

# Building a Cloud FinOps Practice That Funds Growth

*A framework for tying cloud cost to business revenue*

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## Guiding Principle

Cloud spend should be funded by product revenue. When growth demands more cloud the path back to the P&L should be obvious, simplifying approval decisions. A FinOps practice is not a cost reduction exercise. It is governance that lets an organization manage growth without losing control.

## Framework:

- 1. Transparency:** Every dollar of cloud spend is mapped to a business owner, a product, or a workload. Shared infrastructure has a clear distribution back to products based on size, or percent of overall resources. If a cost cannot be allocated, it gets investigated. This includes all the software and services loaded into the cloud to run the products, not just the AWS, Azure, Google Cloud, or other hosting platform costs.
  - a. What we've done is tag every asset with the relevant product and technical information so it can be aggregated from the resources up the product, product line, business unit, and expense categories. This is particularly helpful when you have multiple products hosted in the same cloud accounts.
- 2. Re-Forecasting:** Quarterly forecasts by product and by business driver. Variance gets explained. Forecasts that consistently miss by more than 10 percent trigger a review of how the forecast is built. Growth must align with committed revenue growth.
  - a. Growth must be separated from new investment or development. Growth accounts for spend related to content or capacity scaling tied to product revenue forecasts. New investments and development are tied to one time spend, that may be capitalized but requires the business to approve a new business case.
- 3. Ownership:** The technology teams drive architecture choices. The product owners drive the business cases with revenue growth. Finance owns financial reporting to executives.

## Standard Operating Procedure:

**Weekly:** Engineering leads review of actuals against forecast. All unplanned spend gets investigated and explained.

**Monthly:** Technology leadership and finance review consolidated spend, run rate, and forecast updates. Cost allocation reports go to business owners.

**Quarterly:** Executive review of total technology cost as a percentage of revenue, cost per customer trends, and investment versus operating spend.

**Annual:** Long term capacity and commitment strategy. Vendor renegotiation cycle.

**Ad hoc:** Any spike over 15 percent against forecast triggers a same week review.

## Success Criteria:

- ❖ Cloud cost as a percentage of revenue
- ❖ Cloud cost per customer or per unit of business activity
- ❖ Forecast accuracy with a target of within 10 percent at the business unit level
- ❖ Realized savings from FinOps actions, tracked against a baseline
- ❖ Reserved capacity and commitment utilization
- ❖ Executives and the board see a single technology cost story tied to business performance.
- ❖ Engineering teams know what their workloads cost and have the data to act on it
- ❖ Finance has forecast confidence to plan growth investments
- ❖ The technology team can handle a new acquisition, a new product, or a new market without surprises six months later