Zesty

E-book

How to build your FinOps strategy for 2025

89%

of organizations embrace multi-cloud.

85%

of organizations use generative AI (GenAI) public cloud services.

37%

of organizations reveal an increasing sustainability awareness to reduce cloud waste.

Source: Flexera 2024 State of the Cloud Report

Global spending on cloud infrastructure is set to surpass $1 trillion mark by 2030, highlighting the unprecedented potential for innovation within the cloud industry. Several key trends are shaping this landscape. Cloud infrastructures are increasingly complex, with 89% of organizations opting for multi-cloud solutions. The adoption of AI-based technologies is also on the rise. In 2024, 85% of organizations utilize GenAI public cloud services. Additionally, there is a growing awareness of sustainability. 37% of organizations prioritize eco-friendly practices, indicating an increasing willingness to reduce cloud waste.
These emerging trends underscore the need for new financial governance models.

We have designed this comprehensive guide to provide FinOps and DevOps professionals with the essential insights required to develop a robust FinOps strategy that aligns with the expected challenges of 2025, capitalizing on the most significant trends in FinOps today.

What will you find in this guide?

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Understanding FinOps

FinOps is a cross-functional discipline focused on optimizing the business potential of cloud technology. FinOps promotes informed, data-driven decisions and cultivates financial responsibility through the engineering, finance, and business teams working together. In essence, FinOps breaks down traditional department barriers to cultivate a culture of collaboration and financial expertise.

Main Pillars

The FinOps framework is grounded in four main pillars that guide organizations toward a culture of financial accountability and operational excellence in cloud spending. Understanding these pillars is critical to implementing a successful FinOps strategy.

Collaboration

At the core of FinOps lies the fundamental concept of collaboration. FinOps promotes a cooperative environment among finance, technology, and business teams. It aims to nurture open communication and mutual understanding, enabling organizations to synchronize their cloud expenditures with business results. This way, every dollar spent becomes a strategic step towards the attainment of business objectives.

Visibility

Transparency into cloud spending and usage is essential for effective FinOps. Organizations must have real-time visibility into their cloud costs and consumption patterns to make informed decisions. This involves implementing tools and processes that enable continuous monitoring and reporting of cloud expenditure, empowering teams with the data they need to optimize cloud resources efficiently.
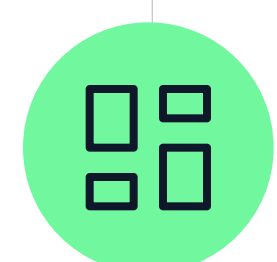
Agility

Moving away from conventional models that rely heavily on static budgets and yearly planning cycles, FinOps brings to the table a dynamic approach. This approach endorses real-time . decision-making based on the ever-changing nature of cloud costs and usage. With this agility, organizations can quickly adapt to changes in the market and progress in technology. This ensures that their financial strategies are consistently in sync with their current business objectives.
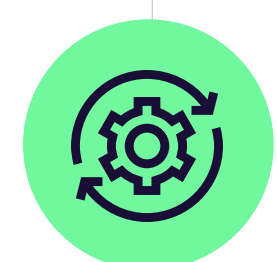
Optimization

Optimization in FinOps focuses on achieving operational efficiency and cost-effectiveness without compromising on quality or performance. This is achieved through frequent evaluation and recalibration of cloud resources and services, all in line with present and future demands. Constant optimization efforts empower organizations to cut down on waste, utilize reserved instances or savings plans, and seize cost-reduction opportunities that harmonize with their operational needs and budget limitations.

Setting the Foundation

Set the foundation for FinOps as early as possible. It will not only bear financial benefits but also accelerate the transition. Delaying until cloud expenditure reaches significant levels is not recommended as it would amplify the expenses and efforts required to transition from a traditional financial approach to efficient cloud resource management.

Assessing Current Financial Practices

Before starting your journey into FinOps, you need to understand where you stand. Start with a thorough inventory of your existing financial and operational setups. This initial assessment provides a benchmark for measuring future improvements. You need to understand current practices in cloud spending, procurement policies, and financial management. This step involves reviewing budget allocations, existing contracts, and cost management tools in use.

Here is a list of essential questions to start with:

⚡ Do you have the skills internally to implement and maintain a FinOps Model?

⚡ How do we implement and enforce policies across the enterprise?

⚡ How do we get everyone on board with these changes?

⚡ How do we manage compliance risks?

⚡ How do we manage our costs and capacity in the cloud today?

⚡ How do we upskill our staff with knowledge of best practices?

Identifying Key Stakeholders

Success in FinOps isn't a one-man job - it's a team effort. Critical players in this game are high-level executives encompassing finance, IT, operations, and other business units. Each brings something unique to the table, allowing for a well-rounded strategy for cloud cost management. The finance team, for example, provides a vital understanding of budgeting and forecasting. Contrastingly, IT and operations teams play a major role in managing the technical side of cloud resources. By aligning these distinct functions with common goals, you will foster a culture of cost transparency and accountability within the FinOps framework.

Source: FinOps Foundation

Core Personas: Product, Engineering, FinOps Practitioner, Procurement, Finance, Leadership
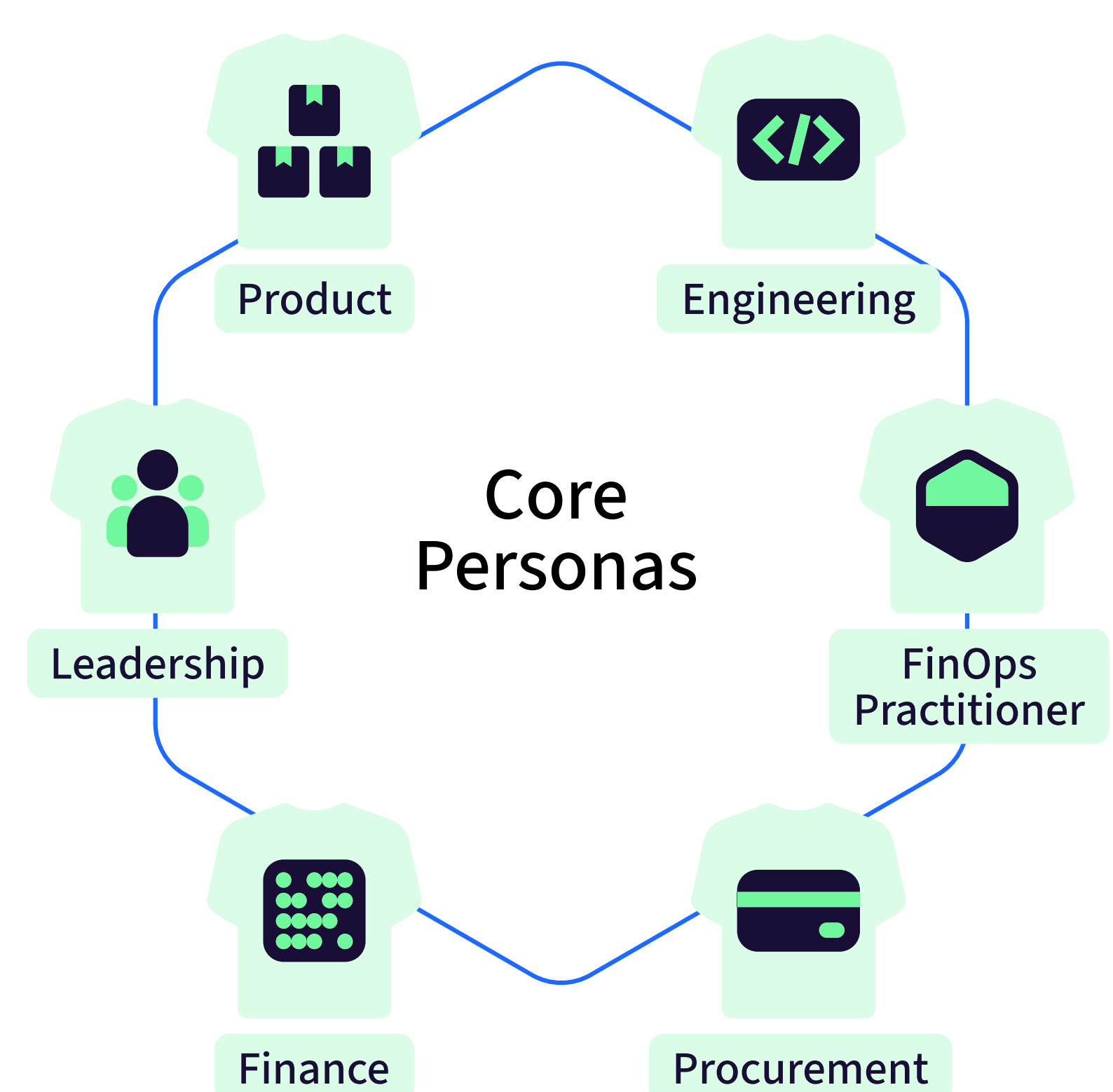
Explore potential advocates, champions, or executive sponsors, and engage them in personalized discussions. Identify the challenges your organization is facing and understand which groups, teams, and individuals are impacted by these challenges. Importantly, engage key business leaders from the beginning. In their survey of more than 200 business executives, McKinsey demonstrated that their early involvement in FinOps practices significantly helped in reducing unnecessary cloud expenses.

Defining Team and Governance Structure

Clear governance structures are the heartbeat of successful FinOps. They involve establishing a committee tasked with supervising cloud financial operations and aligning policies and practices with the organization's strategic goals. The optimal governance models bring together FinOps, IT operations, finance, and business leadership. The governance model should define roles and responsibilities, decision-making processes, reporting mechanisms, and collaboration strategies across various departments. This structure is pivotal in maintaining accountability, fostering continuous improvement, and scaling FinOps practices as the organization evolves.

Setting Objectives

Aligning with Business Goals

As you navigate your FinOps operations, it's crucial to remember they don't exist in isolation. Aligning your FinOps goals with the wider business objectives is a sure route to shared success. It's not just about pinpointing ways to cut costs, but also making sure that your financial activities actively support the achievement of strategic objectives.
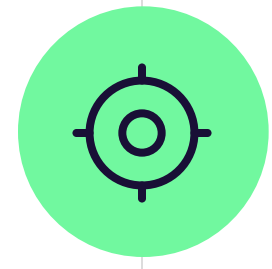
Establishing Clear Metrics and KPIs

You can't manage what you don't measure. Identifying the essential metrics and KPIs to measure the success of your FinOps initiatives can still be challenging. Commonly used KPIs in FinOps include: cost savings, resource utilization & efficiency, budget management, forecasting, operational overhead reduction, and return on investment (ROI) for cloud expenditures. The FinOps Foundation provides a comprehensive list of KPIs to guide you in choosing the most relevant KPIs for your organization. By monitoring these indicators, you can assess the efficiency of your FinOps practices and make well-informed decisions.
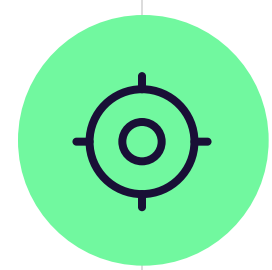
Benchmarking and Targets

Set realistic yet challenging targets for your FinOps strategy. Benchmarking against industry standards can guide your progress. You could gain some insightful knowledge by comparing your cloud spending with organizations similar to yours. This could highlight where you can improve or even where your competitive edge lies. Have a look into customers' success stories, case studies, or webinars to get valuable insights. Don't hesitate to set your targets based on these benchmarks. Remember, the aim is to set goals that promote constant growth but are also achievable. By doing so, you're uplifting your organization, not putting it at risk.
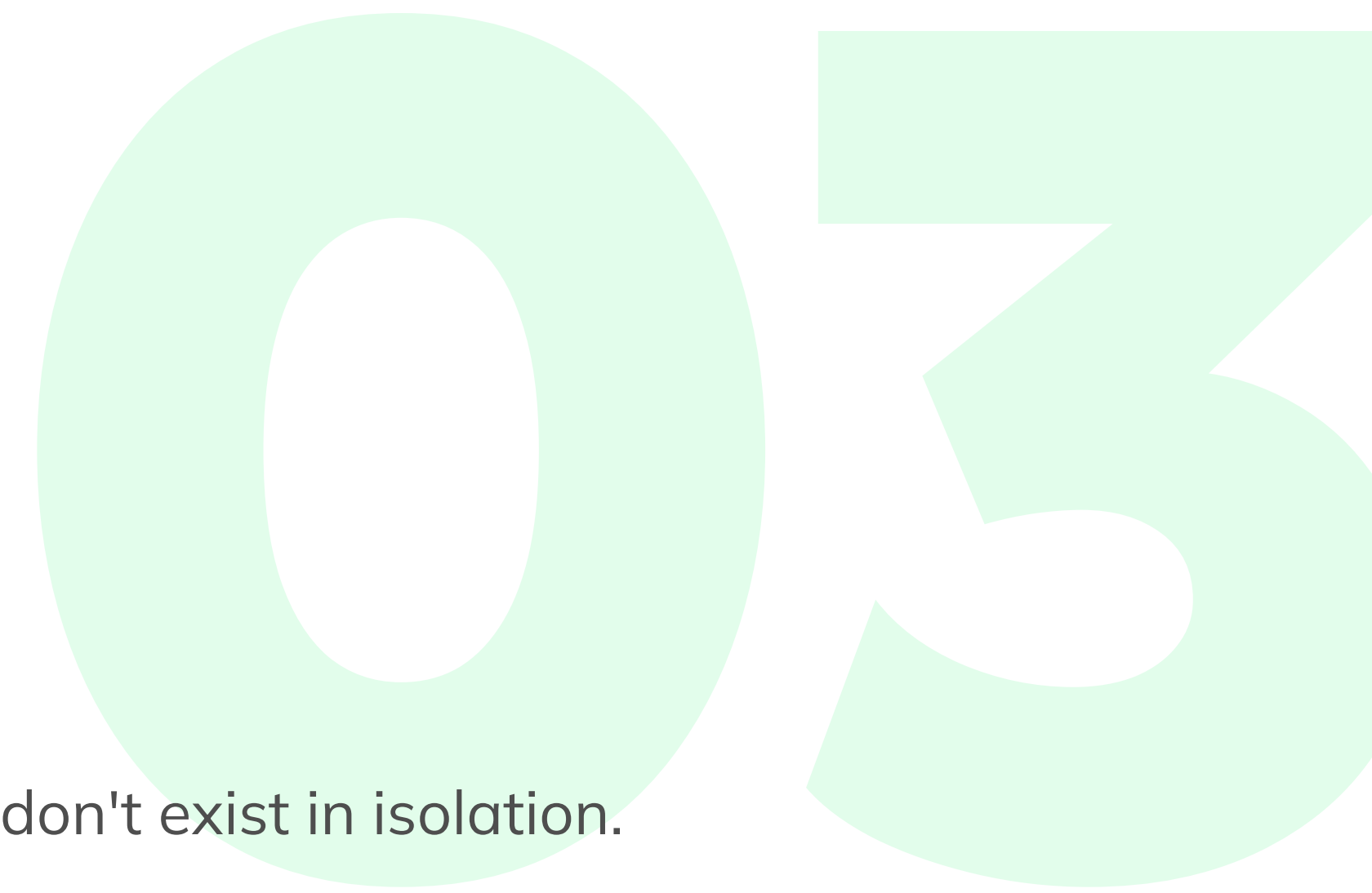
Leveraging Technology

Staying updated with the latest tech trends is key to maximizing FinOps efficiency. Recent transformations, such as the rise of multi-cloud strategies or the search for real-time cloud infrastructure, add a layer of complexity to FinOps governance. On the other hand, FinOps practices are facilitated by the incorporation of artificial intelligence (AI) algorithms into automation tools.

Observability Tools

Navigating the complexities of cloud financial management demands the utilization of appropriate tools and platforms. You need to look for technological solutions that offer extensive and detailed insights into cloud costs, to monitor, analyze, and efficiently manage your cloud expenses.
By transforming raw data into actionable intelligence, these tools should give you clear insights into your cloud expenses breakdown and the utilization of your resources. Some of them provide prescriptive recommendations to achieve potential savings and eliminate unnecessary costs.

Automation and Optimization solutions

Automation and optimization can bring a significant change to your business, by reducing manual effort, optimizing cloud costs, and improving the efficient utilization of your resources. Automated solutions track your cloud spending and utilization in real-time, eliminating manual errors, reducing operational overheads, and relieving valuable time.
These tools identify and terminate underutilized resources, and automatically scale up or down your cloud infrastructure in line with the dynamic needs of your business. The most advanced tools, utilizing AI/ML-based technologies, enable up to 50% savings on your cloud spend, with no manual effort required.

Integrating FinOps with DevOps and CloudOps Systems

Integration is key. By harmonizing FinOps with existing DevOps and CloudOps systems, you can streamline operations and enhance collaboration. Make sure that your FinOps observatory and automated solutions integrate with CI/CD and ITSM tools, Service Desks, Jira, and Slack...
This integration guarantees that financial factors are never secondary priorities, but instead, integral aspects of your cloud practices from the outset. It promotes a culture where all the teams - whether it's finance, development, or operations - work towards the shared goal of cost optimization.

One more tip: when choosing the right tool, consider opting for platforms over point solutions. Make sure that your provider is in it for the long term, providing an ever-expanding range of services and capabilities that develop alongside your needs.

Building Cost Optimization Strategies

Once the foundations are set, you can start developing strategic approaches that address all facets of your cloud investments. Building a robust cost optimization strategy requires you to walk through a few pivotal steps:

Identifying Cost Drivers

Understanding the primary drivers of your cloud costs is the first step toward effective management. This entails a comprehensive analysis of your cloud usage, services, and resources to identify areas where expenses are generated.

Common cost drivers include:

⚡ Compute resources: VM instances, serverless computing services

⚡ Storage: Object storage, Block storage, and archival solutions

⚡ Network services: Data transfer costs, load balancing, and DNS services

⚡ Managed services (databases, data warehouses...)

The insights you will gain by pinpointing these key drivers will be invaluable to targeting your cost optimization efforts more effectively.

Implementing Cost Reduction Tactics

Focus on strategies that directly tackle these cost drivers.

Here are a few examples:

⚡ Eliminate unused resources that incur costs without providing value. Look into Block Storage, Load Balancers, NAT Gateway, IP addresses, Snapshot...

⚡ Right-size resources to match workload demands, to prevent any overprovisioned and unnecessary wastage.

⚡ Adopt Discount plans, such as Committed Use Discounts, Reserved Instances, or Savings Plans, for predictable workloads. These not only provide significant cost advantages compared to on-demand pricing but also give you a well-planned financial strategy.

⚡ Consider auto-scaling services that adjust resources automatically with fluctuating workloads. This optimizes utilization and ensures that you're only paying for the resources you need.

⚡ Choose the most cost-effective regions for your cloud services. This decision should be based on data locality and pricing differences to ensure the best cost-effectiveness.

⚡ Opt for Cache services and CDN services to distribute static objects worldwide. It will significantly reduce traffic and API call costs.

Implementing these tactics requires continuous monitoring and analysis to ensure they remain effective over time.

Balancing Cost and Performance

While implementing cost reduction tactics, striking the right balance between minimizing expenses and maintaining outstanding performance and availability might be challenging.

Here are some strategies to consider:

⚡ Performance benchmarking to establish baselines and identify optimization opportunities for your new technology. There are many tools, such as Cloudwatch or DataDog, that can help you with this task.

⚡ Adopting modern cloud-native architectures, such as microservices and containers. They can offer the double advantage of enhanced cost-efficiency and performance benefits.

⚡ Using managed or automated services to reduce the operational overhead associated with maintaining complex infrastructure, and to ensure availability at any moment.

⚡ Continuous monitoring and optimization. As demand fluctuates, you will be ready to adapt accordingly and ensure that your cost-saving efforts don't negatively impact the user experience or the availability of your application.

By addressing these key areas, you can build a cost optimization strategy that not only reduces expenses but also supports operational excellence and business growth.

Forecasting and Budgeting

Leveraging Analytics and Reporting

Leverage analytics and reporting to make data-driven decision-making and strategic plans for your future costs and budgets. By infusing data analytics into your FinOps strategy, you can predict future spending trends, based on historical data and current usage patterns. In addition, analytics tools can offer valuable insights into usage anomalies or unexpected cost spikes.

⚡ **Analyze historical data.** Reviewing past spending will help you to identify trends and patterns.

⚡ **Use predictive modeling.** Statistical models will forecast future cloud spending based on past and present data.

⚡ **Make scenario analysis.** Evaluate how different decisions or changes in market conditions could potentially impact your cloud costs. It's like a simulator for your decision-making, giving you a glimpse into any possible financial implications.
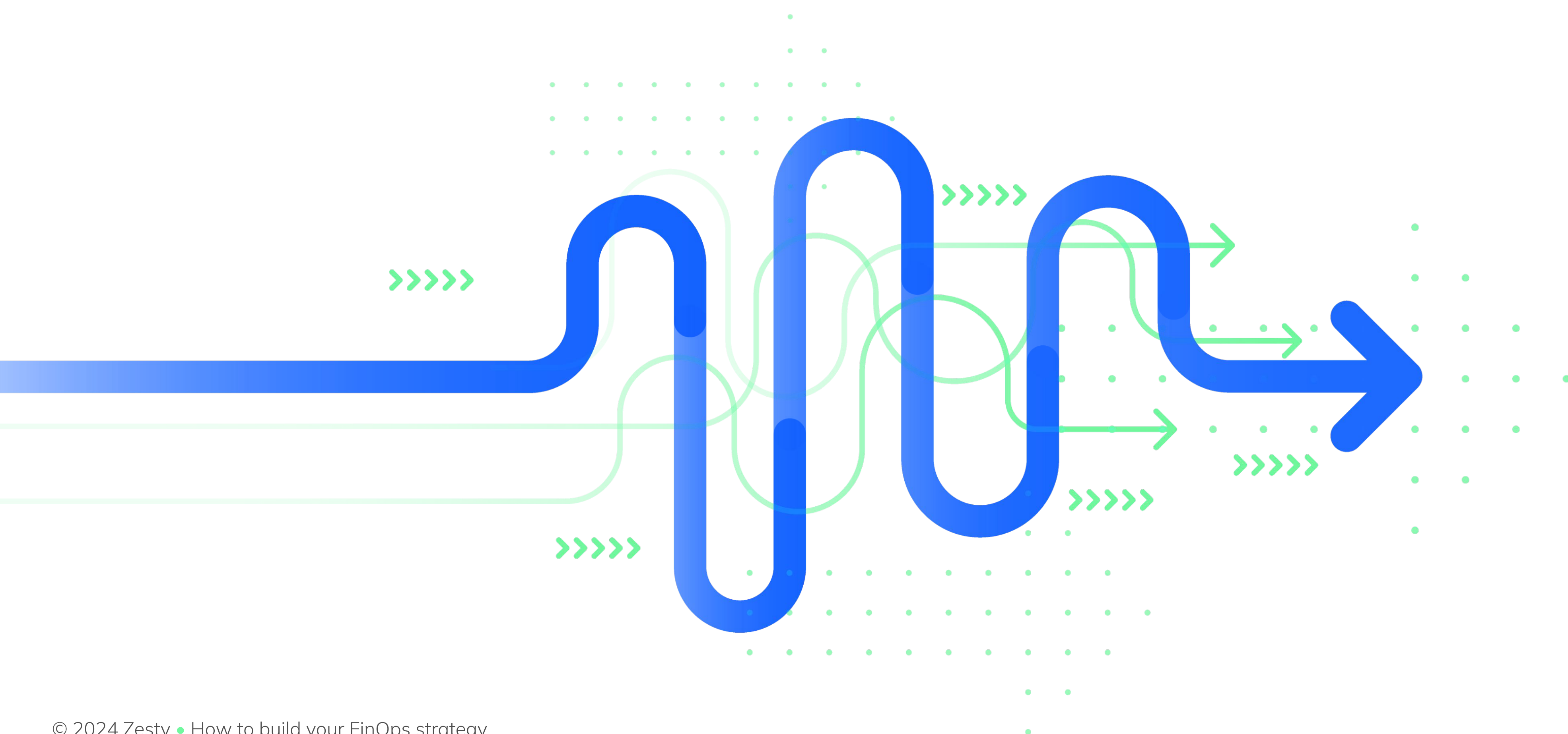
Techniques for Accurate Forecasting

The best way to enhance the accuracy of your forecasts is by combining various data sources, including operational metrics and external benchmarks. By adopting multi-dimensional forecasting models that take into account variables like seasonality, project launches, and market changes, you will be able to get a more complete picture of your future expenses. Keep your models accurate by conducting regular reviews and updates that reflect the latest data and assumptions. The FinOps Foundation provides an example of the different layers to consider when elaborating your forecast.

Source: FinOps Foundation

Simple Forecast
| Last month we spent 100K so next month the forecast is 100K

Trend Based Forecast
| We know historically we grow 10% every month
- Last month (100K) + 10% of last month = 110K

Driver Based Forecast
| There is a sales campaign running next month which will double our cloud spend
- Last month (100K) * 2 (campaign) +10% of last month = 210K

Net New Workloads
| Net new workloads from a new project launch
- Last month (100K) * 2 (campaign) +10% of last month + expected workload rate next month (20) * expected QTY (1000) = 230K

In addition, there are many tools you can use for cloud forecasting. To help you choose the right tool for your organization, the FinOps Foundation has compiled a list of questions to ask when researching a forecasting tool. These questions cover the level of granularity, the handling of events and trends, the time period outlook...

Budget Allocation Best Practices

Allocating your budget wisely is essential. Here are guidelines when distributing your budget:

⚡ **Alignment with business goals:** Make sure your budget backs up your strategic plans and encourages innovation. Take into account the new products and new feature releases, consider the experimentation of new technologies (e.g. GenAI...)

⚡ **Granularity:** Break down your budget to a detailed level, by project, department, or Business unit. This enhances responsibility and gives you better control.

⚡ **Flexibility:** Set aside a part of your budget for unexpected expenses or opportunities. It will help you swiftly respond to change.

Monitoring and Adjusting Budgets

The financial landscape is dynamic. Continuously monitor and adjust your budgets to stay aligned with changing conditions. A survey conducted by the FinOps Foundation shows that one-third of the companies update their forecast every month. Adopt the frequency that fits best your organization, and establish regular review cycles to adapt your budgets to any operational changes, technology upgrades, or shifts in your strategic direction. You can also consider using forecasting tools that offer real-time visibility into expenses and facilitate swift adjustments if spending deviates from forecasts.

By adopting these forecasting and budgeting strategies, you are setting the stage for a more controlled and predictable cloud spending environment.

Managing Financial Risk

Understanding Financial Risks

Financial risks are inherent to any cloud infrastructure strategy. These risks often manifest as exceeding budgets, unplanned expenditures, and scenarios where cloud investments don't align well with business objectives. Factors such as unpredictable cloud costs, inadequate insight into the utilization of cloud resources, and lack of efficient governance can contribute to these risks.
It is crucial for you, as an organization, to effectively manage these risks. The recommended approach is to initially identify and evaluate all possible financial threats. Following this, you should classify these threats according to their potential impact and prioritize them for tackling in an organized manner.

Mitigation Strategies

Managing financial risks effectively requires a strategic mix of technical, operational, and financial measures.

⚡ **Budgeting and Forecasting:** Establish comprehensive budgets and forecasts that account for expected cloud spend and allocate resources efficiently.

⚡ **Cost Optimization Practices:** Implement cost optimization practices such as eliminating idle resources, rightsizing underutilized resources, and choosing appropriate pricing models (e.g., Reserved Instances with the relevant duration). If you utilize multiple cloud providers, consider for each of them different expiration dates. This approach can help you mitigate the financial risk.

⚡ **Financial Controls and Governance:** Develop financial controls within the governance framework to monitor and regulate cloud spend, including setting up alerts for budget breaches and enforcing policies for cloud resource utilization.

Compliance and Regulatory Considerations

Stay ahead of compliance and regulatory challenges to maintain integrity in your financial operations. Ensuring that cloud expenditures and operations comply with industry standards and regulations not only mitigates financial risks but also protects against legal and reputational damages. It requires:

⚡ **Regular Compliance Audits:** Conduct regular audits of cloud usage and expenses to ensure compliance with industry regulations and internal policies.

⚡ **Integration with Legal and Regulatory Frameworks:** Align cloud financial management practices with evolving legal and regulatory requirements, engaging with legal and compliance teams to adapt to changes.

⚡ **Data Governance and Security:** Implement robust data governance and security measures to safeguard sensitive information, avoiding financial penalties associated with data breaches or non-compliance.

⚡ **Access Management:** Define Role-Based Access Control (RBAC) and implement robust Identity and Access Management (IAM) practices to control who can access cloud resources, ensuring that users have the least privileges necessary to perform their tasks.

Scaling Your FinOps Strategy

As businesses grow and evolve, scaling the FinOps strategy becomes crucial to maintain control over cloud costs and ensure financial efficiency.

Dealing with Growth and Change

As you navigate your business growth, consider tailoring your FinOps strategy to accommodate scaling operations and evolving requirements. It implies regularly reviewing and adjusting budgets and forecasts to account for business expansions or contractions. It also requires maintaining flexibility in cloud resource allocation and management, with efficient and dynamic optimization tools. By doing so, you will ensure that your FinOps strategy supports rather than hinders business agility and responsiveness to market changes.

Adapting to Technology and Pricing Models Evolutions

Remain agile and responsive to shifts in technology and pricing models.
Cloud technology and pricing models continuously evolve, offering new opportunities for savings and performance improvements. Make sure to stay informed about the latest cloud offerings, such as new instance types, services, or pricing options. Keep also your FinOps teams aware of these innovations, with updated training and deployments.

Continuous Improvement Practices

FinOps is a journey. Incorporating continuous improvement practices into your FinOps strategy ensures that your approach remains cutting-edge. This can be achieved by regularly reviewing cloud usage and spending trends, gathering feedback from all stakeholders, and conducting FinOps performance evaluations. Encouraging a culture of innovation and experimentation can also lead to discovering more efficient ways to manage cloud resources and costs.

Cultivating a FinOps Mindset

As you look to enhance the value of your cloud investments, developing a FinOps mindset is essential. It is not just about technical tactics or financial strategies, it is about transforming the culture of your entire organization. At the heart of a FinOps mindset is the idea of introducing financial accountability into the spending model of the cloud. It's all about empowering your teams to make informed decisions that are rooted in business value.

Building Awareness and Education

A FinOps mindset starts with awareness. You have a key role to play in building and spreading FinOps consciousness across your organization, through targeted education and training. Invest in training programs and resources to educate teams about the principles of FinOps. Through recurrent workshops, webinars, and access to as many online courses, you can equip your team members with the skills they need to make meaningful contributions to FinOps practices.

They will understand key aspects such as the cloud cost model, the effects of cloud-related decisions on the budget, and the fundamentals of managing finances in a cloud environment. Your investment in education today will pay dividends in the efficiency and success of your FinOps practices tomorrow.

The FinOps Foundation, as well as the main Cloud providers, provide a wide range of courses for that purpose:

⚡ FinOps Foundation   ⚡ Microsoft Azure Training Portal

⚡ AWS Skill Builder   ⚡ GCP Training Portal

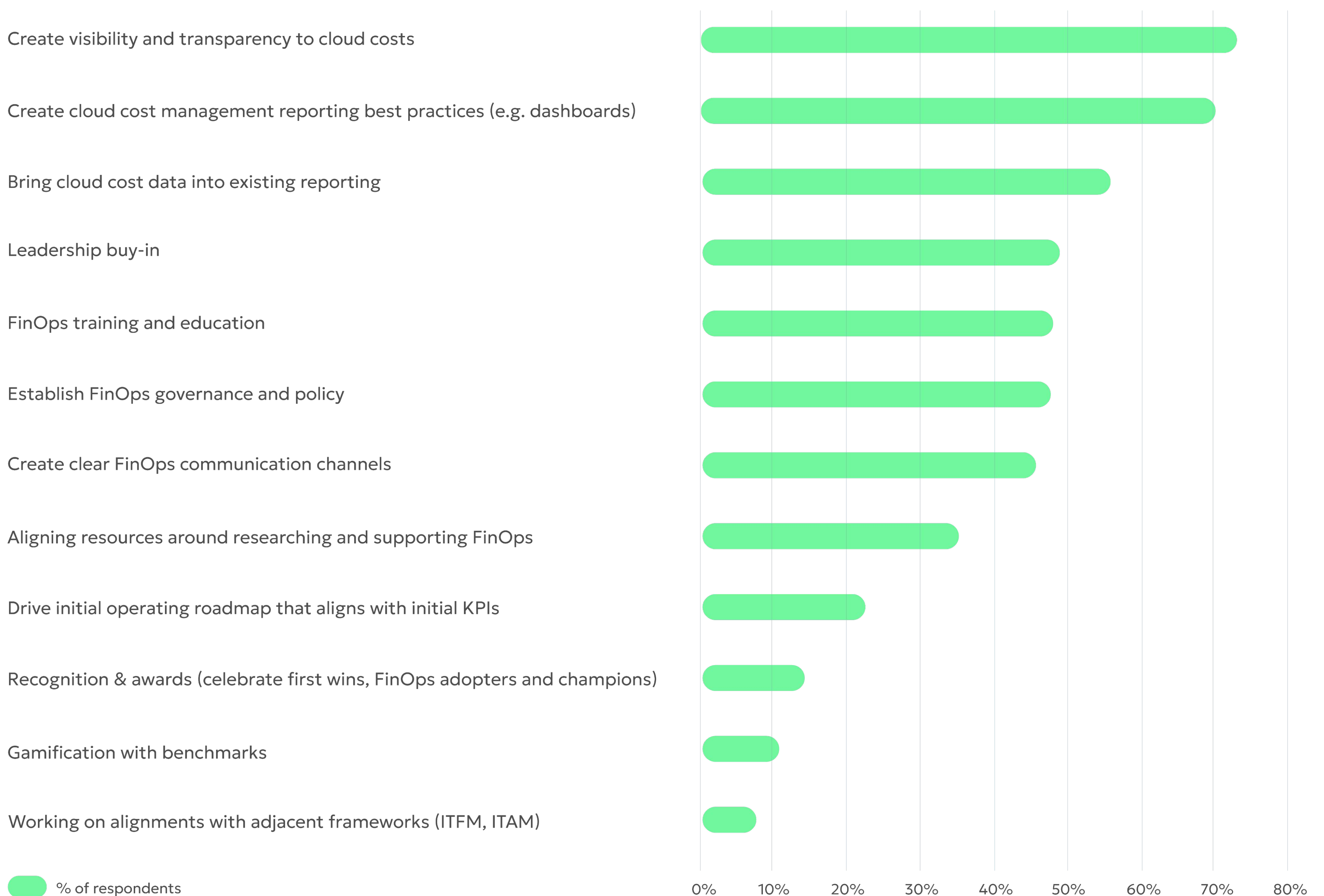### Fostering Collaboration Across Teams

It is time to break down silos and encourage cross-functional teamwork across finance, operations, and development teams. You can make this happen through cross-functional teams or committees, all with their sights set on FinOps. They will ensure that each decision takes into account a comprehensive view of financial, operational, and development impacts. Frequent meetings and the use of collaboration tools can assist in keeping everyone on the same page and fostering continuous communication.

Encouraging Accountability and Ownership

Foster a sense of responsibility among team members regarding cloud usage, financial decisions, and outcomes. This requires setting clear expectations and providing visibility into cloud costs and usage data. Utilizing chargeback or showback models could be beneficial, as these assist in allocating the costs straight to the teams or projects. It will motivate them to use their resources efficiently and make cost-effective decisions. Recognizing and rewarding teams for their effective cloud cost management will also strengthen their sense of responsibility.

Initiatives used by organizations to establish a FinOps culture   Source: FinOps Foundation

Initiatives used by organizations to establish a FinOps culture (bar chart, % of respondents):
- Create visibility and transparency to cloud costs
- Create cloud cost management reporting best practices (e.g. dashboards)
- Bring cloud cost data into existing reporting
- Leadership buy-in
- FinOps training and education
- Establish FinOps governance and policy
- Create clear FinOps communication channels
- Aligning resources around researching and supporting FinOps
- Drive initial operating roadmap that aligns with initial KPIs
- Recognition & awards (celebrate first wins, FinOps adopters and champions)
- Gamification with benchmarks
- Working on alignments with adjacent frameworks (ITFM, ITAM)

% of respondents

Conclusion

Crafting a smart approach to FinOps is a must for companies seeking substantial cost reductions, streamlined operations, and flexible financial management. In a cloud market dynamized by AI and other advanced technologies, adaptability becomes crucial. Staying updated with industry advancements, embracing new technologies, planning carefully, and fostering a work environment that promotes continuous learning and collaboration are fundamental. This approach not only helps manage cloud costs effectively but also optimizes the value derived from your cloud resources, and makes room for innovation.

Final Thoughts: Building a Sustainable FinOps Strategy

Looking ahead, we can anticipate that FinOps strategies will not only promote profitability but also adhere to environmental and social governance principles. Whereas only 19% of FinOps teams currently work alongside sustainability teams, the state of FinOps 2024 shows that 50% anticipate an increasing collaboration with sustainability teams.

Boosting cloud efficiency and minimizing cloud waste leads ultimately to reducing carbon footprint. Opting for 'green cloud' providers and data centers powered by renewable energy offers a practical way this can be achieved. In addition, some cloud services now come equipped with tools to help you track and control greenhouse gas and carbon emissions, helping you have a direct impact on your environmental footprint.
This shift towards ethical finance will not be just about compliance, but a core component of brand identity and corporate responsibility.

Do you want to optimize your FinOps journey?
Get a demo from our experts and learn how to minimize cloud waste with no engineering effort.

FinOps Team + Sustainability Team collaboration

19%

Present

50%

Future
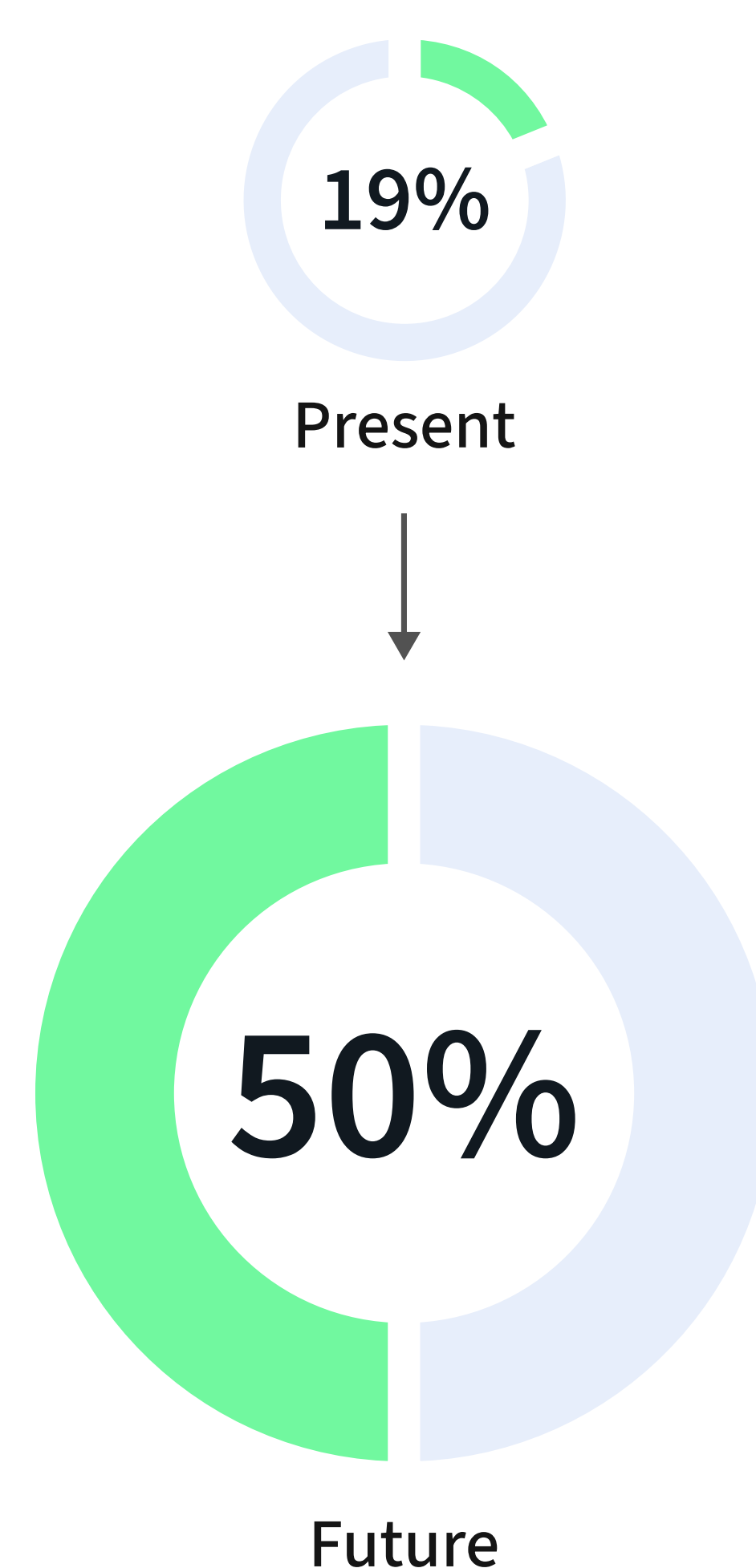
Source: FinOps Foundation, State of FinOps 2024

About Zesty

Zesty helps organizations to be more adaptable to changing business needs by making their cloud infrastructure more dynamic. With offerings for compute, block storage, and Kubernetes, Zesty automatically scales resources to meet application demands in real-time. This helps DevOps teams to slash cloud costs, maintain perfect app performance, minimize the hassle of managing infra, and fully realize the true flexibility of the cloud.

Founded in 2019 Zesty was built with the vision of making the cloud more affordable and accessible. With three offices in San Mateo, Tel Aviv, and Kiev, Zesty is supporting thousands of organizations to get maximum value out of their cloud infrastructure.

For more information, visit **Zesty.co.**