REPORT REPRINT

Now hiring: Cloud financial administrators

WILLIAM FELLOWS

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THE 451 TAKE

Enterprises want immediate and verifiable ROI. However, consumption planning, management and optimization are tricky when internal cost models come up against cloud options, and are seen to be woefully outdated. Runaway costs are a real fear for many organizations, and they are seeking more predictable models. The lack of financial understanding and oversight – plus institutional and operational processes – creates a brake to accelerated cloud adoption. Could the role of a cloud financial administrator, along with supporting tools, help relieve the drag?

CONTEXT

As enterprises look to adopt clouds across their entire organizations, it will be increasingly important to align procurement processes with the on-demand, variable consumption nature of cloud. Tools that enable organizations to manage, optimize and control cloud costs are a good start, but the real challenge (and opportunity) is to streamline processes throughout the entire organization. Removing barriers to scaling applications can allow product and marketing teams to take calculated risks, reaching new markets before opportunities are lost. It can also allow new employees to hit the ground running, with access to the applications they need from day one. However, this flexibility needs to be controlled, or else companies risk receiving a bill they can't afford.

SALARY VS. SAVINGS

Rule number one in cloud procurement is that the most expensive way to buy cloud virtual machines is on demand. However, it's not only about cost, but the ongoing, active and real-time management of resources. As the use of cloud rolls out across enterprises and charges begin to reach into the hundreds of thousands or millions of dollars per year, a role for a cloud financial administrator is coming into view. Numerous enterprises have told 451 Research they expect the cost of salary for such a role would likely be quickly repaid in the savings achieved. A cloud cost or cloud financial administrator would oversee cloud consumption management, optimization and bill forensics. They would have specialized knowledge about the cost of infrastructure, the characteristics of clouds and services, and of application needs.

ORGANIZATIONAL FEAR AND LACK OF PROCESS ARE A BRAKE TO CLOUD ADOPTION

Among The 451 Group's own global enterprise technology networks, all of those that have engaged Efficient IT assessments want to consume more cloud – and to consume it more aggressively than they are able to due to organizational reasons that slow down adoption. They are mostly evaluating on a workload basis to alleviate pressure on existing deployments and to avoid capital investments in IT infrastructure. What's clear is that enterprises are facing a situation where their own cost models are simply outdated when compared with available third-party cloud options. Although there is a proliferation of tools on the market, internal chargeback or showback processes are immature, regardless of the relevance of the cost model. Moreover, there is a fear that the reasons for waste in on-premises compute or colocation compute could actually be perpetuated in the cloud rather than alleviated because of a lack of oversight, utilization monitoring or reporting.

Cloud pricing models are befuddling, and there is typically no CFO of IT or intermediary to the finance group to understand, scrutinize and manage this spending. This is why the need for cloud financial administrator looms large.

Organizations are naturally concerned about being locked in to any vendor – and the inability to gain any leverage on the basis of vendor synergies. In theory, the commodification of cloud services (at least of compute) should reduce this concern, but as cloud suppliers add increasingly more high-value and complex services, this isn't the case. Because security tends to be handled in a different group (such as the CISO), short-listed cloud providers would likely already have been vetted against security criteria.

In the meantime, predicting demand, whether organic or inorganic, is made even harder in the cloud because of its consumption-based retail model discipline. This is why suppliers that can engage with enterprises and provide a range of pricing options (from on-demand to fixed-term) will likely be more successful than those that can only deliver WYSIWYG.

ELECTRONIC SLAS?

Other mechanisms that could greatly assist in the planning, management, and optimization of cloud service consumption and delivery would be composed of the use of 'live' SLAs – electronically administered/enforced, and therefore measured using common cloud building blocks. This would enable organizations to capture live service performance to measure service contracts and service-level objectives. Bills could go up and down in real time. The problem is that current SLAs do not provide assurances that the customer's needs will be met, and each provider uses different language, making it difficult to compare SLAs. Moreover, the reality is that most contracts are paper. Standard and electronically measured and monitored SLAs would require industry agreement on what is cloud and what is not – what is being measured and what is its worth? Crazy talk? Perhaps, although the key cloud committee in the International Organization for Standardization (ISO) – ISO/IEC JTC1/SC38 – whose mandate is standardization in the area of 'Cloud Computing and Distributed Platforms,' has been looking at SLAs for some time now. Resource consumption has been metered for decades on mainframes for timesharing, but it was largely a 'Big Blue' sky industry.

CONSUMPTION MANAGEMENT AND OPTIMIZATION TOOLS

The number of tools that provide cloud consumption management and optimization (from bill forensics and tariff management to cost analytics and capacity planning) is vast and growing. These would be used to a greater or lesser extent by the cloud financial administrator, as well as cloud teams.

Firms in this sector typically enjoy the ability to demonstrate an immediate benefit to a CFO/CIO of using their tools for saving money or optimizing use. Most have expanded from starting points in bill forensics and tariff management to providing optimization (such as what-if modeling), analytics and configuration – in short, becoming environments that can 'do' as well as 'see.' Indeed, being able to create recommendations on service type and use, and remediating on these, is where the game is right now.

We are seeing operational and financial insight increasingly combined by firms that are reaching toward the broader cloud management opportunity rather than only focusing on cloud cost management. Companies operating here include HPE Cloud Cruiser, Cloudyn (where Infosys is an investor), Cloudability, CloudCheckr (whose tools have been licensed by Rackspace), CloudVelox, CloudHealth, Apptio, Google's Orbitera, Cloudamize, Cirba Densify.com and ParkMyCloud.

Firms that provide best execution venue and right-sizing guidance (service selection) include TSO Logic, Cirba, CloudScreener, Cloudamize, Turbonomic and RackWare. Firms such as Scalr, Embotics, CloudBolt, Turbonomic, Krystallize, FittedCloud, DivvyCloud and InContinuum, which are coming from the virtual infrastructure management space, will increasingly seek to provide financial insight alongside their operational analysis. If they are to remain relevant, traditional IT management providers such as BMC, CA Technologies and IBM will need to acquire cloud expertise, especially around operational and financial insight, which is exactly what HPE is doing here.

The cloud providers themselves offer cost management tools, including AWS Trusted Advisor. Major vendors have offerings in place, such as Cisco Cloud Consumption as a Service and VMware vRealize Business for Cloud, while billing and subscription firms also operate on cloud bills such as MetraTech, Apptio, Aria Systems and Zuora.