

eBook

The truth about cloud value



CLOUDBOLT
The cloud ROI company™

The Financial Reality of Cloud Transformation

Cloud computing has captured the imagination of enterprises everywhere with its promises of increased agility, innovation, and cost efficiency. As a result, cloud adoption continues its meteoric rise, with Gartner predicting that over 95% of new digital workloads will be deployed on cloud-native platforms by 2025 (Gartner, 2021). However, its embrace has also sparked a surge of misconceptions about cost management and value optimization, particularly within the burgeoning realm of FinOps.

These misconceptions impede organizations from maximizing their cloud ROI, leading to inefficient spending, untapped potential, and frustrated stakeholders. This white paper embarks on a critical mission: to **demystify the cloud** by dismantling prevalent myths that impede true cloud optimization. We delve deep into the core of each misconception, exposing its shortcomings and revealing the transformative potential that lies beneath.

Our exploration of these myths exposes a compelling need for a paradigm shift in how we approach FinOps. It's time to move beyond simplistic narratives and embrace a nuanced, value-driven perspective. By demystifying these misconceptions, we equip organizations with the necessary awareness and tools to unlock the full potential of their cloud investments, paving the way for a future of optimized costs, maximized ROI, and transformative success.

Myth #1:

Consumption
Spending Models
Lead to **Less Waste**

Myth #1

Consumption Spending Models Lead to Less Waste

Was the pay-per-use model ever a cure-all for our on-premise cost ailments?

It's an already debunked yet persistently mentioned myth: the belief that the cloud's pay-per-use model guarantees cost reduction. Despite its widespread acknowledgment as a misconception, it's worth revisiting recent compelling statistics that dismantle this notion:

- According to McKinsey (2023), **only 10% of companies have fully realized cloud's value**, with 50% just beginning to see benefits and 40% not witnessing any significant value gains.
- Gartner (2023) reports that while technical advantages are being harnessed, the **true business transformation potential remains largely untapped**.
- PwC (2023) reports that while 78% of CIOs have adopted cloud extensively, **over half are yet to achieve their desired outcomes**.

Considering this myth is directly correlated to the rise of FinOps as a domain, we felt it deserved a special place in the lineup. Further, these figures underscore the need for a more nuanced approach to cloud costs and value. This leads me to the next myth that needs to be dispelled.

Myth #2:

**Reducing cloud
spending is the
goal of FinOps**

Myth #2

Reducing cloud spending is the goal of FinOps

It's time to shatter the long-held belief that reducing cloud spending is the sole focus of FinOps

Maybe at first, yes. But now, it's not so simple. Long gone are the hopes of the cloud being a more cost-effective alternative to self-hosting. With this realization comes a new imperative for cloud leaders - ensuring the business maximizes Return on Investment (ROI) in the cloud.

FinOps teams must leave behind the impulse to collect quick wins and pump up “dollars saved” tickets.

Instead, developing lasting strategies that manage costs and enhance the value derived from cloud investments is essential. As the new golden metric of the cloud, FinOps leaders must help their organization integrate ROI considerations into every level of cloud strategy and decision-making, ensuring that every dollar spent is an investment toward tangible business benefits.

One of the most daunting challenges cloud finance leaders will face in this battle is aligning the diverse priorities of IT, finance, and business units. Success in this new fight will require involvement far beyond the walls of FinOps teams.

Myth #3:

**FinOps teams are
SOLELY responsible
for ensuring value-
driven cloud
decisions**

Myth #3

FinOps teams are SOLELY responsible for ensuring value-driven cloud decisions

Really, it depends on the interpretation of this myth. Let's explain...

Our research, "The REAL State of FinOps," shows that the **average size of a FinOps team is comprised of 4.1 people**. Considering the sheer amount of cloud decisions made every minute, hour, day, week, month, and so on, it is inconceivable to believe a small handful of cloud financial leaders could stave off deficient decision-making. Unfortunately, the current FinOps read-out to higher-level executives often revolves around dollars saved, which creates a misleading incentive structure for FinOps teams.

Our research shows that **only 9% believe that FinOps is everyone's responsibility in the cloud**. It is no wonder organizations struggle year after year to tame the cloud cost wildfire.

There is a variation of this myth that better aligns with value maximization. FinOps teams ARE responsible for ensuring that the business has the insights and means to make value-driven cloud decisions.

It may be nuanced, but it makes a huge difference. **FinOps teams should be the enablers of ROI in the cloud**. The transition may not be easy, but it will pay dividends for years to come.

Myth #4:

Engineers don't
want to be **part of
the solution**

Myth #4

Engineers don't want to be part of solution

A common misconception in FinOps circles is that Engineers seem disinterested in participating. Often cited in various reports, this belief misses crucial context and the broader picture.

In reality, cloud teams are willing and eager to contribute to FinOps initiatives. They see the value in balancing costs and benefits. The real gap lies in providing them with clear guidance, actionable insights, and tools for ongoing optimizations, not just one-off changes.

Remember, engineers view the cloud through a multi-faceted lens, unlike our cost-focused FinOps perspective. They juggle many priorities, from enhancing performance to reducing downtime and ensuring scalability. These objectives often overshadow financial considerations.

The key is to rethink how FinOps teams engage. It's not about waiting for the business to catch up; it's about catching up with the business. **FinOps practitioners must integrate their strategies with the fast-paced, multifaceted world of engineering in a way that doesn't add to their workload.** This involves supporting with actionable insights, guidance, and tools into existing processes.

It is imperative to recognize that engineers are pivotal in the success of FinOps, which may require a shift in mindset for some.

Myth #5:

**Providing cloud
spending visibility
to the business is
the key to success**

Myth #5

Providing cloud spending visibility to the business is the key to success

So much time and attention has been spent in the FinOps world on ensuring financial reporting is readily available to cloud users. Teams invest significant time and effort in normalizing multi-cloud data, fighting to maintain tagging hygiene, and creating various report versions to disseminate to the business. And there are so many FinOps leaders who are very proud to say that they have solved their company's financial visibility problem.

Why, then, do we see the same exact pains emerging every single year around the lack of FinOps participation from the business?

Because **financial reporting matters most to FINANCE!** News Flash: Cloud users do not start and end their day in a financial dashboard.

Financial insights matter more. FinOps teams must find ways to put contextual financial indicators in front of cloud users at the right time - and it has to fit into their natural workflows. This is how you begin to put value at the center of every decision.

Don't get us wrong, reporting serves its purpose - **but it alone is not the driver of value-focused cloud management.**

Myth #6:

DIY tools are the
only path forward
for FinOps

Myth #6

DIY tools are the only path forward for FinOps

The current cloud cost management and optimization (CCMO) solutions landscape is fragmented, with many vendors offering **point solutions that address only specific parts** of the overall financial operations value chain. This has created gaps regarding the need for custom data integrations, flexible unit cost modeling, accurate forecasting, and scenario planning capabilities.

The rise in DIY solutions highlights a few things. Organizations desire greater control when adopting FinOps practices. They also value flexibility and extensibility. However, these **homemade tools often require extensive technical expertise and staffing** while only solving isolated issues like visibility or allocation. They rarely account for the entire breadth of financial insights needs.

This reveals a clear market demand for adaptable CCMO platforms that incorporate diverse business data and logic to enable various financial scenarios. The ideal solution would provide pre-built integration with cloud data sources while empowering finance teams to tailor cost allocation rules, leverage supplemental business data, and simulate cost outcomes under multiple assumptions. Rather than enforce predefined perspectives, it should enable self-service modeling aligned to each customer's industry, use cases, and aspirations. **Providers who solve enterprise adaptability without compromising usability will win significant market share.**

Myth #7:

**Automation is
helping FinOps
teams accelerate
outcomes**

Myth #7

Automation is helping FinOps teams accelerate outcomes

Most FinOps teams encounter an endless cycle of reactive tasks, including data preparation, custom report building, data analysis, and optimization projects. It's a widely held belief among FinOps leaders that automation is the key to freeing FinOps teams from this endless cycle of manual tasks. Unfortunately, the current reality is more nuanced.

Despite the widespread availability and promotion of automation features in many FinOps tools, they often end up underutilized or ignored. The reason? **They fail to provide scalable, adaptable options that meet the demands of enterprise environments.** The lack of flexibility in dealing with real-life scenarios and intricate logic often leads to increased risks, rendering these automation features largely ineffective.

The path forward involves developing flexible and capable automation capabilities that can **deliver tangible benefits without adding to the maintenance burden.**

While we can agree that automation SHOULD be the key to FinOps rising above the operational noise, the current state leaves much to be desired.

Rethinking cloud value

The myths explored in this whitepaper reveal an urgent need to rethink how organizations approach cloud value. Simplistic narratives have dominated the conversation for too long, leading to suboptimal spending, missed opportunities, and unrealized potential. It is time to push past these oversimplifications and embrace a more nuanced, business-centric perspective on cloud optimization.

Moving forward requires a paradigm shift at all levels of the organization - from engineers to finance to executive leadership. Siloed priorities must give way to shared accountability across teams, with cloud investments viewed through the lens of tangible business impact rather than narrow self-interest. Likewise, leaders must prioritize context-driven insights over generic visibility, empowering stakeholders to make decisions that balance costs and benefits at every turn. With the proliferation of cloud, the stakes have never been higher to get this right. By dispelling misleading myths, we take the first step on the path toward a future where the cloud delivers on its immense but thus far unfulfilled promise - one of maximized value, optimized costs, and business transformation. The journey won't be easy, but the potential rewards make it indispensable nonetheless.

CloudBolt is reimaging FinOps to ensure every organization's cloud investment leads to tangible business success. Contact us today to learn how our solutions make this a reality for your teams.

[Learn more](#)

Sources

Arora, C., Forrest, W., Gu, M., and Kaplan, J., 2023. In search of cloud value: Can generative AI transform cloud ROI? [online] McKinsey & Company. Available at: In search of cloud value: Can generative AI transform cloud ROI? [December 2023]

Gartner, 2021. Gartner Says Cloud Will Be the Centerpiece of New Digital Experiences. [online] Available at: <https://www.gartner.com/en/newsroom/press-releases/2021-11-10-gartner-says-cloud-will-be-the-centerpiece-of-new-digital-experiences> [Accessed 22 January 2024]

Govekar, M. (2023). Gartner Says Cloud Will Become a Business Necessity by 2028. [online] Gartner. Available at: Gartner Says Cloud Will Become a Business Necessity by 2028 [December 2023]

PwC. (2023). PwC's 2023 Cloud Business Survey. [online] PwC. Available at: PwC's 2023 Cloud Business Survey [January 2024]

© 2024 CloudBolt Software. All rights reserved.

