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The Deloitte On Cloud Podcast

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Title: **FinOps success requires business, cultural, and technology changes**

Description: FinOps is a hot topic right now because it can help optimize growing cloud costs. However, many companies aren't sure how to get started with FinOps or implement it effectively. In this podcast David Linthicum talks with the FinOps Foundation's Executive Director J.R. Storment and Chief Technology Officer Mike Fuller, authors of the book, *Cloud FinOps: Collaborative, Real-Time Cloud Value Decision Making*, about the cultural and technological changes that accompany FinOps. They also give advice on how to get started and what they think are keys to long-term success.

Duration: **00:25:49**

David Linthicum:

Welcome back to the On Cloud podcast. Today on the show I'm joined by J.R. Storment, executive director of FinOps Foundation, and Mike Fuller, CTO at FinOps Foundation, both of which are co-authors on their new book *Cloud FinOps*. So, J.R., Mike, welcome to the show.

J.R. Storment:
Thanks for having us.

Mike Fuller:
Thank you, David. It's great to be here.

David Linthicum:
I don't think I've ever had guests that are so geographically dispersed, because one of you is in Australia and the other one's in the States, correct?

J.R. Storment:
Yeah, being podcast guests with that distribution is one thing, but writing a book across that gap was another challenging area to cover.

David Linthicum:
Are you waking Mike up in the middle of the night and vice versa?

Mike Fuller:
Yeah, very early.

J.R. Storment:
Yeah, we had a few weeks where you were like every morning at 4:00 AM, weren't we?

Mike Fuller:
This thing has been a long-term relationship. J.R. is, like, in constantly time zones completely distant from each other.

David Linthicum:
Mike, let's start with you. How did you come into the FinOps topic and where'd you come from, what's your background, what kind of led you into writing a book about FinOps?

Mike Fuller:
Yeah, I guess we sort of rewind all the way back to university. I did a little bit of accounting at university, alongside my computer science degree. And then after Uni, got into doing sys-admin work, both consulting, and then eventually landed at Atlassian as a sys-admin and sort of helping them with what was on-prem equipment at the beginning, and then as Atlassian went only on cloud, I sort of transitioned into the Cloud Center of Excellence there at Atlassian, and then I think felt like that sort of bit of—little touch of accounting that I did way back when sort of come back to me, and I was starting to really think about the cloud financials and how we can help our finance team at Atlassian make sense of the cloud bill, and then that sort of slowly evolved over a few years with collaboration of others in the industry, including J.R., into sort of what is this practice that we're operating on managing cloud spend.

David Linthicum:
So, J.R., same question. How'd you get to FinOps as a topic?

J.R. Storment:
Yeah, I spent a lot of years on the vendor side and sort of tooling around this area, and that's where I met Mike was sort of helping manage the spend that they had at Atlassian. And one of the things he and I always connected on over the years working together was the really hard problem not really much being the tooling and technology of FinOps and cloud, but really the challenge being the cultural change of how the organization largely needs to reset how engineers think about cost and how those finance and accounting types have to understand technology and account for spend in a highly variable, not just OpEx, CapEx in the accounting sense, but more about the behavioral change of variable spend and how that really adjusts the ways of working in the organization.

And, so, we came together, the initial version of this book, back in late-2018, and in the last few years watching as the second edition of the book just came out a few months ago, gone from FinOps as a more obscure concept that just the sort of early adopters in cloud were doing and practicing, folks like Atlassian, now in the FinOps Foundation, we're part of the Linux Foundation. We've got I think 88 percent of the Fortune 50 now have FinOps practices in 2023, and, so, it's become really a mainstream practice, and the challenge still is the big one that exists, which is how do you get organizational change and adoption. I just got off the phone with a public company here in the US who we had their CFO and their CIO on the line and they're negotiating with each other about this new world and how they get their teams working together, and that's really what FinOps is all about.

David Linthicum:
Yeah, it is, and it's very important right now. There's a recent study that just came out where people are just kind of focused on the efficiencies of the existing system, and 2022, you looked at a lot of the research that certainly we were doing here at Deloitte, but some of the other stuff that popped up is we don't seem to be getting the ROI back from cloud that we originally thought we would get, and it's ultimately self-inflicted wounds. And one of the things we found out in our Future of the Cloud study is that some companies were very successful with cloud and some companies not so successful with cloud, and they were basically spending the same amount of resources. And those who were successful with cloud had disciplines in culture which were around the accountability of the various systems out there, and those that weren't basically did not have the core disciplines and processes needed to make sure that you're managing these resources in a functional and efficient way.

And it sounds pretty rudimentary to me. In other words, the better you manage these resources, the more value that's going to come back from the business, but businesses are just finding this out right now. So, we kind of spent the last 12 years moving into cloud, certainly the last three years during the pandemic accelerating that because we view cloud as a much more safer haven than the existing on-premise systems. Didn't put the disciplines in place, didn't put the culture in place to make these things cost-effective and cost-efficient, and now we're backtracking and putting these systems in. So, I'll go to Mike first. Do you think I got that right, or am I overstating the problem?

Mike Fuller:
No, I think it's right. I think a lot of companies see the transition to cloud or the cloud transformation to be just an engineering challenge, and the effort and the focus really just is how the company transitions their engineering practices into cloud and moves their services there, but it really is—it's a business transformation when you move to cloud and there's a lot of traditional practices within the organization that need to adapt. The procurement cycle, the financial cycle, these things all change as you move into cloud. And that cultural change is that ownership of cost. We have a principle around everybody taking ownership of their cloud expense, and that really does come back to the crux of the transition here that's happening is that the engineer is taking on the buying power of the business, and it's super important that they understand that that transition means that they've got responsibilities. At the same time, the rest of the business needs to understand that things have changed for them in their landscape just as much as engineering has changed as they go to cloud.

David Linthicum:
So, J.R., going to you, do you think the book that you and Mike wrote really kind of addresses FinOps as a cultural people issue, as a technical issue, as a tool issue, as a process issue, or all of the above? Did you approach it in one particular way or did you approach it in kind of a multidimensional facet?

J.R. Storment:
In a lot of ways, we leaned away from cloud or individual technology as much as was possible and tried to lean into, Mike mentioned the principles, but what fundamentally changes first in a world where everyone has to take ownership for their cloud spend. And the big thing obviously with cloud is the highly granular, highly-variable nature of that. Now, a lot of the book's focus is about how to start to get a business transformation you talked about, which is getting the seeds in place for this understanding that teams now need to collaborate not only in new ways but much, much, much more frequently between the tech teams, business, and finance teams and how to start to get that in place.

And it's really sort of—we talk in the book about the importance of culture change of our mandates because to get that transformation happening where you've got near real-time data visibility and decision making around cloud spend decisions to drive business value, you've got to have a top-down, which is the CIOs and CFOs, CTOs saying this is really important, not to look at quarterly, or on that cycle that we traditionally would with the hardware we own, but to make daily decisions and to collaborate around business investment decisions with the technological engineers on a daily basis with this highly-granular data that we get out of cloud. And then on the groundswell as well, to start to get these teams—I mean, engineering teams are a great example.

In the book we talk about how to partner with the engineering teams to get them thinking about the business side of things, but to get them also—I hate the expression, sorry, but the shifting left of this expression, of, "Let's not think about us in relation to our infrastructure and our engineering initiatives after we shift the products. Let's start baking in proactive conversations and positions into our sprints, into our architectural reviews about how the different technology decisions we're making are going to affect the outcomes and the costs associated with that."

So, the book really kind of starts in about we see a lot of the core problems that cloud creates in this new world, but then how to set up the centralized processes and teams to help support this larger transformation where everybody does take accountability because it's a lot like the security world where there will be a—security is Job 0 you could say, but a lot of the time FinOps is becoming Job 0.5, and you need to start baking in those processes and culture changes through central expiration and evangelization of that. But at the same time, it's got to go out where everybody's thinking about it all the time. So, yeah, to your question, we sort of take you through that journey a bit of, ultimately, how do you get that in place and then start to over time make it a part of the fabric of just how work is done in the organization.

David Linthicum:
The thing is, I think it's all important. Certainly, security's important and cost accountability is important, and sustainability and power consumption management, all these sorts of things we have to think about as we build the product. One of the things that drives me nuts is we can't—when we release something, we can't get in there and rearchitect and reengineer it and make it better after the release. We have to make it during its construction and design these things into how we're building and deploying these products, really kind of the basis of what engineering is. I always tell people who are building these systems if you're not building that into your toolchains, into your software and development processes and your disciplines into the culture, which I think is probably the most important thing here—you guys may agree with that—then we're really not going to get to the end state that we're looking to get into.

So, Mike, what would you tell a company that's trying to improve and wants to shift left and start using these processes in a much more disciplined way? Where do they start?

Mike Fuller:
J.R. mentioned it, sort of not starting with that mandate. It's leadership showing that it's important to the business and setting that tone for the rest of the company as far as this is a practice that needs to be thought about and a process that needs to be baked into the culture. And then at the engineering level, FinOps and engineering shouldn't be sort of seen as oil and water where one just sits on top of the other, it really does need to mix together so that FinOps is just like the way they operate. And you sort of see this already with things like reliability and the way they do service management because they understand that that's the right way to run good and quality services.

FinOps is just another metric in that whole process of running good, effective services. So, really just sort of figuring out where that understanding is at within the organization and help bring them up to the sort of understanding of how FinOps is helping both the engineering and company at large. And then

once you've got everybody on board of what the goal of FinOps is, it's not there to slow down the engineers and it's not just to save money. It's for the company to be making the right decisions around cloud spend and moving fast but with a certain level of intention or decision-making. And, so, I think we focus more on where you're at with that and getting that message out and then starting to build out the actual capabilities of FinOps within the org.

David Linthicum:
So, J.R., with looking at kind of the tactical aspects of it and the cultural changes and building these things into the existing infrastructure so people have the accountability in part of the process, doing so in the right way, is there a story to be told about how we're abstracting this up into the people who are running finance, the people who work in the CFO office, the people who are looking to figure out in some sort of metrics how we measure value that's coming back from IT and cloud computing specifically? Is there a story to be told there?

J.R. Storment:
Yeah, two things that stand out around that story. You mentioned the value aspect, and in the first version of the book, we actually ended it with the, really, nirvana state that you want to get to. There is unit economics where you're looking at cloud spend in relation to some business value output metric. The simplified version is percentage of revenue for a SaaS company, but for a larger organization, it could be the costs for a customer or the cost for an individual function or some sort of activity-based output. But in the latest version of the book, as we talked to more companies over the last few years doing this at scale, we realized that business value unit economic view of this, which is what are we getting out for the spend, is important but it's not necessarily the nirvana state.

It's another input to this larger thing which is data-driven decision-making that isn't happening on that infrequent basis we talked about but is really happening every day by all the thousands of little decisions that are being made in engineering teams in relation to infrastructure, but also in their collaboration with those finance teams. And the concept that came out through a lot of the interviews with the latest version of the book was around putting data in the path of the engineer was that core concept of, "How do we get cloud spend data and how do we not inundate them with too much information – here's the 83 billion charges this month, but getting filtered, actionable information at the right level into the new workflows of engineering teams?"

But then also we realized that data in the passive really applies to all these other personas as well. How do we start to get meaningful cloud spend data categorized, normalized, and mapped into an organization in a way that the business teams can understand and report on? And a lot of the work now in the FinOps Foundation we're doing is around things like normalizing cloud spend. We have an open-source project called FOCUS, which is the FinOps Open Cost and Usage Spec, which we're seeing organizations look at and say, "How do I align my cloud between all the different CSPs out there?"

And then, "How do I align that with maybe even my SaaS spending? How do I start to get a consistent view of this that is not technology specific but really helps me understand why this money is going somewhere, what we're spending so we can start to have the business conversation of is it the right investment?" And to the point of not necessarily slowing down cloud spend adoption, "How can we be more confident in this decision so that as we're using cloud to launch products and deliver services to customers, we can do that more confidently.

David Linthicum:
So, Mike, one of the things I get from my clients all the time when I talk about any kind of new technology, FinOps, multi-cloud, whatever, they always want to know what are the steps to success. In other words, what do I have to go through to start implementing these programs? What would you say would be the first three major steps that enterprises need to go through to establish a proper FinOps program?

Mike Fuller:
I think, as I said before, figuring out where the understanding is in the business and what FinOps is and its goals, starting with that. We have this concept of a FinOps practitioner, so this is either someone existing in your organization or someone you've hired in to help with the FinOps process. For large spenders, they end up with a whole FinOps team, which is a collection of different roles that sort of work as a FinOps team, and they're there not to do FinOps for the organization but enable the business to do FinOps. And, so, kind of, much like DevOps isn't just one role that you have sitting in the corner at one desk, it's like a way of operations. FinOps is the same thing. But the FinOps practitioner is there to really help identify how to bring FinOps to the organization, how to enable the engineers, how to gather the right file billing data.

It's a complex topic in itself. Cloud bills are often surprisingly big for traditional finance folk. And having that skill set built out in the organization and those sort of evangelizers happening across the business between the elements, and then sort of starting to build out the process of bringing people together to open the conversation. So, you want to be setting up those regular meetings between product leaders and finance and engineering teams so that there is that opening channel of collaboration. It's like J.R. said, you can't wait until the end of quarter and then have a conversation. You want these things to be happening a little more frequently and a little more targeted around those business decisions, those value decisions.

David Linthicum:
So, J.R., one of the things that I think people get enamored with and focused on is tooling. Obviously there's a lot in the FinOps world, there's a lot of FinOps observability tooling and cost monitoring systems and basically lots of different things that enable FinOps to work around some of the processes. When should they focus on tooling when deploying a FinOps program? Obviously not up front, but when should it come in?

J.R. Storment:
Tooling is a very tricky thing. We actually did a deep dive into build versus buy versus native and all those options in there. Tooling is definitely part of the three-legged stool of people, process, technology. Typically the pattern we see people go through—and there's—on the state of FinOps data, we do kind of a deep dive in our survey as well as where people start and which tooling and all those areas, but the process typically is: start with the native tools because you want to get the information straight from the cloud provider mouth around what service is doing, what you can get out of that, the data.

Often we see actions, events, there is often the build versus buy conversation come in, which is all about figuring out what information we want to pull into the various dashboards and reporting and all those areas. And there's a bunch of platform vendors out there who are tackling this from all different angles right now. But, ultimately, the sort of larger, more advanced practice state, we see combinations where people are often using a platform, they're pulling in cloud native data, they're often doing what we call a buy and augment approach where they're taking maybe a platform and they're pulling in other information or pushing it out.

Because, ultimately, we've seen with all the tooling conversations and providers is that it's really not about how good the tool is. It's about how well it's implemented into the organization, and this is where we get to that aspect of getting the data into the path—into the path of the engineers, the business teams, the finance teams—and how do we get people not so much having to go look at tooling today to understand what is happening in my cloud spend but that tooling or native data coming into network flows, which is where that cultural fit happens.

So, I think it's really important to get arms around it early on and to make decisions about it but, ultimately, getting the teams to be able to understand the data underneath the tooling, understand what actions to take on it, and to get to a place where you have some agreed process, governance or otherwise, over when tooling says this, I'm going to take these actions. And it's a long process. You can't just drop in a tool or bit of data and make that change. It's got to be getting alignment between disparate teams to say what are we going to do on the back of that.

David Linthicum:
So, Mike, ultimately, we're focusing on the core processes, we're focusing on culture, we're focusing on understanding what FinOps is and getting to the value in how it's implemented. We're focusing on lots of things that I think people don't like to focus on. They like to focus on tools and technology and pushing rules and regulations down internal within the company. But this is about you driving success by leveraging technology in a way that's going to be a bit more finesse, for lack of a better word, than traditional technology implementations. Am I off kilter with that?

Mike Fuller:
Yeah, I think it's just that understanding that usually—especially with organizations that have gone headlong into cloud without really thinking about FinOps at all, it's quite often felt like FinOps is pulling back or putting down controls and slowing things down, but I think when implemented correctly, teams—engineers feel way more empowered, they feel more confident that they're not going to be pulled up later. We're getting more proactive being able to set the expectations on things at the architecting phase of the design phase so teams feel really able to use technology in the ways they want to use it and know that it's not going to even be outstepped with the business. And when it comes to goals, I think if you ask engineers what their goals are, they're going to talk about having reliable, highly stable services for their customers and good performance.

Finance teams are going to want to make sure that they understand their cloud investments, their investments in things like cloud and the business is feeling confident with the business direction. And I think when you sort of pull those goals together and get the teams to think about what's the overarching goal, it's really around having a successful business. And, so, when you realize that you might have some individual domain-specific goals, you're all there for one overarching goal for the business's success. So, once you align people around that business success and then realize that when done properly, this is just freeing people up to make sure that they feel confident the things they're doing is really helping toward that overarching goal. It just aligns things. So, tooling and processes really just comes down to how can we make that more efficient for us to implement the way we approach FinOps and the way we implement in business decision-making.

David Linthicum:
So, J.R., a question for both of you, but I'm going to go to J.R. first. What do you think the primary takeaway should be as someone reads the book? What do you think, in your mind, the primary theme they're going to take away from reading the book in terms of how they're applying FinOps in their own enterprise?

J.R. Storment:
No, that's a really good question. I wish there was one simple answer to how to magically drop in FinOps practice, but I think the takeaway really is that it's a long journey to get on that does involve changing a lot in the organization, it involves getting in a rut sometimes, new tooling, it involves training up a lot of people, but the takeaway really at the end is that if it does come down to the people in the organization and their upskilling of those individuals to work in new ways. It comes down to—you asked earlier about tooling, and forecasting is a great example in the cloud world of this hard journey you've got to go on because when you get some tooling or run algorithms to figure out how your cloud journey's going to go, yes.

But, ultimately, you've got to factor in human behaviors and new business deliverables and things shipping and go between a lot of different teams to pull that information to figure out how is my cloud spend going to grow over time. And getting that change in place requires a long process. We've seen ten years of watching different forms of FinOps practices now. We've seen kind of people go from one organization to the next and trying to sort of restart the practice from where they were.

And FinOps is kind of like installing an immune system into an organization. It takes—you can put in some basic protections, but it takes interacting with the environment of the cloud, interacting with the business, and learning and evolving over time. And what we've seen is that it really is about building this muscle of learning, communication, collaboration, data visibility that drives business decisions. And I think the takeaway is to get started early and to understand that there's a long road ahead and that you don't really meet one organization that has it all figured out.

FinOps as a practice is evolving. It's not about—you can't say one organization is at a run state and others are crawl state. There's 18 different capabilities that you need to build, and each may be at different states of maturity in the organization, but there may be also very different states of maturity for each part of the organization, each business unit. So, I think investing in the people, in the training and education of those people is really the key takeaway because it is at the end of the day not so much a technology FinOps as much as it is a culture practice and a people practice that has to evolve over time.

David Linthicum:

So, where can we find more information about you, the authors, and also where can we find the book? Mike, I'm going to go to you first.

Mike Fuller:
The book coming is available through most of the good book retailers, especially the ones online. And I've transitioned from Atlassian in the last—over the year boundary, and I'm now the CTO of the FinOps Foundation, so you'll find myself there hanging out with J.R. at finops.org, and we enjoy having more people join the community and join the conversation.

David Linthicum:
So, J.R., where can we find you?

J.R. Storment:
Yeah, finops.org is our home online, but I think where we'd love to see everybody is we've got our annual conference coming up, FinOps X in San Diego where we're getting together about 1,000 practitioners from around the world to share best practices and learnings and stories, so find me in San Diego at the end of June at FinOps X would be ideal. That's where we'll all be sharing the stories.

David Linthicum:
Yeah, check them out. FinOps is a hot topic right now, as you saw by the surveys that we just talked about. It's a problem that everybody has that we need to solve and figure out a way to do it right the first time. So, if you enjoyed this podcast, make sure to like us, rate us, and subscribe. You can also check out our past episodes, including those hosted by my good friend, Mike Kavis. Find out more at deloittecloudpodcast.com. If you'd like to contact me directly, you can e-mail me at dlinthicum@deloitte.com So, until next time, best of luck with your cloud journey. Everybody stay safe. Cheers.

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