TECHNOLOGY ASSESSMENT GUIDE

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As adoption of FinOps teams and processes expands, the need for companies to improve the maturity of their FinOps practices increases. Companies must leverage comprehensive financial planning and forecasting to drive higher maturity and business value.

Improved Cloud Spending Forecasts and Mature FinOps Processes Drive Business Outcomes

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Introduction

FinOps process and teams have taken off in the past few years, with adoption increasing from near zero in 2019 to over 74% of large enterprises today reporting to IDC they have started a FinOps journey. Driving this interest in FinOps is the continued adoption of the public cloud and the success of recent digital transformation projects in recent years. These projects resulted in the average company currently utilizing three public cloud providers. This complexity and increased public cloud usage have dramatically increased many companies' cloud bills. CFOs and other C-suite executives are asking for more visibility into cloud spending, demanding more optimized spending, and improved accuracy of cloud forecasts.

To address these concerns and move to proactive management of cloud investment, many companies have chosen to create internal FinOps practices. FinOps teams usually include at least one full-time FinOps practitioner and part-time contributors like finance, procurement, IT operations, DevOps leaders, and cloud architects. Companies tell IDC they average 5–6 employees working full time or part-time on their FinOps teams. FinOps aims to optimize cloud spending and provide transparency to line-of-business (LOB) owners and executives by increasing collaboration and accountability between these stakeholders.

AT A GLANCE

KEY STATS

- 74% of large enterprises have FinOps teams and processes in place today.
- Three is the median number of public cloud providers the typical enterprise utilizes.
- Monthly forecasting is the most common frequency in 2023, nearly 2x quarterly.

KEY TAKEAWAY

Nearly every enterprise tells IDC that they use multiple public cloud providers. Consolidating spending and creating accurate cloud forecasts requires automation and workflow collaboration.

Forecasting into Focus

An essential element of transparency is visibility into current and future cloud costs. Because of the complexity of multiple clouds and hyperscalers' pricing options, a cloud cost tool is often selected to provide the FinOps team with reporting and optimization recommendations. One of the first requests from CFOs to the FinOps team is to build and improve cloud forecasts. The FinOps Foundation reports in its annual 2023 survey that 24% of organizations cite forecasting as a top challenge, largely due to the complexity and variable nature of cloud costs. To overcome these challenges, mature their FinOps processes and deliver business value, IDC recommends enterprises start with a basic set of business and IT key performance indicators (KPIs). By using a cloud cost tool to also assist with forecasting, companies can publish and monitor the accuracy of a company's cloud forecast as a foundational KPI.

Cloud forecasts are predictions of future cloud outlays based on historical actual spending and seasonality coupled with additional trends and planned new projects. Collaboration is imperative to gain insight into future investments and building assumptions across multiple stakeholders. Mature and accurate cloud forecasting has many benefits and outcomes for an organization. Some of these are:

- Establishing future opex and capital budgets
- Improved business decisions around cloud investments, maximizing returns
- Aligning cloud team with business objectives
- Aligning teams to reduce waste and optimizing workloads at the planning phase
- Identify anomalies in spending quicker, reducing costs
- Public cloud provider commitment awareness and proactive monitoring
- Transparent and defensible communications on cloud spend
- Freeing up funds for investment in innovation, driving new revenue
- Identification of ownership and allocation of specific forecast cloud costs increasing accountability
- As accuracy improves, forecast periods to extend further into the future for greater visibility

Customer Implementations and Successes

To manage cloud costs, many companies will turn to third-party platforms to analyze, report, and make recommendations to optimize their cloud spending. IDC spoke to a large employee credit union about its recent cloud cost tool, which integrates with its technology business management (TBM) product that has been used successfully for several years to manage on-premises IT costs. The credit union saved over 25% on cloud spending in the first full year using the new tool. The tool helped identify changes to optimize cloud costs better, and the company uses the tool's dashboards to find anomalies before the bill arrives more proactively. IDC has seen this level of savings in the first year, which is common among many enterprises.

IDC also spoke with a major global payment processor with over $100 million in public cloud spending about its implementation of a TBM solution with a cloud cost optimization tool. The team consolidated several tools in use by

companies it acquired into one standard solution, which produced savings of $13 million in just over a year. The company has 6 full-time employees in the centralized TBM group and 11 part-time contributors across all divisions participating in the FinOps team.

Both companies emphasized the efficiencies gained by moving beyond standard trend-based forecasts and manual Excel spreadsheets for what-if scenarios and planning. These methods don't provide the automation and other capabilities IDC recommends for effectively developing and managing cloud forecasts. Furthermore, spreadsheets are cumbersome, and version control with audit controls is nonexistent. Manual, time-consuming forecasting methods mean fewer updates occur and inaccuracy increases — causing stakeholders to lose confidence. To provide the business benefits of mature cloud forecasting, IDC believes the following advanced capabilities are necessary for successful cloud forecasting:

- Collaborative workflow for building and approving cloud forecasts
- Planning beyond just current trends with adjustments for new/different drivers (inorganic) and future workloads
- Drill down into forecast variances by dimensions such as product, account, and LOB
- Automated rollup of current and planned costs into budgets and forecasts
- Automated tracking of spending to forecast with alerting and dashboard reporting of variances
- Export to financial and TBM systems
- What-if scenario forecasts and comparison to actuals, with alternative versions and plans
- Accountability and audit on who made what changes to the forecast with descriptions or justifications

Cloud Cost Tool with Forecasting Selection

FinOps teams must select the proper cloud cost tool that aligns with their requirements. In addition, teams need to candidly measure the maturity of their processes and how to leverage a cloud cost tool to improve continually. Many teams are still working to mature FinOps beyond the initial "crawl" phase (as defined by FinOps Foundation). Improving FinOps maturity is tied to increasing business value and better returns on cloud investments. A tool that automates and measures essential metrics, such as allocating cloud costs and forecast accuracy, is critical to moving to the "walk" maturity level. The "run" maturity target or goal for forecasting as a best practice as well as recommended by the FinOps Foundation is a variance to plan less than 5%.

Most cloud cost tools support multiple clouds and help companies identify abandoned or underutilized cloud resources and optimize pricing tiers of the hyperscalers. However, vendors differ significantly in their approach and capabilities of their cloud forecasting. IDC recommends that enterprises carefully review cloud forecasting capabilities and the vendor's integration with its cloud cost tool to ensure it meets the company's long-term goals.

Worksheet Section

Cloud cost tools that provide modern forecasting capabilities are essential for increasing the maturity of FinOps teams.

Tables 1–4 provide the checklists that are helpful when companies are selecting or consolidating their cloud cost transparency tools. It is essential to consider what cloud forecast capabilities or modules a customer's potential selection

offers. Companies should consider vendors that meet the majority of Table 1 (five or more positive responses) and are above a 3.0 cumulative average score for capabilities in Tables 2 and 3. Finally, review Table 4 for mission-critical requirements for your company.

TABLE 1: ***Proper Vendor Fit***

	Yes/No
Does the vendor have experience in successfully implementing asset operations management in our industry and company size?	
Will the vendor and its partners provide the technical and customer support necessary for our organization, including support for all the geographic regions where we operate?	
Will the vendor's implementation time frame meet our needs?	
Can the vendor integrate with our organization's other IT systems via API, web services, or others?	
Do the cloud deployment options, security measures, and contract terms satisfy our IT and legal policies?	
Is the product updated frequently enough for our operations?	
Is the vendor knowledgeable about applicable regulations and laws that affect our company?	
Does the vendor have a track record of meeting ROI requirements, and is the vendor invested in whether we can achieve our expected performance improvements?	

Source: IDC, 2023

TABLE 2: ***Essential Application Capabilities — Cloud Cost Core Platform***

	Is This Capability Very Important — 4, Important — 3, Somewhat Important — 2, Not at All Important — 1 to Your Organization?
The user interface intuitive enough for our teams to use with minimal training	
The software application allowing security access-level control for different roles	
Cloud cost pricing recommendations and resource optimization suggestions across multiple public cloud hyperscalers used by our company	
Pricing recommendations including reserve instances (RI), spot, on-demand, and savings plan options	
Support for guardrails and governance to enforce cloud usage and spending limits	
Tools to automate tagging creation on new resources, mass updating of tags, and alerts on missing tags for existing resources	
Visibility into cloud cost allocations/chargebacks to business unit, department, product, or user story levels	
Automation of recommendations of cloud cost savings or resource configuration changes	
Resource optimization including CPU, memory, storage, web services/PaaS, and usage monitoring	
AI/ML utilization to identify cost anomalies proactively and build more accurate optimization recommendations without impacting performance	

Source: IDC, 2023

TABLE 3: ***Essential Application Capabilities — Cloud Forecasting Module***

	Is This Capability Very Important — 4, Important — 3, Somewhat Important — 2, Not at All Important — 1 to Your Organization?
Automated workflow collaboration for building and approving new/existing cloud forecasts	
Custom dashboards, reports, and drilldowns to all forecast levels, including product, department, business unit, team, or user stories, to find variances and anomalies	
Interactive, dynamic reports and real-time review of forecasts versus actuals	
Multiple versions of the forecast for comparisons to actual and what-if scenarios	
Editable forecast beyond basic trends for new workloads, seasonality, and flexible business drivers	
Change control and auditable forecast to track who/what edits were made	

Source: IDC, 2023

TABLE 4: ***Additional Considerations***

	Yes/No
Are any elements of the workload subject to data sovereignty regulations?	
Are there any specific security requirements that would require zero trust segmentation?	
Does the solution support role-based access control (RBAC)?	
Do we need professional services directly from the vendor, including training?	
Is an on-premises-based solution required or is SaaS delivery sufficient?	
Does the solution support our sustainability strategy by providing reporting/visibility into carbon emissions as well as recommendations?	
Are multiple languages and currencies needed and supported by the solution?	

Source: IDC, 2023

About the Analyst

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Jevin Jensen is the research vice president covering IDC's Intelligent CloudOps Markets service. He covers infrastructure as code, FinOps, edge, IT infrastructure automation, cloud cost transparency, and hybrid/public/multicloud management platforms.

MESSAGE FROM THE SPONSOR

As we've explored, accurate forecasting is vital to:

- Optimize costs and reduce wasteful spending
- Inform investments into commitment spend
- Provide insights for the budgeting processes
- Track spend against plans for accountability

The FinOps foundation states that 24% of organizations cite forecasting as a major challenge, and over 50% now forecast at a monthly interval. As organizations continue to mature their cloud portfolios at an accelerating pace, the need for accurate forecasting to avoid wasteful spend will only grow. In turn, the need to move beyond spreadsheets and disjointed communication to modernized tooling that can meet the needs of your organization becomes more prevalent by the day.

Apptio addresses the complexity of cloud investments by enabling organizations to scale and mature their FinOps practices. This includes driver-based forecasting that enables flexible planning and builds accountability through spend to plan tracking.

To learn more, visit Apptio.com.

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