifecycle – Inform, Optimise and Operate.

Inform: The first step focuses on gaining visibility over cloud costs, where costs are originating and why. Once visibility is gained, benchmark how the cloud is affecting finances and operations, identify areas of weakness, and take inventory of the teams that use the cloud and the solutions they use.

Optimise: During this step, teams need to work together to create FinOps best practices for every team that uses the cloud. This will vary heavily depending on which solutions a given team uses and how mature an organization's overall approach to the cloud currently is. Once ideal outcomes are outlined, every cloud-enabled team needs to be told which cloud resources they are in control of. Then, actionable recommendations need to be created and distributed to teams to complete and optimize their cloud use.

Operate: During this phase, organizations learn how to lay the foundation for ongoing adoption. Governance policies are created that enable the goals of technology, finance and the business to be jointly achieved.

Next steps for ITAM

Business, IT and finance teams must work together to fully understand the costs behind the cloud resources being consumed and how these can be optimized. ITAM can certainly play an important role in the adoption of FinOps. ITAM and FinOps align well, share similar challenges and objectives, follow the same principles and even cover each other's blind spots.

ITAM teams are increasingly playing a crucial role in cloud financial management. It is a logical extension of ITAM's traditional role, and ITAM professionals already have many of the skills needed to support and lead a FinOps programme.

To learn more:

- access (on-demand) the ['FinOps: What ITAM professionals needs to know'](#) webinar SoftwareONE recently hosted (for ITAM Forum members) with the ITAM Forum and Flexera

- see the informative ['Developing an Effective FinOps Practice'](#) infographic

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