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Cloud on the rocks [AAA]

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[00:00:00] It's funny you bring that up, Chris, because you spend a lot of your time saying, I wouldn't do it like that. Do you remember that guy on the Fast Show? Yeah, I wouldn't do it like that. Oh, I wouldn't do it like that. No, no, he says, I'm considerably richer than you. Than you are. Yeah.

Welcome to Cloud Realities, an original podcast from Capgemini. And this week a conversation show exploring the economic realities of cloud transformation. There's been a lot of talk about cloud transformation programs not delivering value for money, but what are the mechanics that are going on there?

How do you adopt new methods and new ways of working to ensure that your cloud transformation is not only successful from a cost point of view, but can deliver new value? I'm Dave Chapman. I'm Esmee van de Giessen and I'm Rob Kernahan.[00:01:00]

So we're We're here with another Access All Areas episode, Robert, Esmee, Access All Areas, remember what that is? Ooh, yes. Just about, yeah. We're talking about rocks again. I like rocks. Big rocks. Big rocks. Cloud on the rocks. Before we get into that, the Access All Areas theme is really just us bringing in a couple of our friends from the day job world and exploring a subject a little more informally perhaps than we sometimes do.

Before we get into that, Es, you're good, how are you doing?

Yeah, I'm actually very hopeful and I was like waiting to share this with you, but I, I wonder if you actually understand my enthusiasm. You mentioned

you had something last week and I barely got sleep over the weekend. Really? Wow. Oh, that's, that's setting expectations.Uh, well, there was this LinkedIn post going viral, which was about hives, but I can imagine that you don't have a clue what hives is actually is. Isn't the things that make your skin itch? Is it the band?

No, it was actually one of the first social media platforms in the Netherlands. Uh, it was founded in 2004 and in its [00:02:00] highest peak, it had 10 million users in the Netherlands, which is a lot considering that we were like, yeah, 16 million people and 10 million users.I mean, that's, that is, that's quite a heavy market, hasn't it? Yeah. That's huge.

But the thing is that you could actually. Develop your own page. So it was actually coding my page myself. So it was, you know, previous Facebook, uh, and it has such a Dutch culture. Uh, and now people want to revitalize it. They want to create it again.

It's such a culture. Maybe it's also sentiment. I think we all have the same, right. When using Amazon and other first, uh, uses of, of, um, social media, but I'm just very hopeful because you now actually see millennials and Gen X that are part of the tech world that want to step in and they just want to do it voluntarily.

Like, okay, I want to rebuild it, especially because we want to show our kids a safe way to introduce social media. Uh, so that makes me very hopeful. And I was actually thinking like, how can I contribute? So, um, yeah.

Very [00:03:00] cool. Now is it full of like load of excellent Dutch sayings like the monkey's out of the sleeve. The cat is on the bacon. You really want me to go there with the Dutchly sayings. There's one for every situation, isn't there? Yeah, there is. I love them. I love them. Anyway, look, on with the show, Robert. Tell us about the remind everybody about the big rocks. We had a conversation initially, didn't we? The Georgia Georgia Smith previously.

This is a follow up to that set the scene for us.

So big rocks are the boulders that block your path for true success, and they're the ones that the organizations find very difficult to get over. So we engage in some technology. We do some stuff. We might get a bit close to the business, but actually there's these things that are preventing us from being truly effective in new ways of working and success.

properly using the technology to build new business models. And, and those rocks are very difficult conversations within an organization, but those who clear them create dramatically better [00:04:00] results. So just to go over the types of rocks that we discussed, there's the, the governance and risk ones. You have to think very differently about that.

There's the capacity and demand management. How do we deal with teams differently? How do we think about capacity based models as opposed to projects and outcomes? How do we collaborate and interact as humans? So there's interaction pathways that need to be reformed and then there's the good old cognitive overload which is when we're doing all this pressure comes on to a very small number of people how do we spread the burden and make sure that everybody is correctly educated with good skills.

Final rock being of course financials so if you don't rewire your financials it's very difficult to operate. under new structures with new ways of working and bring all that we've discussed to life. So today is a conversation about what does that actually mean when we think about the business case, when we think about how we financially account for this new style of organization and what, um, good looks like and how you make a proper difference, uh, to enable the people to go do what they want to do.We also had, I think, in [00:05:00] our trends episode, we touched on the fact that some of the economic headwinds that we'd seen in 2024 that might pervade into 2025. We'll see how 2025 goes. That set an environmental context, didn't it, for needing even tighter discipline around some of the financial challenges of the big rock?

Yes. So there's not a lot of money going around in the system in various places. So you have to really think very strategically about where you place your bets. Um, and that creates some hesitation when you want to go and spend, and there's a bit of a leap when you move to cloud as well. So, um, you really need to embrace a different way of thinking and layout where, um, your costs are actually going to come from and understand the dynamic and get more transparency and understanding what is going on within all of this organization.

So hopefully we'll get to all that today and we'll discuss the ins and outs of it.

And I am delighted to say joining us for that exploration are a couple of friends of the show. Chris Dudgeon and Jez Back. [00:06:00] Uh, Chris, Jez, how are you doing? Thank you for taking the time out of your busy schedules to join us for a bit of a chat.You going good? Really good. Great to be here, Dave. Thanks for having us. Yeah, really good. Thanks. Yeah. Delighted to be here. It's going to be a bit of an experience, isn't it?

It is indeed. It is going to be a walk through all the fascinating financial mechanics that I know, Chris, you love, don't you?

Absolutely. It's my favorite thing, Dave. Yeah, I've known Chris for a couple of years now. I've never seen him more excited than when he's drawing a graph on a whiteboard. It's the graph on the whiteboard, or the day that Chris actually drew the graph, uh, not in PowerPoint, or anywhere sensible where you draw a picture, but he very carefully made all the cells really small in an Excel workbook, and then drew the visual using what would be like a VIC 20 style pixelation approach.

That is a man who loves his Excel. That was a day when I looked at this and go, he sent me a picture, but he's drawn it in Excel. [00:07:00]

My, uh, My favorite moment was when Chris was presenting via Excel and literally had a screen full of numbers and started the presentation with, just ignore the numbers, there's nothing else on the screen. But obviously here as a highly credible and well respected guest of the show. Thanks for coming along, Chris. Yeah, no, honestly, never again.

And thankfully we've got Jez as backup. Hi, how are you doing? For those people who don't know me, I'm one of the colleagues of the guys here and I'm a cloud economist, uh, in our event, um, team. Uh, and I'm also a global offer leader of all our offers. So that keeps me busy and out of trouble.

Good to see you, Jez. And on a serious note, Chris, ex CFO, what gives a bit of your background?

So yeah, I mean, I have a 30 year career. I've done, uh, pretty [00:08:00] much every job there is in finance. So I spent most of the, most of that in finance. Uh, and then I spent. The last five or six years working with cloud, so I would sort of describe myself as half accountant, half technology nerd, which is basically means that I'm not someone you want to get stuck next to a dinner party.

My favorite recovering accountants that last.

Just imagine the opportunity. Chris is on your left hand side talking about financials and accounting and I'm on your right hand side talking about regulation and security controls. I mean, that is going to be an evening.

that everybody's gonna love. That is literally the podcast we're about to do pretty much, isn't it? Everybody's switching off now.

So look, on that note, I think we are suitably well qualified to wade into the world of financial challenges and structures around cloud transformation. So what, what's pretty clear When you go through the process of a cloud transformation, what you're actually doing is you sort of changing the financial model of how it [00:09:00] functions from being something that had an element of operating budget and investment budget, and it's swinging more towards.

Operating. So, so Chris, just set that framework out for us as we get going, just as, just as by way of setting a baseline.

Yeah, sure. So I think, I think in the old, in the old world, there was, there was a, there's a real mixture of capital, capital spend and operational spend, as you've said, Dave. So anything, you know, hardware projects, everything like that was all capitalized and it was done on a long term basis.

And I think we're moving to a world now where a significant proportion of IT budgets is much more consumable. It's, you know, it's IaaS, SaaS. it's a very, very different. And I think that that change has far more consequences than, uh, than our, you know, generally recognized. Uh, and it, and it really can impact the way that financials work within an organization.

It, it changes where the [00:10:00] control sits. So in the old world, if you wanted to spend some capital, you know, typically you would go to your board and you would ask for some money and you would justify it, et cetera. And now we move to a model where, you know, we can have. engineers just sitting at a desk and they stand up a couple of instances to crack on with a piece of work that they've got going and you know that's that's a completely different that authority matrix has just become almost invalid overnight

and also from a from a point of view of how an organization accounts for itself from the seat of the CFO. Why is it material that it's spent as operating rather than investment? So, so principally, um, capital expenditure gets put onto the balance sheet and converted into depreciation. Operational expenditure goes through the P& L. And what that does is one of the key metrics that a lot of organizations use to, to demonstrate their financial performance is something called EBITDA, earnings before interest tax depreciation amortization.

Right. So, so in the old world, any capital purchases, uh, [00:11:00] any hardware that you bought, for example, would convert into depreciation and would, would not impact EBITDA. So suddenly, if you replace your legacy data centers with a load of cloud, you, you're going to damage one of the key metrics that are often used to, uh, to understand business performance.

And, you know, I think over time that will potentially change and maybe a different. A different mix of metrics will become more prevalent.

And so that's one side of the financial complexity going into this, which we will return to shortly. The other side of the financial complexity, by way of sort of setting the table a little bit, is the nature of the business case.

of going to cloud. Now we hear a lot in the press that like value and or savings aren't realized as part of cloud transformations and that business cases are not being made real on the other side of the transformation. What are your observations on why that might be? Why might the business case and how it's [00:12:00] been written be a material factor in in people whether they're realizing value or not?

I think there's a complexity to the business case that I think is sometimes not always Considered before, you know, before transformation begins. So if you, if you consider the, the, the legacy world, right? The, the, the it spend is not a simple thing. It's not, it's not just what did I spend last month? And that's what, that's my spend.

It's, it's much more complex than that. It's to do with historical decisions. Historical purchases is as capital. There's operational costs, there's depreciation. There's, there's, um, extending the life of assets. You know, there's all sorts of complexities around the, as is spend. Now it's much easier to, to be able to articulate the cloud spend at a level of granularity and a level of detail, but kind of compare the two, which is the essence of the business case to demonstrate that one is lower than the other is, is, is really quite a difficult thing to do.

And I think if you, if you combine that with, [00:13:00] uh, pressures on clients to move to cloud quickly, whether they be technology pressures or whether there be optical pressures or, you know, whatever those pressures are, sometimes actually the move is done not necessarily in the most optimized way. And therefore some of the potential savings are not realized.

And you almost, well, I mean, certainly my experience, what I'm seeing is, it's almost two waves. It's like, you know, there's the move to cloud and the, Oh, we're not getting the savings we're expecting. And then there's the optimization of what's been moved. And then was the rethink. And, and, and I think if you, if, if organizations expect to save a load of money by moving to cloud, but they, they haven't done that level of thinking and they haven't got their operating model, right.

Then, then. that realistically those savings are not going to materialize in the way that they potentially could. So, you know, it's about doing it. It's about doing it right.

If I could just jump in on that one. So there's also a bit of a fundamentals here, and I'm not even going to talk about the word cloud at this stage.

There is a massive difference [00:14:00] between cost out, cost optimization, and cost efficiency. And when people put these business cases together You

might want to explain that to Rob, uh, Jez.

Yeah, so, so, uh, one of the classic challenges is, is that people dangle this promise of savings. As part of the business case and countless times that's not materialized, but actually what has materialized has been greater value generated by the business through productivity, through more units sold, you know, et cetera, et cetera, et cetera, you know, bring this to life.

I helped an organization initially cost out a lot of spend nine months later, they were back at the same number of spend, but actually the amount of units they had shipped. was 1. 6 times the amount that they were doing previously. So actually, in terms of accretive growth, Rice's financial term, [00:15:00] namely, the cost of the bill went up at a slower rate of the amount of product shipped.

So there was greater profitability. Had that been predicted and modelled as part of the business case? So was that, therefore, within The conversation and measures of success, or was that something that had happened to one side, maybe loosely coupled to the cloud transformation that hadn't been valued as part of the business case exercise?

So it was not part of the business case exercise because people are looking at like for like the, it was an unintended consequence of which people, including some finance folk were surprised by. So. Language and context is really important here, and I think with business cases, people trying to articulate value is a long, historic problem in the formation and writing of business cases.

And if you think about how people view a business case, it's still very traditional p times q below the line. That's the cost I see today. That's the cost I see tomorrow. And then you come to these [00:16:00] intangibles, which are harder to measure, which is will drive growth. And it's not a leap of faith, but it's a different way of thinking about a business case.

And a lot of what cloud and new operating models allow us to do is do like that 1. 6 times, which is massive from a business case perspective. But when you write it all down, there's this bit on the business case that's easy to believe, and then there's a bit on this business case that's much harder to believe.

It leads, it needs a lot higher level of understanding. And then when you're working with the financial community, and no criticism to them because they do a difficult job, but when you're talking about technology and changing new business models, that's a difficult thing for them to understand. And then the business case gets into a much harder conversation.

So, so you've got a number of moving parts in, in that position, haven't you? You've got, you've got the changing nature of the financial model that, that Chris talked us through in the first place. And then you've got business cases that actually to, to quantify the value aspect of the business case, you [00:17:00] almost by definition can't do apples for apples.

Because, because, because if you're doing like. Yeah, you know, servers based versus instances or whatever your base metric is going to be in your business case, that is not going to factor in the much broader blast radius of the cloud. Is it?

I think it's really hard to be able to do that. And, and, you know, I've, I've been, you know, I've spent most of my career in finance and I've done CFO roles and, and, and. It's, it's very difficult if someone presents a business case that says We wanna spend a load of money doing the technology based transformation, and it's gonna, it's gonna help the business to grow and you're gonna get more market share and you're gonna be able to respond to the market faster. It just feels a little bit wooly and quite hard to join the, the dots and whereas actually if someone said, you're spending x.

And when we do this, you're going to spend X minus 30%. And here's the, you know, we can demonstrate that. And that's why I think what we end up typically doing with clients is doing what we would call a [00:18:00] tangible business case, exactly as Jez described. And then actually talking about the intangible benefits or the slightly less tangible benefits like, like the growth, like the, you know, accelerated ability to be able to respond to the market.

But it's incredibly difficult to try and put a value on those without it seeming a bit woolly.

It requires on the information and people in the new model to achieve goals that haven't aren't there. And you might not have a, uh, a direct line of sight of them. So there has to be this belief in the organization will deliver when enabled.

And I think for many who might have been through. tech transformations, especially the ERP wars of the 2000s that Dave loves so much, that they have a jaded view of what IT is going to deliver against its technology, business case, etc. I mean That's a really important point because, again, this is another contextual moment.

Nobody wakes up in the morning and goes, Oh, I'm going to screw up the business today, [00:19:00] right? Everyone does stuff in really good intention. Um, and the information that's available at the time, the assumptions that were made based upon the factors and the, the environmental, you know, pressures that are on them at that time are good.

Until they're not and suddenly the business case falls apart. And one of the key bits about business cases, which traditionally doesn't happen in the same thing that happens in transformation case, the first casualty of war in any business case transformation is no one goes back to revisit the business case and everyone dumps the change budget, especially after phase one benefits has been achieved because everyone's hitting the highs, high fiving all around going, this is going great.

Let's just see how this is going and how do we maintain that momentum. So there is a discipline to this, that's often quite, in this case, failure. I think, I think for me, fundamentally, right, cloud, cloud should be seen as an [00:20:00] enabler for growth, not as a way to save IT budget. And, and that's, that's how it, that's how it first came about, you know, that's, that's how the cloud sort of came into being. It was to enable faster growth.

That is though, isn't it part of Rob's point there, which was, let's say IT generally post millennium and post the millennium bug. And then as Rob said, the ERP wars are the. of the noughties has been, has moved more and more and more towards being a cost center and managed through the financial line versus a kind of a growth part of the business.

So not only are we asking here for us to consider as part of a business case, this new potentially amorphous idea of additional value, but also it's kind of pushing against where it has found itself following all of those things, isn't it? So it's like the cultural question that sits in the middle of this as well in terms of value contribution is kind of challenging.

So you're writing this business case, which is [00:21:00] dealing with all of these complex financial issues, and you're visiting on a situation that maybe culturally isn't ready for it as well, right?

Yeah. Absolutely. Yeah. I mean, this is a skills challenge, right? So if suddenly, you know, you were taught French cooking.

And that's all you ever learn in culinary school. And then you turn up and someone says, right, now you're going to be, make me sushi. People are going to start panicking and go, well, I've got a vague idea about how to do that, but they've not been taught how to do it. It's still food at the end of the day and tasty food at that.

But is it done in the way in the levels of quality that's expected if you've not been taught the skills? And so that change, that cultural aspect is, is a skills issue. And that's to do with that change point I made. But the other part to that. Is it's a different way of thinking and you know, we can then start unpacking the whole at what stage in your technology career does someone take you aside and say, Hey, Dave, this is actually how a profit and loss actually [00:22:00] works.

And when you're making these decisions, this is what happens. It's not in any formal training. It's, you know, it's not until you hit levels of when it's almost too late now. When people are, everyone is a buyer, everyone's out there making these decisions.

And I think that's the problem as a, as a, as a CFO, right?

That's, that's quite a terrifying proposition, right? Because the one thing that you, the one thing that you want as a, as a CFO or a finance director, whatever you, you know, in a senior finance role is you want control. You want, you want to be able to manage. What's, what's going out the door in terms of cost, right?

And I think once you, once you adopt the consumable it model, you know, the SAS, the pass, et cetera, right? You, you, you lose that control. But, and this is the thing we've, we've talked about this before, or is that what you swap? you swap control for really, really deep transparency. So you've gone from going, okay, no one can spend any money without my permission to suddenly, I now know everything that I'm spending [00:23:00] on what, how it was, how it came about, who did it, when they did it.

And actually, if I can start to get the organization to understand the value that it's getting from that spend, that's, that's the, that's the. The step change that needs to happen is to start to understand what value am I getting from this technology platform, not how much is my I. T. costing me?

I think what you might have brought in there, Chris, and it's a useful segue because I was going to go there next anyway, is Is the third part of this, which is kind of different ways of operating that's, that's both available to you and that you have to restructure around, right?

This, it doesn't appear out as if by magic that you get those levels of transparency, it comes with kind of properly setting up your platform and then properly setting up your organization around it, right? Yeah, no, completely. You need to know that, that you're going to have to do that. And I think, so, you know, we, we, FinOps really came about when, when a load of organizations went, [00:24:00] Oh, this isn't, this isn't what we were quite expecting.

Hang on. Why am I spending all this money? How did that happen? And, and actually it, it, it evolved and really FinOps is. At its heart, it's sort of about financial control, but for me, it's more about joining bits of the organization together that were never really joined together before and getting them all to work in harmony.

And actually, we're starting to see that, you know, the, the, um, you know, the combination of FinOps with ITAM and, you know, that shift is starting to happen. It's probably not quite happening fast enough for most I just hit the red trigger button on me there because this is one of the big myths about FinOps.

Lots of people talk about FinOps as being cost out, technocratic, micro cost optimizations on public cloud. You've heard Rob do a presentation on this then. Ha ha ha, yeah, you're a cheeky Dave. Cheeky. FinOps is absolutely not that. That, that is just one [00:25:00] small component of what it's all about, exactly as Chris says.

It's about bringing together different parts of the organization and speaking a common language, understanding each other, understanding the consequences of decisions in good time. So there'll be made in a best face. Everyone does it with good intention. It's always good intention. But it's done with the best data available and on top of that also having the guardrails up to enable people to have the freedom of action, but at the same time not go wild in the arts.

So Robert, from a, from an organizational point of view, put FinOps in context for us. How, what does that look like as part of an organizational transformation when you're kind of adopting cloud?

Yeah. So, I mean, it, it starts. Right at the beginning of the thought process, so if you are only applying FinOps at the end of your process, you've got it wrong.

So the [00:26:00] first time somebody considers a system or an approach, we need to be thinking about what does that financially look like. It needs to be part of the governance structure. As you're cutting lines of code, you need to be understanding the cost of that. As you execute on them in early testing cycles, you need to be measuring the financial performance of your system and you need to be understanding it so you can profile it and you understand that when somebody somewhere in the organization clicks a button, it costs you 17 pence.

Or when they click a button, it's 50 quid and you need to go and optimize it, etc. At the same time, you need to be able to give people the democratized access to technology, but you need to have some guardrails around that and maybe some more formal controls so that they can't run an absolutely ridiculous query on a massive data lake, cause threads to go spinning off for hours and then come back and there's a massive bill.

All of that is really hard to retrofit. So you need to do it right at the beginning of thought process as you're implementing. So financial [00:27:00] optimization and cost optimization needs to be done as part of the initial design process, the deployment process, and then you need feedback loops. So when it arrives in live, hopefully you understand exactly what it's going to cost and how it's going to behave against the variation of transactions coming in.

And then you feed that back and you repeat. So it's It's, it's at that, you've had an idea to do something, understand what it actually means from a financial perspective. And just to add to a point that was just made, one of the uncomfortable things about clouds and budgeting is, if I've got a bucket of cash and I need to use that to run my IT department for a year, I can sometimes decide to avoid spending money and I can keep the bucket.

Topped up when you get into this type of operational pattern, your spend is there and it's going and you can't switch the production systems off. So avoiding a purchase, maybe to not refresh the server or not to renew a license isn't available to you in the same way. So you need a complete mindset shift on how your budget [00:28:00] allocation applies to the discharge of responsibility from an IT organization perspective and how that then interlinks up to the business.

So yeah, it's got to start as soon as you're thinking technology, you need to be thinking what's that actually going to mean when it gets to the build cycle. Right. Okay. So useful.

Uh, we've, we've then I think pulled into the conversation of, um, how to make your move to cloud financially successful and beneficial. Three main blocks of, of, uh, of consideration. The first block was around the structural issues. So financially recognizing that it's going to change the financial model at least of how you're consuming your technology.

Second aspect is then setting yourself up for success with The business case itself and ensuring the business case itself is [00:29:00] correctly scoped, and you understand the framework within which that's working. And frankly, you also haven't visited upon that business case, say 20 years of technical debt, and then expecting a basic migration is going to resolve that problem for you.

We might come back to that in a second. And then the third point is this one of capability. And structure. So ensuring that you realize when you get to the other side of this going to have to do differently to ensure that you can, um, you could operate your cloud correctly in a way that you're controlling what's going on.

I wanted to just delve into now. What is then required following cloud that you kind of operationally have to do? Um, and the new structures that are going to be required to make this work. So, Chris, let's let's start with one of the bigger structural changes that's then required after you shifted to cloud, which is within the product based Organizational structure.

There needs to be some thinking, doesn't there, [00:30:00] around how you uh, attribute spend and think about spend. You're now in the world of OPEX, you've moved away from basic investments, um, so you need to shift, I think, to more capacity based approaches. Now what, what does that mean in English?

So, yeah, okay. So I think that that's, uh, it's, it's an interesting, it's an interesting challenge because I think in, you know, in the old world, you would, your, your it budget would be based on planned capital expenditure and your, you know, known operational expenditure.

And actually what we're, what we're seeing now is that as you move to more of a product based operating model, actually what you have to do is budget for a capacity of business change. And that that's, it's, it's a little bit It's a little bit less certain and that, you know, the product owners are delivering a service back to the business so that, you know, they've got to have a certain amount of capacity in order to be able to deliver the anticipated level of business change and that that's likely to fluctuate, right?

[00:31:00] But I think it fundamentally stems from understanding that technology costs. Should be measured in terms of the value to the business that they deliver. It's, it's, it's how much bang do I get for my book? Not, not how many books am I spending? And that's, that's the biggest shift. It's so, so it really is a significant kind of upending of the way that costs are considered.

And I think that that capacity of change is, is a tricky thing to get right. Okay. It's not, you know, I think that's a real, it's a real challenge that most organizations are going to.

It comes hand in glove, doesn't it? With, um, a change in how, um, and we touched on this a little bit, I think earlier, let's just deep dive into this.

a little, a little bit. Um, it comes hand in glove with the changing nature of delegations and empowerment across a product structure. Um, and I think there's another aspect to this [00:32:00] about where the spend is. is actually occurring. So Jez, when you, when you look into a new product model, different types of empowerment and different telemetry that you can get from the cloud, what, what is it that we see in terms of spending patterns?

And therefore how, if I was a CFO, I could get myself comfortable with different levels of empowered spending.

Yeah, so a lot of conversation gets driven around infrastructure and platforms as a service. And that dominates the whole FIDOPS conversation. It dominates a lot of the conversations happening around on demand technology or consumable technology spend.

But there's a bigger problem that's lying out there that we're not talking about, which is software as a service, SAS. The reality is, is that inside of an organization, the average spend per employee on SaaS apps is 4, 830. Okay. That's up [00:33:00] 21. 9 percent from last year. All right. So that's a big old growth.

Software as a service is eating the world. When you then say, well, who's spending that? Only 21.6% of that spend in enterprise organization is actually done and managed by the IT organization. 70% of that is being spent by lines of business and the rest is rogue. It, I mean, that's a pretty ra I mean that's a pretty radical shift, isn't it?

That's massive. Because, and, and, and we can, we can talk about it being the ministry of no when, all of that sort of stuff. At the end of the day, we've got to stop talking about technology as being IT's problem. The management of technology and its value is a business problem.

Well, the interesting thing there is that, that again I think goes along with where I.T. had got itself to, where I. T. was sort of the arbiters of technology spend. [00:34:00] And it was, it was very much like a cost centric conversation. So not only has the, has the, uh, the puck moved from a point of view of measurement of good looks like, e. g. value, not just, not just reduced cost, but also I. T. 's ability to actually control cost has been minimized over time, hasn't it?

Yeah, absolutely. Because everyone's a buyer. You can have a VP sitting inside a line of business who says, yeah, and I'm, I'm going to pick on marketing because they're a really good example, right? The head of marketing will turn around to their team and say, you need canvassing, Marcel just flinched. They go, you need Canva?

Look, just, just go and buy a couple of licenses, put on expenses, and I'll sign off on my budget. It's fine. Just go and do that. And then suddenly. You have the marketing team in Germany, the marketing team in the UK, the marketing team in the US all buying a separate cost centers, the same product, and there's no economy of scale, there's no control on that.

But then the [00:35:00] US guys decide that they don't want Canva anymore, they want to use Adobe, and then the UK guys decide that actually they want to go to the Canva Pro license, and suddenly we then got different types of licenses. different buying centers, all not joined up together. And that complexity just compounds and compounds and compounds.

I think if you, if you put that also in the context of, you know, having, having done budgets for many organizations over many years, right? When you, when you're setting budgets for the next financial year, it's far easier for a part of the organization that's got top line to come in and, and. demand more cost to deliver their top line.

If you, if it still sit in the same bucket as, as, as finance and HR and the traditional overheads they've got, they don't have that power in the budget conversation. So what happens is they end up somewhere down the food chain and they just get told, Oh, well you need to take 10 percent off whatever you had last year or 20 percent of what you had last year.

And. And I think what [00:36:00] happens there, and this is why you seeing more of the technology spend is now being, uh, it's now, it's now being driven from the business because actually the business have recognized that technology is the enabler, enables them to go out and succeed and get growth and everything else.

But, but if you, if you don't get that balance readdressed and, and give, give the it. Department, the biggest seat at the table and the ability to really drive that value. You lose the control, which is exactly the point that Jess is making. So you end up with this really fragmented estate because everyone's just gone.

Well, I need something. I'm just going to go out and buy what I need because the I. T. I've got no budget. So it's self fulfills.

There's a segue. Sorry, there's a segue just to finish that off, which takes you to one of your future podcasts, which is also there's a massive security question that goes with all this because a lot of these assets.

Or on low or poor levels of the cloud confidence index. So suddenly we're spending stuff on stuff that might bring [00:37:00] different type of cost risk to the business, be it on a regulatory, uh, or, or, or legal factor. We've got to look at the, there's lots of different dimensions that actually have to be factored into this conversation.

You know, it's not the wiki wiki wild wild west. We've actually got to bring that transparency, that predictability into what people are doing, not exerting controls, but having guardrails that enables those, those centers to do what they need to do to do that top line. But at the same time, Operate in a way that's not going to hurt the business.

So something that I would like to add on that, I don't know if you also read it, but at Amazon, they're actually bidding for the internal resources like development. So if you have a really strong case that you're bidding, that you're actually able to get the fastest way to a software development team or team that's actually able to create your feature.

Have you ever seen that in practice already? Because that sounds like incredible that the business is [00:38:00] bidding for you to create. Whatever they need with technology, because it feels quite a long shot.

I think that that's I mean, that sounds really, um, that sounds really interesting as me and I have seen so I've worked in an organization that that ran a separate business units and they had within that there was a there was a effectively a business unit that delivered it and they had their own P and L and they had to start to sell their resources.

Um, but there was it was more of a. You are mandated to use them if you wanted to deliver some technology change within your business rather than you could, you could go and choose to use them if they were offering really good value. I actually really like the sound of what you've described there because that sounds really that that sounds like that could be something that more organizations start to adopt.

The concept of a marketplace to get the best value means everybody constantly needs to sharpen their pencil when they come to a cost. What would be interesting though is when they develop the widget, if then they can sell that as a cost per click type model, and then they're [00:39:00] incentivized to keep it optimized because you can build it cheaply, but it'd be a massive run cost.

So there's that balance, which we talked about earlier, which was, I don't just want the cheapest price to build. I also want the most. efficiency in the run, but you need your efficacy with the requirement as well. So it starts to create quite an interesting dynamic about then how would you consume that, etc.

And that's the iron triangle, because cheap doesn't necessarily mean good. Yeah. What about the long tail? So someone might actually have quite an expensive development thing, but actually it's going to generate way more profitability with a longer tail and have greater longevity. So that, that model promotes short term highs.

and doesn't really secure a long term vision. So then you start getting, you know, I'm going to use a Gartnerism here, so please don't beat me up, but bimodal business cases of the here and now versus the long term. I mean, there's something that, you know, I mean, Chris starts flinching because suddenly as a CFO, [00:40:00] he's going to look at people from a finance perspective and go, what nonsense is this?

Just present to me an intelligent business case that stats and don't darken my door until you do. So I suppose, I suppose that goes back to the, um, the intelligence of the consumer and how they judge. the marketplace bidding. So a very advanced one would say, let's get a TCO model underneath your cost case, please.

You know, it's that how sophisticated are you as the buyer. And it goes back to actually when organizations consume sort of services around cloud, sometimes maybe there's a level of sophistication that they don't have built into their thinking that then they get to cloud and they get to like a transformed business case and inverted commas and they go, ah, now there's some unintended consequences that we now have to deal with.

So it plays to that, doesn't it?

One of the other elements that I wanted to, uh, to bring into the conversation, just because it shares a lot of the potentially the same mechanics as FinOps is, is the growing notion of GreenOps and [00:41:00] how, how there's a relationship between sort of acting sustainably and, you know, put, not to put too fine a pint on it, not spending money.

So if you don't spend money, you ain't driving multiple types of costs, including green costs. Chris, have you seen, or Jez, or both, have you, either of you seen implemented yet successful green ops? And is it, how close is it to FinOps?

I mean, I'm sure Jez, Jez will come in after me, but I've got, I mean, I've certainly seen organizations that are starting to look at both things at the same time, right?

And, and, and to a large degree. They, they both pull in the same direction, but there will, there will be a point where you kind of have to choose that the last bit, do you, do you, do you pay that last few pence out or do you actually do something that will potentially take, take your carbon, your carbon emissions down?

I think. We're starting to see organizations that look at, you know, maybe [00:42:00] using different chip sets that use consume less power and cost. And, but, but they consequently, they cost less as well. So, you know, there's a lot of this, there's a lot of synergies between FinOps we're definitely starting to see organizations have, have one eye on both things.

But I say, ultimately. one, one will have to slightly take precedence over the other at some point. But Jez, does that align with your, what you've

seen? Yeah, it does. So to answer the question directly, have I seen it implemented? Yes, I have. In fact, it's been done successfully in a UK government department, actually, one of the health service trusts.

I would say it's because I was part of the team that helped do it. It does work and it can work. But before we get to that, if you hit a bit of a trigger warning, because which is greater, GreenOps or FinOps, which is bigger, which is more important, right? I would actually argue that GreenOps does drive the same values of FinOps, that transparency, collaboration, cultural change, [00:43:00] driving efficiency.

The problem is, is that in today's environment, Especially in a post pandemic economy, cost is driving the mentality for change. Full stop. Not ESG. And now we live in a world in 2025 of where in the G7, six of the leaders are right wing, and one of them is centrist left. less prioritization is put on ESG in those types of policies of those types of governments.

Now, the reality is, is that cost is the number one priority of cost reduction, the number one priority of CFOs across the Western capitalist world. You can read whatever surveys you like over the last three months, they're all saying the same. So the lever that is driving Which is coming first, FinOps or GreenOps, is one of environmental factors, not the environment.

And so, [00:44:00] we've seen this with the recent COP, where frankly, not much sustainability was actually talked at COP. Um, you know. Let's be really honest about it, and quietly, Europe is deprioritizing, um, you know, the, the time in which legislation is coming in. The US has been very open under the new president, saying, you know, I can go to hell in a handbasket.

So, it's not being pushed as a priority.

Now, we should push it. I entirely agree with that, but the, let's just talk practically for a sec about the, Very, very briefly, a pen picture of what good FinOps looks like, and then how that translates into, you know, kind of additional Green Ops value. I was going to get to that.

So, this is the same problem as cost out, is the term net zero. Both of them, you can never hit zero cost, and you can never hit net zero. Unless we all take off our clothes, we stop breathing, [00:45:00] stop eating, stop drinking, and then don't decompose when we die, right? It just doesn't happen. So we've got to get to the baseline of what is an acceptable level of consumption.

And when you balance that from a greenhouse perspective in an organization, you can look at that from multiple factors, more than just carbon, also rare earth materials, et cetera, et cetera, et cetera. This is what are the metrics that matter to your organization and why. And so when we worked, uh, when I worked with a health, uh, organization about this, the big focus at the time was carbon, but also water.

So it was also about the amount of liters consumed, because if you think about medical equipment, that consumes a lot of water. So that was a big factor. That was what was driving their ESG agenda at the time. We've got to zone in on the metrics that matter and those are things that drive those behaviors.

In some cases, that also meant going to more expensive instances in cloud [00:46:00] consumption than it did in terms of the environmental impact, both from a carbon and a water consumption basis.

And a very good example of that is, um, a macro decision at that level is France is predominantly nuclear power. So if you use a French power data center, which is using nuclear, love it or hate it, it has very low CO2 emissions.

So if you want to be greener, move your payloads to France. And your CO2 output will drop because of the way the power is generated. That may have a financial impact, it may have a latency impact, there may be some regulatory things you need to think about around that. But that's where FinOps and GreenOps diverge because you've got this macro thinking that sometimes you have to play into it to say, What's the power generation of the region that I'm currently running in?

And that's not dictated by the hyperscalers or the CSPs as much as it is, you know, 30 years of national policy around where they source their fuel from. So [00:47:00] there's some really big things where there's, sorry, there's some really good parallels between FinOps and GreenOps. Like we've said about just reducing consumption, but there's some other big things where it's counterintuitive to do something that might actually massively reduce carbon, but might drive costs.

But this is trade offs. Right. Everyone's driving for this ones and zeros answer, this binary answer. There is no binary answers when it comes to business strategy, business outcomes, value. It's, it's impossible to get to a binary outcome on everything.

No, it's, it's a complex. Yeah. It is a complex system, isn't it?

That you, that we're balancing here. And I think maybe just to bring our Conversation to a bit of a close, we've talked about the varying different dynamics and some of the structural changes and some of the, some of the techniques and capabilities that need to be built. Um, but Chris, the CFO within all of this change must be pretty much tearing their hair out because they've seen [00:48:00] IT do a series of things and now they're seeing IT espouse some of these new philosophies.

What does the CFO, what kind of questions do they need to ask, do you think, to get to the heart of this in their particular organization?

I think, for me, you know, if I, if I put my old hat on, what I'd want to understand is, is, is how am I getting value from it? it's, it's all about value for the spend. Right. And, and, and it's, as Jess said, it's trade offs, right? So if I'm, if I'm incurring a certain amount of carbon or I'm incurring a certain amount of spend, I want to know that that's, that's worth it to me as within my organization. So I think, and that's, that requires a different way of measuring success and performance and different.

Metrics and that's, yeah. They have to, they, they have to engage in the fact that this is going to be a change to, to the delegation structure. It is going to be a change to the financial framework if it's going to be successful.

No, [00:49:00] absolutely. And, and I, I think, I think what's, what's interesting is if the CFO is not at the heart of this, then, then I think the CFO will find that really, really difficult.

Right. And, and, and I, you know, I, I talk to lots of CFOs. That's, you know, that's kind of my day job. These days. Uh, and I think a lot of them are having similar problems. It's almost happened to them. Um, and now a lot of them, a lot of them are on the back foot, a lot of them are struggling to understand, okay, I've now got, uh, I've now got a level of uncontrollability about my, my consumable it spend. How do I, how do I fix that? And I'm just shouting at the IT department doesn't do it right. This is as much as it might be fun, much as it's, you know, much as it might be fun. And, you know, as a CFO, obviously shouting at people is, is part of the job. Um, but. But it, it is about recognizing that there needs to be a change, there needs to be a different organizational structure, uh, different governance processes, and there needs to be more accountability.

You know, it really, [00:50:00] it really does require a fairly wholesale shift in the way that an organization is structured. And I, and I think the fact that that's now a surprise is yes, it's a problem, but it's also addressable.

Very good. So now we end every episode of this podcast by asking our guests, and in this case, friends of the show, what they're excited about doing next. And that could be got a great restaurant booked at the weekend, or it could be something in your professional lives.

So let's crack on. Jez, what are you excited about doing next?

Uh, well, I've got two things I'm excited about, both on a professional and a, a private, uh, sort of, uh, life side of the thing. I'll do the private life thing. Um, I'm actually looking forward to the end of dry January. Oh, God, Emin. Oh, no.

Yeah, it's only because Don't get him started, Jez. No, Dave will start talking about it as well.

I'm only gonna caveat this by saying the only reason I'm [00:51:00] doing it is to shift some weight off my gums. after a very, very excessive Christmas. So it's not any form of virtue signal going here. It's only to go and lose some weight. Uh, and that's, I'm going to say that right now. Um, so it is miserable though.

Why do it in January? It's the worst month of the year and then you deprive yourself. It's like, I guess the only argument I can, I can think of is that. you are a bit, you're, you're fully topped up by the end of December. Let's, let's face it. And then also everybody's a little bit, you know, skint in January.

So people tend not to go out. And so there's a kind of a, if you're going to do it now, do it rather than say. in the summer when you want to be sitting drinking rosé in an evening, right? So, Rob, I know what is slightly different is that actually it is, I've got to shift the weight so I can get back on my paddleboard when the weather starts improving because I'm missing being out on the water with, with the winter months.

That's what I'm driving for. So Rob likes to go out on his yacht. [00:52:00] Um, in, in the spring, once you get it out of dry dock, right, Rob? Yeah, out of dry dock, round the Greek islands, boat drinks on the boot deck, yeah. Nice, very nice. And Jez, what was your professional one?

So, um, I'm not, I'm not shilling anything here, but I've got a big product launch happening soon, so getting that over the line and actually being able to have a full night's sleep without having to worry about stuff, that's the bit I'm looking forward to.

Godspeed with that, godspeed with that. Chris, what are you excited about doing next?

Um, I'm going out for dinner on Friday with, uh, Robert. Um, so, you know, that's, um What are you looking forward to? What are you looking forward

to that? I was going to say, there's like enough ammunition there what are you dreading doing next? Yeah, I'm hoping the food will be, uh, the food will be excellent. So I take it, uh, you two are not doing the driest of January's then? No, my January so far has been sopping wet. My January has been absolutely, [00:53:00] I've just come back from a two week holiday that was all inclusive. So no, and obviously, as you know, with an all inclusive holiday, it's, it's, you have to try and get.

You've got to get your value for money. I mean, look, this entire show has been about value for money. So you bring us to a natural close with that kind of comment. Excellent.

If you would like to discuss any of the issues on this week's show and how they might impact you and your business, please get in touch with us at cloudrealities@capgemini.com. We're all on BlueSky and LinkedIn. We'd love to hear from you. So feel free to connect and DM if you have any questions for the show to tackle. And of course, please rate and subscribe. It really helps us improve the show. A huge thanks to Chris and Jess, our sound and editing wizards, Ben and Louis, our producer, Marcel, and of course to all our listeners. See you in another reality next [00:54:00] week.

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