E-book

Manage your cloud costs with these five strategies

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Introduction

When it comes to public cloud, many organisations find it challenging to keep costs within a committed budget. So, it makes sense to pay close attention to where money is being used. The problem lies partially in IT budget management, as budgets are now distributed across many stakeholders.

In addition, according to our white paper "Technology Budgets: Managing Shifting Priorities" the global pandemic may have exacerbated issues as 78% of decision-makers reported new concerns around budget or costs. A correlation can be seen — as in the same white paper — 80% of respondents were pouring money into technology to stay afloat.

Fortunately, there are two areas of concentration that can help you prevent cost increases: cloud governance and cloud optimisation. Let's define these:

Cloud governance can be thought of as the house. It's the structure that supports the strategy around reducing your overall cloud spend by identifying and documenting mismanaged resources, establishing controls, eliminating waste, reserving capacity for higher discounts and right-sizing computing services to scale. Cost governance instructs all your approaches to IT cost management.

Cloud optimisation is the bricks that make up the house. It's the processes and teams of people used to document and monitor usage, and produce cost reports to find out who, what, when, and how cloud resources were used. These teams can tell you details related to both current use and likely costs in the future. Cloud optimisation is more than a declaration of strategy — it's the actual procedures and tools you utilize to meet your cost governance goals.

To reach these two high-level goals, there are five operational practices that you must establish first: defining roles and responsibilities, enabling continuous optimisation, focusing on architecture optimization, establishing cost monitoring, and promoting cost consciousness.

#1 Define cost management roles and responsibilities

Many organisations have yet to firmly establish proactive measures for budget management, as demonstrated when we found 50% of respondents were unable to actually define cost governance.These same organisations are also at risk of cloud sprawl, which, in turn, can lead to uncontrolled spending.

So, how can you establish practices and policies that will enable you to control costs and remain within your budget?

Establish a cross-functional cost governance board

Collaboration across different departments ensures visibility and alignment in the consumption of technology. Ideally, you would establish a governance team that includes finance, IT operations, security, application owners with a C-level team sponsor. Regular conversations across this team will raise awareness pf cloud budget goals, and awareness is the first step to
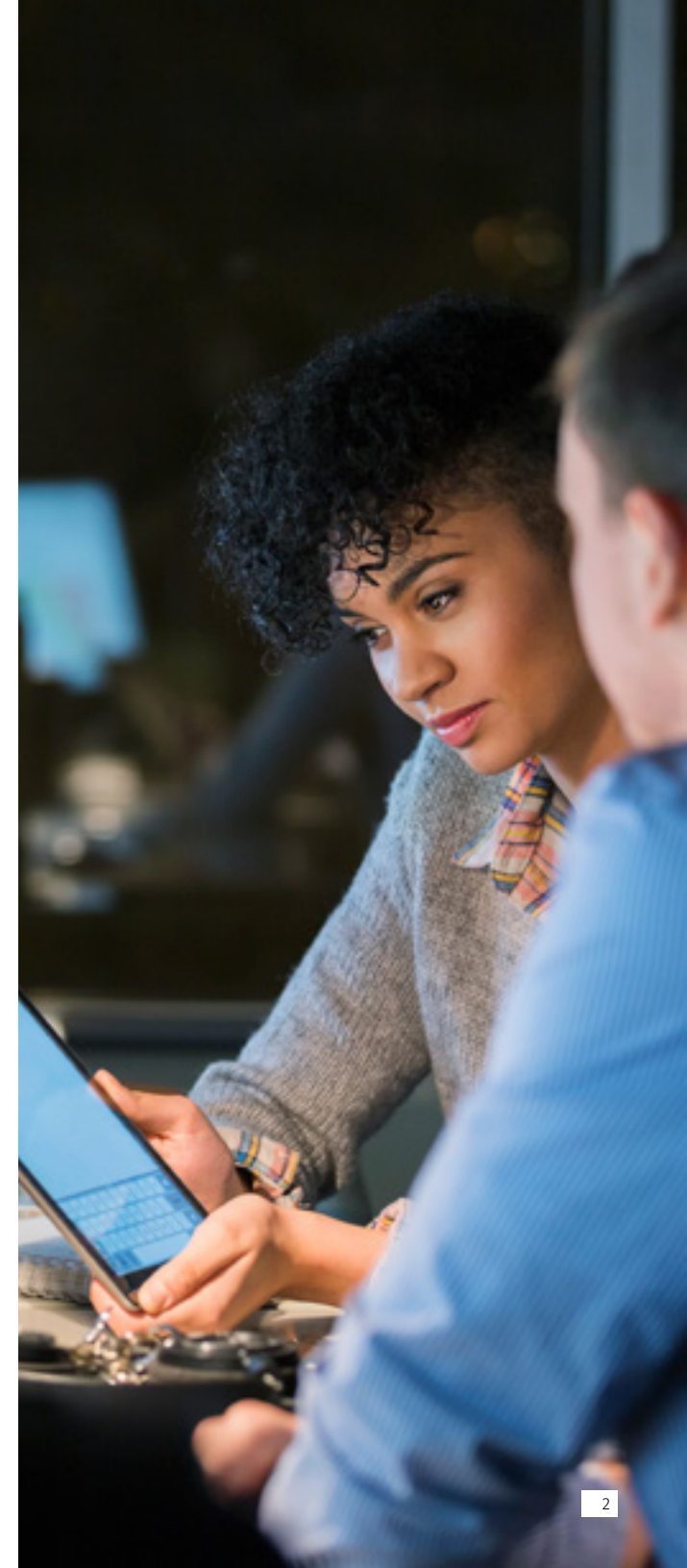
achievement of those goals. Also, having a C-level sponsor will often help you to clear roadblocks and expedite decision making.

Once established, your cost governance board should meet weekly, at first, to generate momentum and encourage attendance as well as establish a clear agenda. The cadence can be changed to twice a month or monthly once your team is established.

Establish a cost-governance charter

Alongside your cost governance board, it's important to establish a governance charter that establishes the four main functions in your budget process:

1. **Determine spending:** "We'll spend 10% of the budget on IT."
2. **Determine stakeholders:** "These are the people in the organization that we trust to properly allocate IT spend."
3. **Determine spend goals:** "With that 10%, we expect the stakeholders to deliver the following outcomes: implement a new customer experience platform and achieve specific performance improvements."
4. **Determine action items:** "To meet these goals, we need to review license agreements, hire developers and adopt more cloud-based resources."

The charter should be referenced by your board regularly to report and track progress. Let's take a look at two real-world examples of organizations who have defined cost management roles and responsibilities.

The City of Atlanta: Application rationalisation program

A financial governance model centralised all IT spend and reigned in the repeat purchasing of applications for the City of Atlanta. This local government organisation had hundreds of applications with identical functionality which had been purchased from different sources as each department looked to meet its own needs.

The establishment of an application rationalisation program consolidated purchasing and enabled the City of Atlanta to wield its buying power, and a new licensing model allowed further cost-cutting. The procurement and legal department now collaborate to ensure all technology contracts and purchases are vetted by the Department of Information Management. With one department providing financial governance, the procurement of IT gained structure and trust was established between the different stakeholders.

Wyndham Hotels & Resorts: Pitching purchases

Before any project is given the greenlight, Wyndham Hotels & Resorts uses a unique approach to ensure accountability for new technology purchases. Each project has its rough spend, ROI and use case listed on something like a baseball card. Each year, every card is prioritised and then taken to the capital appropriation committee, where business partners pitch it. With each project owned by a business partner, roles are clearly defined.

#2 Implement continuous cost optimisation

The global pandemic propelled change, with business units quickly adopting tools to enable business continuity. The impact of this was felt by 43% of respondents to our survey, who were unable to fund planned projects that may have been essential for cost optimisation. When organisations are in reactionary mode, the investment in other IT priorities, such as cost optimisation, can get lost and go untraced.

Here are some ways you can implement continuous cost optimisation:

- **Maintaining governance:** Ensure resources are well managed and utilised continuously across all environments. For example, cost optimisation is essential for network connectivity, which looks different in a multicloud environment in comparison to a legacy on-premises environment.

- **Establishing cost transparency:** Make sure all newly deployed technologies, like applications, mobile and edge computing, can provide ongoing visibility into spend.

- **Automation:** Cost optimisation can also be reached by utilising a robot to perform repeated tasks like provisioning and deployment.

- **Workload rationalisation:** By assigning data-centric workloads to a data scientist or database administrator (DBA), each workload can then be located in its best environment, whether that's in the cloud or in a data centre, further optimising cost.

- **A 90-day planning cycle:** Capital investments using a recurring 90-day cycle can provide cost agility for projects.

#3 Optimize your cloud architecture

The cloud can create organisational complexity when multiple stakeholders and vendors are involved. This added complexity can make cloud cost management difficult. too.

Some organisations hesitate to adopt cloud out of concerns for sprawl and uncontrolled costs. But our survey found that this reluctance is diminishing, with 41% of respondents now planning to utilise new cloud infrastructure to cut costs encouraged by how well the cloud performed during the global pandemic. At the same time, 48% of respondents whose organisations are already in the cloud are looking to optimise their existing cloud structure.

Building cost management into your cloud

Whether you've already migrated to the cloud, or are thinking of doing so, there are several ways you can incorporate cost management to ensure cost control and visibility.

- **Alert notifications:** Before beginning your digital transformation, ensure your cloud only uses the required resources. To be confident that you aren't overspending, incorporate notifications that alert you to unusual usage spikes, and utilize any associated reporting and analytics tools that can help you visualize and adjust your spend.

  Case study: Software company Relay42 uses CloudHealth by VMware® to precisely track cloud spend by cost centre, where resources and services are tagged to create easy-to-use dashboards that show where both spend and CPU resources are allocated. This extra level of intelligence enabled it to save $8,000 per month on its compute spend — without losing any performance.

- **Use cases:** Invest in technology that delivers real business outcomes for the challenges your organisation is facing. It's important to have a use case for each area of spend.

  Case study: The global pandemic prompted water management company Innovyze to accelerate its SaaS transformation. It wanted to address the real-time operational needs of utilities by extending the capabilities of its product offerings. IoT analytics using real-time data allows its customers to clean and manage water responsibly, the world over.

- **Standardising platforms:** By assigning each business function one platform complexity can be avoided and costs optimised.

  Case study: Wyndham Hotels & Resorts has one platform for central reservations and one platform for brand websites with one interface between them. But if there were two platforms in any one of those areas costs would be doubled along with speed and time to market. The migration to a cloud-based SaaS model enabled cost savings of 45%.

- **Licencing costs:** Taking a streamlined approach to licencing can optimise costs. For example super-use licences can be deployed and used by many people. It's important to see if your organisation is paying for the correct number of licences, and if those licences are the right types. Another way to reduce licencing costs may be to move to a different vendor.

  Case study: Advertising and marketing technology company iPromote optimised costs with .NET modernisation and by migrating to Linux on AWS. Significant savings were found in the lower price of Linux instances, which cost 58% less than Windows instances. Licensing alone translated to savings of thousands of dollars every year.

#4 Establish cost monitoring thresholds and quotas

During the global pandemic, remote working brought significant costs to many companies. According to our report, businesses reported a 59% increase in spending on virtual desktop infrastructure (VDI), productivity, and video conferencing/collaboration solutions. The quick uptake of these SAS tools meant some costs went unnoticed, adding to expenses.

By implementing processes that establish thresholds and quotas, you can improve cost monitoring and ensure that any reactionary spending is curtailed and controlled.

Define spend targets for the cloud

As mentioned earlier, a cost governance board can help to keep you operating within your committed IT budget. The finance representative of your board can set expectations around budgets and define key metrics for cost savings goals. They can also address issues like contract terms and how much the business can invest upfront to reduce operational expenditures.

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At the same time, your board should look to set realistic budgets for the next financial reporting period. Also, try to avoid vendor lock-in, which can derail your savings efforts.

Review wasteful spending and execute quick wins

Look for quick wins. You'd be surprised at how quickly your organization can see a difference when you've identified unused, overallocated or misconfigured resources. And by engaging with experienced cloud operators, you can rapidly accelerate this phase. Longer-term cost optimisation can be established by careful evaluation of your application architectures.

#5 Promote a cost-conscious culture

Managing the cloud is different from plain infrastructure procurement. Traditional procurement professionals don't necessarily understand the best way to drive cost optimisation. And technologists who are consuming cloud may not be using all of its available features. It's important to ensure you have the right relationships with vendors who offer experience beyond the cloud.

Introduce processes and policies to prevent runaway costs

Once the initial cost savings measures have been implemented, the next step is to create enforcement policies around cloud cost, usage, security and governance. With third-party tools, you can easily stay on top of these policies and be alerted to any violations.

Prioritise finding people or training your people with the right skills to make IT budget decisions that ensure cost optimisation. When times are calm, you can leverage the expertise of these people to help improve performance and cost by taking advantage of opportunities to modernise. If your organisation is facing challenges, these same experts can help you respond quickly and reduce the impact on your business.

What's your cost governance plan?

Get started on your journey to optimising cloud costs with Rackspace Technology® — the multicloud solutions experts — to gain control and visibility of your cloud spend. From detailed billing reports to cost tagging and budget threshold status reports, we provide you with the insight you need.

Speak to us today 1-800-722-577 or learn more at www.rackspace.com

About Rackspace Technology

Rackspace Technology is the multicloud solutions expert. We combine our expertise with the world's leading technologies — across applications, data and security — to deliver end-to-end solutions. We have a proven record of advising customers based on their business challenges, designing solutions that scale, building and managing those solutions, and optimizing returns into the future.

As a global, multicloud technology services pioneer, we deliver innovative capabilities of the cloud to help customers build new revenue streams, increase efficiency and create incredible experiences. Named a best place to work, year after year according to Fortune, Forbes, and Glassdoor, we attract and develop world-class talent to deliver the best expertise to our customers. Everything we do is wrapped in our obsession with our customers' success — our Fanatical Experience® — so they can work faster, smarter and stay ahead of what's next.

Learn more at www.rackspace.com or call 1-800-722-577.