

Procurement and FinOps:

Working together to improve
cloud outcomes

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Contents

1 The challenge

2 An introduction to
Procurement and FinOps

3 How can Procurement and
FinOps work together to
improve cloud outcomes?

4 Benefits of Procurement
and FinOps collaborating

5 What can we help you with?

6 Stay connected and find out
more

The challenge

As organisations further their investment in cloud technologies and platforms, Procurement functions face increased complexities in managing cloud spend and maximising value

As discussed in the *On the money: A blueprint for improving cost financial management in the cloud*, the variable-cost model adopted by cloud providers has increased the complexity faced by organisations and Procurement functions in managing cloud spend.

These complexities are amplified by the on demand nature of cloud services which can be deployed by the touch of a button.

Consequently, organisations are not maximising value from their cloud technologies.



28%

Total cloud spend expected to be wasted as of March 2023¹



24%

Average overspend reported by companies in 2020²



62%

Percentage of organisations that have cloud spend optimisation as their top cloud initiative in 2023¹



82%

Percentage of organisations that have listed spending as their top cloud challenge in 2023¹

Procurement functions play a key role in addressing these challenges and maximising the holistic value of cloud technology

- **Ensure that requirements taken to markets reflect demand** and align with the **cloud strategy** developed by Procurement Tech teams
- **Leverage internal contract management and supplier relationship management skillsets** to partner with vendors and improve an organisations billing visibility as a part of contractual SLAs
- **Embed governance processes** to ensure that cloud spend and subsequent spending is compliant and appropriate controls are in place to minimise overspend fuelled by cloud's on demand nature
- Provide greater **transparency** and **visibility of cloud spend** to support identification of **optimisation opportunities**

Sources: (1) Cloud Computing Trends: 2023 State of the Cloud Report¹; Flexera
Sources: (2) Cloud Computing Trends: 2021 State of the Cloud Report²; Flexera

An introduction to Procurement and FinOps

Achieving true value from cloud requires a new way of thinking - This short paper articulates how Procurement and FinOps professionals can work together to establish an agile and scalable cloud operating model.

Traditionally, Procurement's role in an organisation has been to procure products or services at the right place, for the right price, to the right quality and quantity and delivered at the right time.

These days, Procurement are much more of a strategic business partner to the organisation, with digital technologies embedded throughout the end-to-end process to improve the user experience, efficiency and effectiveness of procurement outcomes.

We believe an organisational ecosystem can help support a business in becoming more agile and informed, due to the value-driven insights drawn when developing a cloud strategy and operating model. This is made possible by collaboration, alignment and defined governance structures between Procurement and FinOps (Finance and Technology).

In this paper, we take a closer look at the role of Procurement and FinOps teams in sourcing cloud services, as well as the opportunities for collaboration to improve cloud outcomes for businesses.

FinOps is an evolving cloud financial management discipline that enables organisations to get maximum business value by helping engineering, finance, technology and business teams to collaborate on data driven spending decisions.

Organisations struggle to control cloud spend as they accelerate their cloud transformation journeys. A mature FinOps practice can address these struggles by increasing the ability to control cloud spend, breaking down price structure complexities and providing metrics to support value based decisions.



How can Procurement and FinOps work together to improve cloud outcomes?

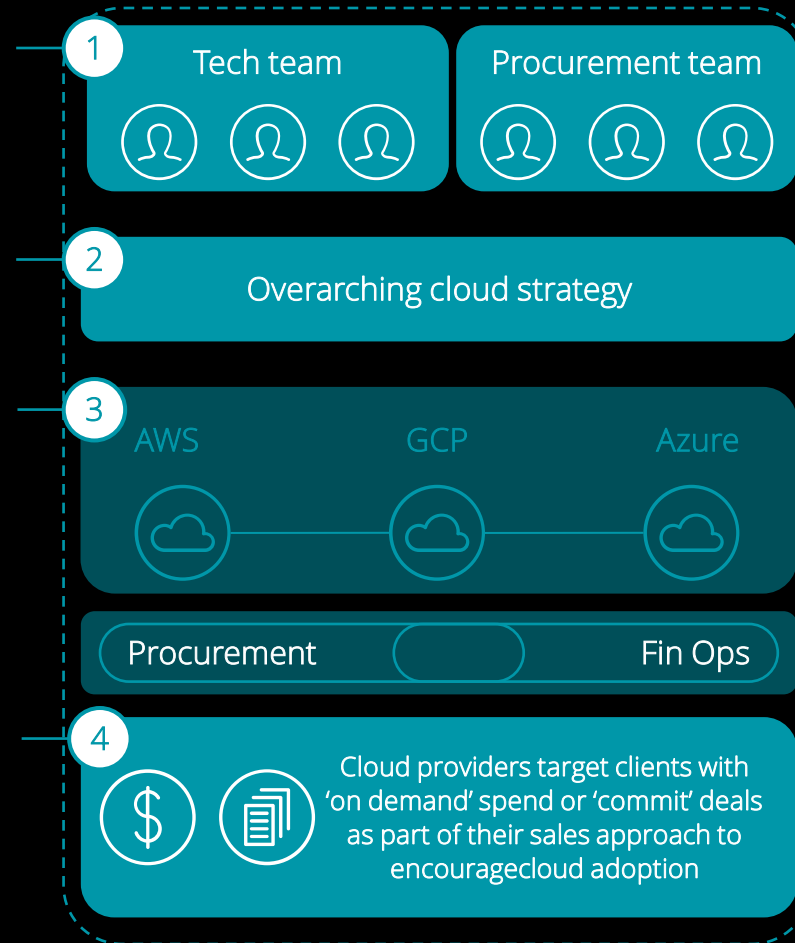
There is an opportunity for Procurement and FinOps to work more closely to ensure the commit deals offered by cloud providers are optimised towards their organisations' cloud consumption and strategy

Traditional business units that work together to deliver core IT requirements within the business –Services, Infrastructure, Applications and Networks

Organisations will typically have a cloud strategy that outlines the business outcomes for cloud adoption and details the architecture, development plans and overarching governance

Hyperscalers sell cloud technology to organisations with the benefits of cost reduction, increased revenue, risk reduction and increased velocity

Hyperscalers often sell cloud technology via 'commit deals' whereby an organisation will agree to spend a minimum amount of money in exchange for discounted pricing based on their usage rate



Opportunity - Historically, Procurement and FinOps teams have not been aligned moving IT infrastructure to the cloud. Collaboration would enable Procurement and FinOps to:

- Develop organisational **cloud strategies**, ensuring strategically aligned **requirements** are taken to market
- Leverage **contract** and **supplier relationship management** skillsets and **partner with vendors**
- Embed **governance** processes to support compliant cloud spending
- Help organisations to understand their cloud spend increasing **transparency** and **visibility**

Benefits of Procurement and FinOps collaborating

Procurement and FinOps teams offer complementary skillsets, which when partnered offer opportunities for organisations to maximise value extracted from cloud technology



Cloud strategy development

Collaboration among an organisation's Procurement, FinOps and IT teams to develop a cloud strategy that is reflective of business requirements and cloud objectives

Benefits:

- Facilitates the procurement and management of cloud services in line with an agreed cloud strategy
- Facilitate business objectives whilst mitigating risk and aligning cloud spend to defined KPIs



Leverage contract management and supplier relationship management skillsets

Leverage contract management and supplier relationship management skillsets typically held by Procurement Facilitate relationships with strategic vendor-partners Support the negotiation and renewal of new cloud contracts

Benefits:

- Leverage cloud spend visibility and forecasts to drive contract management and supplier relationship activities including:
 - Contract negotiation; and
 - Supplier performance reviews
 - Enhance performance of cloud vendors and strategic partnerships to harness the benefits of long-term patronage and commitments to cloud vendors

Legend



Jointly delivered

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Embed governance processes

Establish a flexible set of governance frameworks including policies and processes that are adaptable to the risk profiles of cloud services Govern the adoption of cloud services across the organisation

Benefits:

- Well governed buying channels enable organisations to purchase cloud services within defined delegations of authority.
- Better invoice management and mitigation of over-expenditure.
- Provides assurance that cloud services procured and associated spend are aligned to the organisations defined cloud strategy and KPIs



Visibility of cloud spend

Support organisations to understand their cloud bills, including what organisations and subsequent BUs are spending on cloud services

Benefits:

- Granular visibility of cloud spend across the organisation driving ownership and better cloud purchasing and consumption behaviours
- Make informed purchasing decisions to derive the most value from cloud services and spend
- Better understand cloud optimisation opportunities
- Provides benchmarks for organisations to measure the effectiveness of optimisation initiatives

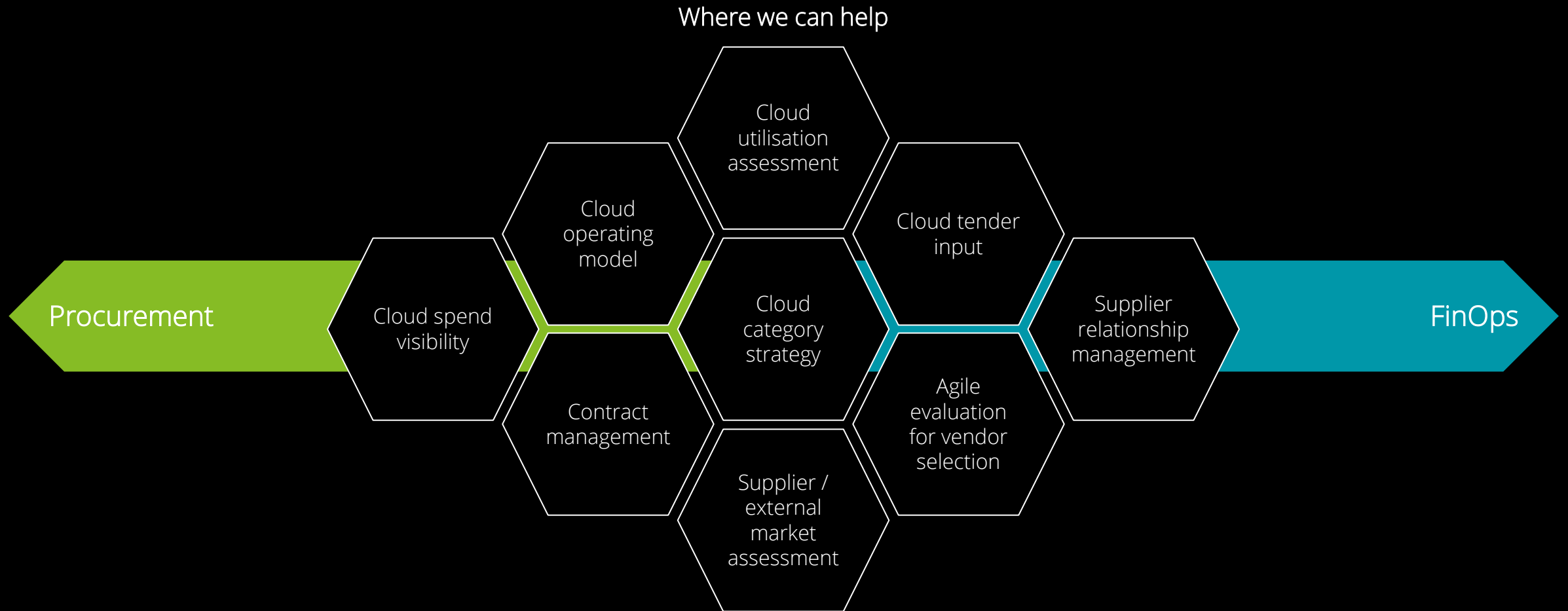
Legend



Jointly delivered

What can we help you with?

We see opportunities and synergies for procurement and FinOps to collaborate to drive value and better cloud outcomes for clients



Stay connected and find out more

Key contacts



James Allan
Partner
LinkedIn: jamesdallan/
jdallan@deloitte.com.au



Brad West
Partner
LinkedIn: bradwest3218/
bradwest@deloitte.com.au



Andres Echeverri
Senior Manager
LinkedIn: andresjuliane/
aecheve@deloitte.com.au



Hannah Jacques-Jones
Director
LinkedIn: hannah-jacques-jones/
hjacques-jones@deloitte.com.au

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From migration to modernisation



On the money



Cloud imperative report



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