Maximizing business value across a hybrid landscape

A FinOps eBook

kyndryl.

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Overview

As enterprises ramp up the migration of key workloads to the cloud, many struggle with the changing dynamics of cost management and the need to optimize usage of the hybrid landscape for maximum business value.

But there's good news: Modern financial management practices like financial operations (FinOps) can counter complexity and out-of-control hybrid cloud spending.

The FinOps Foundation does not view FinOps as Financial Operations. They call FinOps as a portmanteau of "Finance" and "DevOps". The key to success with these practices? A culture and set of governance processes, supported by the right technology to improve visibility, increase accountability and drive intended business outcomes. FinOps represents a cultural shift to a new operating model designed to bring accountability and cost control to consumers of IT services.

An estimated **30%** of cloud costs are wasted expenses.[1]

By 2026, IDC predicts **50%** of G2000 companies will expand FinOps scope to identify new cost-optimization opportunities by adding SaaS management platform tools and capabilities.[2]

82% of organizations say managing cloud spending is a top challenge—overtaking security as the top challenge.[3]

Understanding FinOps

What is FinOps?

FinOps is more than a tool or a technology—it's a combination of technology, best practices and reimagined cross-functional business teams. This approach examines hybrid multicloud operations through a financial lens, deploying a set of integrated tools and processes to enable faster product delivery, adaptable financial controls and improved predictability.

Although companies have been doing cost management and fiscal governance of IT expenditures for years, cloud and DevOps have changed the model of purchasing. Traditionally, long procurement cycles contained several phases. Engineers requested IT capacity, centralized control meant that financial approval was required, and costs were extremely predictable. Capital expenditures (CapEx) defined the spending model, and multiyear budgets and plans were the norm.

Fast-forward to today. Cloud has shifted that equation to a more decentralized environment with operating expenditures (OpEx) at the core of the spending model. The self-service nature of cloud makes it easier to tap IT resources without the bottlenecks of the traditional IT purchasing cycle. The result is greater levels of innovation, but at the expense of predictability and accountability of IT spending.

Remote work and the pandemic accelerated the move to the cloud, exacerbating the challenge of managing cloud costs. As a result, a new operating model is needed to bring together consumers of cloud with operations and finance for greater predictability and control over cloud spending. By reimagining processes and practices with the FinOps model, companies can get their digital transformation journeys back on track.

" Empowerment comes burdened with accountability—and that is certainly true of self-service consumption coupled with the accountability of risk and spending. As IT organizations enable more developers and operations teams to consume resources through self-service, they also have to enable them to track, optimize and manage their spend. As this is neither a primary skill nor habit, the process and discipline of FinOps needs to be introduced to assist, encourage and develop adoption. Service providers like us assist organizations with the culture, mechanics and tooling to enable resource tagging, cost reconciliation, optimization recommendations and follow-through tracking."

— Sunil Bhargava, SVP, Cloud Services, Kyndryl

The FinOps Framework

As defined by the FinOps Foundation—a community dedicated to advancing cloud financial management best practices—FinOps is an operational framework and cultural practice that maximizes the business value of cloud, enables timely data-driven decision-making, and creates financial accountability through collaboration between engineering, finance and business teams.

The FinOps model fundamentally changes the way IT, finance and line-of-business (LOB) groups interact to accomplish organizational goals. Cross-functional teams in engineering, finance and product development work together to plan IT investments and enable faster product delivery, bringing financial accountability and cultural change to the variable spending model of cloud.

With a financial culture infused throughout the organization, engineering and business teams collaborate and make trade-offs between cost, speed and quality as they map out cloud architectures and cloud investments. Shared reporting and accountability of costs and expenses keep everyone in the loop with near-real-time and transparent visibility into cloud spending.

" FinOps promises accountability and governance for soaring cloud costs, but it's not a one-off cost exercise; rather, it's a cultural and organizational shift that requires continuous optimization and change management leadership to deliver lasting business value."

— Amod Bhise, Director,
Offering Management, Kyndryl

There are three iterative phases to the FinOps journey, and companies can be in multiple phases at any time, depending on business units, applications and teams. Operationalizing FinOps at scale requires an enterprise-wide commitment to continuous improvement. And although FinOps aims to maximize cloud spending, reducing costs isn't the sole goal—it's also about making informed decisions about cloud usage as it relates to performance, quality and costs.

" Adopting an end-to-end platform and service partner approach is an effective way to embed FinOps practices into organizational culture, execute continuous optimization and achieve maximum business value from your IT investments"

— Amod Bhise, Director,
Offering Management, Kyndryl

Key principles of FinOps

Teams must collaborate

- Decisions are driven by the business value of cloud

- Everyone takes ownership for their cloud usage

- FinOps data should be assessable and timely

- A centralized team drives FinOps

- Benefit from the variable cost model of cloud

The three phases of FinOps as defined by the FinOps Foundation[4] are: →

Inform

The first phase of FinOps is all about empowering organizations and teams with visibility, allocation, benchmarking, budgeting and forecasting data to make timely and intelligent decisions. Metadata and tagging help align business and operational requirements, enabling cross-functional stakeholders to drive ROI and stay within budgets. Visibility into spending enables accurate chargeback and showback. As transparency increases, organizations establish trust in cloud spend decision-making, which is crucial for transformation and nurturing high-performing teams.

Optimize

Data is used to identify and validate optimization opportunities, either by inspection or exception, and employ automation based on policies. Artificial intelligence (AI) and machine learning (ML) can also help identify new optimization opportunities. The goal is to right-size and automate the turnoff of underutilized IT resources, which can make a significant difference in optimizing hybrid cloud spending.

Operate

Optimization becomes ingrained in the service design and use. Governance is implemented across the entire service lifecycle, from planning and consumption to operating and paying. As part of the practice of continuous improvement, organizations establish and reconcile financial controls (budgets) on the front and back ends of processes and institute systemic multi-supplier IT governance practices.

FinOps with Kyndryl

With our end-to-end approach to FinOps, Kyndryl facilitates a wider view of cloud costs and controls that spans the hybrid IT estate, from multicloud environments to private clouds and legacy datacenters. With 320+ FinOps-certified practitioners and counting, Kyndryl is one of the top FinOps service providers, with certified service provider and platform provider badges from FinOps.org.

We deliver our FinOps offering as a key component of the Modern Operations framework—a set of modern IT services encompassing people, processes, technology, infrastructure and experience to deliver an integrated value stream—and underpinned by our Kyndryl Bridge™ platform.

Kyndryl Bridge is an open integration platform built on our 30+ years of experience, an expansive portfolio of IT solutions, the collective knowledge of digital transformation experts, and our own data-driven insights and IP to facilitate and simplify IT service delivery at scale.

Kyndryl Bridge effectively addresses the FinOps framework by integrating cloud management capabilities across various domains:

1. **Understand cloud usage and cost**
   Kyndryl Bridge provides robust data ingestion, allocation and reporting tools that facilitate detailed analytics and anomaly management, ensuring end-to-end visibility into hybrid cloud usage and expenditures.

2. **Quantify business value**
   It supports detailed planning, estimating, forecasting, and budgeting, enabling organizations to measure unit economics on the financial impact of cloud and non-cloud investments against business value

3. **Optimize cloud usage and cost**
   Kyndryl Bridge offers solutions for designing and building optimal hybrid cloud environments, enhancing workload efficiency and pursuing sustainable practices alongside cost and licensing optimizations.

4. **AI and machine learning**
   It brings in patented AI algorithms to drive actionable insights and cost optimization recommendations in addition to what's provided by native cloud management tools

5. **Hybrid IT visibility**
   Kyndryl has built out its FinOps tools and processes to handle cost management for hybrid IT environments — a significant differentiator from other consulting services and cloud providers. Most cost management platforms, particularly those from public cloud providers, are limited to a singular set of services and lack the ability to comprehensively manage cost and usage data across public and private clouds.

FinOps with Kyndryl

Kyndryl's in-house FinOps tools, processes and expertise for handling cost management in hybrid IT environments set Kyndryl apart from other consulting services and cloud providers. Many cost-management platforms, particularly those from public cloud providers, are limited to a singular set of services, without the ability to manage cost and usage data across public and private clouds.

" We can bring in the discipline of FinOps to on-prem and traditional IT. While this was newly incorporated in FinOps.org's framework, it isn't a new concept for Kyndryl practitioners given our history of managing costs and operations for complex hybrid IT environments."

— *Kathryn Lin, FinOps Offering Management, Kyndryl*

Through the use of data ingestion capabilities, standardized schemas, extract, transform, and load (ETL) capabilities, analytics, and other IP, our cost-management platform ingests data across private and public clouds, normalizing and standardizing the data in a way that results in a single governance view to initiate effective cost management.

Another core advantage of Kyndryl's FinOps approach: The company practices FinOps as an end-to-end service engagement, not just delivering tools but also ensuring that the processes are sustainable, with an emphasis on business outcomes.

" Our heritage makes us operationally aware of the implications of making changes like combining workloads, shutting down virtual machines or right-sizing clusters without acute diligence to operational resilience."

— *Kathryn Lin, FinOps Offering Management, Kyndryl*

FinOps with Kyndryl

Kyndryl's FinOps vision is grounded in respect for operations excellence born from decades of running business-critical systems with a focus on productivity and resilience.

Kyndryl's FinOps approach advantage:

1. **Increased Attribution and Automation**
   Kyndryl practitioners use automation to increase productivity and focus on higher value optimization while maintaining costs and shared costs are appropriately allocated to the accurate budget owners and business units.

2. **Continuous Optimization and Cost Avoidance**
   Our services incorporate continuous optimization and implementation with proactive steps to identify avoidable expenses.

3. **Manage the FinOps Practice**
   It reinforces cloud policy governance, streamlines invoicing and chargeback processes, and supports daily/weekly/monthly reviews to optimize usage, cost efficiency, and FinOps framework.

4. **Personas and Phases**
   Kyndryl FinOps service facilitates collaboration among core and allied personas, supporting engineering, finance, and leadership teams focus on business outcome and culture change from initial learning to full optimization and operational excellence.

5. **FinOps and Cloud Expertise**
   Our engagements support through all maturity phases and provide the level of FinOps, Cloud, and 3rd party tooling expertise to help them accelerate their modernization journey.

" We don't break things to save money. We also don't just tell customers what to do — we show up and help them get it done."

— *Kathryn Lin, FinOps Offering Management, Kyndryl*

Kyndryl's engagement framework

Kyndryl follows the FinOps maturity model developed closely from FinOps Foundation's methodology, mapping each client's journey from the state it is currently in to where it wants to be.

Kyndryl's engagement framework is three-pronged:

1. **Advise**
   Kyndryl experts assess where the client is, plan for where it needs to be, and design the best road map for that journey.
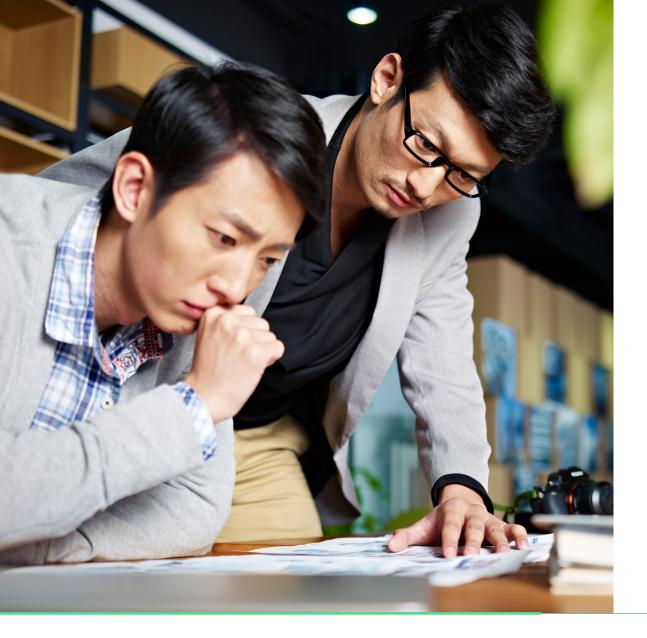
2. **Implement**
   The Kyndryl and client teams work together in an iterative fashion to implement the applicable technology and processes for the specific use case, along with the requisite execution steps that will advance the client on the FinOps maturity map.

3. **Operate**
   Kyndryl continuously monitors and optimizes the solution, ensuring positive business outcomes and maximum value from hybrid IT investments.

Every engagement is designed to meet clients where they are on the FinOps journey and is fine-tuned to a customer's individual operating model and cloud deployment. In the Advise phase, for example, Kyndryl can help customers establish a baseline, create a tagging strategy, and establish context for cost centers. During the Implementation phase, a Kyndryl team can identify and validate optimization opportunities and offers recommendations and implementation roadmap. At the Operate stage, customers can opt for assistance with change management, continuous governance, supplier management, and transparency of unit economics through Kyndryl's FinOps fully managed service offering.

Kyndryl's FinOps Service is tool-agnostic and supports cloud native and other 3rd party tools to help our customers stand up their FinOps practice or fulfill the FinOps capabilities.

FinOps assessment

Kyndryl diagnostic methodology assesses six critical functional areas to determine organizational readiness and maturity for FinOps.

1. Awareness and communications. Examine team composition, oversight, decision-making processes and performance management, and workload optimization.

2. Visibility. Consider cost visibility, data currency, overage reporting and cost alerting.

3. Allocation. Examine real-time decision-making, fully loaded costing, KPIs and peer benchmarking.

4. Utilization. Drill down into utilization of resources, containers, orphaned resources, data lifecycle management and prepayment consumption.

5. Rate management. Evaluate policy and governance, enterprise agreements, private pricing agreements, red/green zone prepay and prepay oversight.

6. Continuous improvement. Focus on policy enforcement, elasticity, optimization, cost avoidance, continuous integration/continuous delivery (CI/CD), and red/green zone optimization.

Kyndryl FinOps in action

Kyndryl guides companies across industries in their FinOps journeys, redesigning processes and creating new organizational mechanisms to maximize the business value of hybrid cloud transformation.

Energy and utilities

Ausgrid is the largest distributor of electricity in New South Wales, Australia, providing power to 1.8 million customers and more than 4 million people. Kyndryl hybrid and FinOps practitioners collaborated and analyzed cloud usage and spending data, then identified 1,264 potential cloud optimization savings opportunities, and developed a transformation roadmap in just six weeks. Read the full story.

Healthcare

A large healthcare provider was challenged to optimize servers and identify underutilized resources that resulted in increased costs and degraded operational efficiencies. With Kyndryl's FinOps platform and services, the company right-sized servers to match business objectives and optimize costs and saved US$1 million annually as a result.

Retail

With 94% of its assets untagged, a large retailer sought to understand hybrid cloud costs spread across business units. Kyndryl worked with the company to build a tagging policy and strategy. Subsequently, the Kyndryl team audited the tags and made cost-optimization recommendations to align tags with business goals. The project resulted in a little over 92% of all resources tagged, improving coverage by 84.5%.

Agribusiness

A leading Brazilian soybean, corn, sunflower, and canola processing company have started their migration journey from on-prem to Azure, aiming to increase availability, reduce costs, and leverage flexibility to accommodate business growth. The migration projects resulted in an unsustainable increase of cloud costs, with only 30% of projects completed but all the budgets consumed. They also faced challenges on cost visibility, predictability, and lack of financial control, resulting in a business risk to justify Cloud. Kyndryl introduced FinOps governance and a set of best practices as they continue the modernization project. Kyndryl recommended daily scrum on optimization and implementation, reserved instance strategy, and proper forecasting and visibility reporting.

As a result of the initial work put into practice, Kyndryl drove a significant cost avoidance of $7.4 million Real and reduced monthly Azure bills by 40%. More importantly, the FinOps practice established visibility, financial stability, and predictability across the cloud stack for the company.

Airlines

A European airline wanted to create one view of cloud spending across all services, along with an automated solution for frequent data ingestion. Kyndryl built integrations that span the company's disparate systems and cover end-to-end processes, as well as developed automated data processing workflows. With the Kyndryl FinOps platform and practices in place, the airline has saved time by consolidating data during billing while unifying across accounts to avoid custom and manual

steps. Key stakeholders were privy to a notification service issuing alerts on validation, extraction and ingestion failures, so there were no surprises. There were also greater transparency and drill-down capabilities on current claims and credits, along with custom reports built to facilitate billing and invoicing processes.

FinOps best practices

Frame cost data in a business context

On its own, infrastructure data or data on the health and utilization of IT infrastructure is not enough to drive value. Organizations need to associate context with this data so it's clear what services are using what infrastructure components or what services are connected to a specific business unit or budget.

" In order to make sense of this infrastructure data and utilization matrix from a business perspective, you need to have the right tagging strategy in place, along with ongoing analysis and compliance to ensure data stays aligned."

— Sreenivasulu Maheshwaram, Principal Architect - ModernOps-Cloud Practice, Kyndryl

Secure executive sponsorship

Consultants or experts can make all the recommendations in the world, but without executive commitment to the requisite resources and process change, organizations will be hard-pressed to achieve value from FinOps practices.

" Have the right stakeholders engaged and buy-in from the executive suite. Recommendations have to be transformed into actions."

— Sreenivasulu Maheshwaram, Principal Architect - ModernOps-Cloud Practice, Kyndryl

Adopt an agile mindset

Don't expect end-to-end FinOps all in one big bang. It's best to get started by picking and choosing an initiative that is limited in scope—for example, a specific cost center or business unit. Start small and keep iterating in an agile process. Achieve visibility for a business unit, an application or a project, and then add more as the business experiences the benefits. Kyndryl works with the targeted business unit or application through each of the FinOps stages—inform, optimize and operate—and expands the maturity level within the specific business unit and across the enterprise as FinOps practices gain traction.

Create accountability and fiscal awareness

FinOps is generally centrally driven, but it's executed at the edge by the parties responsible for consuming services that generate costs.

" Creating accountability across the enterprise is the FinOps secret sauce. Just letting someone know how much they're spending can be a breakthrough in itself."

— Kathryn Lin, FinOps Offering Management, Kyndryl

Embrace continuous implementation

Many companies are still hardwired to think in terms of big, monolithic projects with different phases and a precise end. But FinOps is inherently agile, and continuous implementation is the name of the game.

" There are no runners in FinOps. Getting used to the idea that implementation never ends is a hard thing, but that's what we're trying to do."

— Kathryn Lin, FinOps Offering Management, Kyndryl

The bottom line

As hybrid cloud dominates the IT landscape, organizations must balance agility and innovation with a level of complexity and decentralized governance that challenges traditional cost management.

Embracing modern practices like FinOps is central to managing IT costs—but with the right partner and expertise, FinOps can take on an even broader role, delivering maximum business value from the modern IT estate and paving a path for successful transformation in the future.

To learn more about how FinOps can optimize hybrid cloud costs, foster financial accountability, and promote a cost-conscious culture in your business, visit us at **FinOps Services**.

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1. *Percentage of cloud computing spend wasted in organizations worldwide in 2020*, Statista, March 2023

2. *IDC FutureScape: Worldwide Cloud 2024 Predictions,* IDC, 2024

3. *Flexera 2023 State of the Cloud Report,* Flexera, April 2023

4. *What is FinOps?, FinOps Foundation,* December 2023