

IT Matters - EP6

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SPEAKERS

Aaron Bock, Will Friedrich, Narrator

N Narrator 00:07

Welcome to the IT Matters podcast, where we explore why it matters and matters pertaining to it. Here's your host, Aaron Bach.

A Aaron Bock 00:17

Welcome again to the IT Matters podcast. As you heard, I'm your host, Aaron Bock, and super excited about this episode today, I hope you guys have been doing well, we are talking to Will Friedrich, who is the Director of Strategy and Consulting at Experis. Will is here in Charlotte. And I'm gonna let him introduce himself here in a second. But today's gonna be a really interesting conversation. We've been talking a lot about general IT trends, we're gonna get a little bit deeper today and where Will specializes, which is cloud fin ops and fin ops. What is that? How does it affect us? Very excited about this episode today, because I think a lot of you out there, whether you're in IT or in a finance or other function, know about the cloud have heard about the cloud? There's a lot that we do know, and there's a lot we don't know. And I think that what Will does is a great general practice that we all need to be aware of. So before we get too deep, Will I will turn it over to you. Thanks for joining the show. Do you want to tell the listeners a little bit about yourself?

W Will Friedrich 01:18

Yeah, sure. Thanks, Aaron. Thanks for having me. Yeah. So again, Will Frederick like you mentioned Director of Strategy and Consulting for Experis. Experis is a IT staffing and consulting services and solutions provider, part of the Manpower brand was previously with ettain Group and we were recently acquired by Manpower and integrated with Experis so it's been a whirlwind last few months with integration and extremely busy and yeah, you know, 17 year career for me thus far in technology, I've had various roles within PMO functions, product leadership, a lot of software delivery, which, you know, curtailed into Agile Delivery and DevOps, those types of things. Spent some time in IT services and infrastructure leadership and

cloud and some TBM consulting. On the personal side, the husband proud father of two terrific kids and love to surf, play golf, you know, very young sports, all of that and love, you know, college football, so college football Saturday's around the corner and can't wait for that.

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Aaron Bock 02:26

Yeah, absolutely. Before the show, Will was telling me because I knew he was a Georgia fan. So I assumed the whole family was but it sounds like there's a little bit of conflict in the household.

W

Will Friedrich 02:34

Yeah, yeah, half the family. So my side, Georgia Bulldogs. I went to College of Charleston, so no football, we're still undefeated. My wife's there, Buckeyes. So take it or leave it. And, and my son, he inexplicably found Clemson on his own. I think as he was coming into football, they won the national championship in 2018. Trevor Lawrence, Tigers, Dabo, the energy, the orange, I think he just gravitated towards it. So he's a Clemson fan. He's the black sheep in the college football dynamic.

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Aaron Bock 03:06

Yeah, maybe they'll all be at one conference in order to you never know. Well, thank you for joining. And I guess before we get started, because you just mentioned about four acronyms that I think maybe some listeners might not know. So you said TBM? Can you can you just define TBM for the listeners just so they get a little bit more your background?

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Will Friedrich 03:30

Sure. So that's technology business management, which is a larger governing model for IT and business structure organizations that are focused on their IT operations, cloud thin ups, it becomes part of that as companies begin to adopt the cloud more and more. PMO was another one, you know, project and program management office. So in a lot of instances, and in my experience, it's been helping to lead a shared service across an enterprise where we help to manage and run various technology projects from IT operations, systems, support upgrades, app dev, all of those types of things.

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Aaron Bock 04:08

Great. So you said seven, you've had a 17 year career in IT or around IT. And now cloud fin ops is kind of a specialty. But Cloud has not really been around for 17 years in the in the mass media or in mass companies. So when did you start dealing with the cloud working with the cloud become interested in the cloud? How did it start? Just give a little more details there?

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Will Friedrich 04:35

Sure. For me, personally, in my career, it started around 2015 2016. I was working for an IT integrator, based in Charlotte and our data center practice and our security practice started to get into Cisco's Software Defined Networking offering which was cloud based and they were starting to acquire different private cloud platforms to help enable that kind of technology. And the fin ops piece came much, much later. I mean, as a cost management discipline for the cloud, it's really, I would say, three years old, in terms of a real concentrated focus. Cloud providers services have been around in the case of Amazon, AWS, as early as 2006. But then focusing on the cost impact of that as a discipline, you know, 2018 2019, around that timeframe. So there's roughly a 12 year gap between when the capabilities were available, migrations really started to move in that direction. And then, you know, a decade later, people are starting to realize that there is a need to focus on the cost impact,

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Aaron Bock 05:42

what is the reason you think, for the 12 year gap for people started becoming interested in in fin ops, and really cost optimization of the cloud?

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Will Friedrich 05:51

Yeah, and I think from the providers, you know, taking the big three, for example, you know, across AWS and Azure GCP, you know, within their, their platforms, they've had cost management tools to various degrees, with its cost Explorer for AWS, the cost manager piece, the cost management portal for Azure. And so but that's kind of been in a in a vacuum, what the cloud fin ops discipline and through the fin ops foundation is attempting to do is say, there's a much more intentional and consistent orchestration of different stakeholders across an organization that should be paying attention to this, as opposed to engineers pushing a button and making a purchase in a vacuum. And as opposed to the finance and back office function, looking at their reporting in a vacuum. And if these two groups aren't talking, you're still going to get surprised when you have over provisioning that leads to cost overruns, you overcommit your vacancies too high, you know, all those types of things. So I really think that this, this emergence of different stakeholder groups that traditionally don't interact with each other, now need to come together to keep this working consistently. And to mature, this focus is really important. And two of those stakeholder groups are, you couldn't be further apart in terms of where traditional IT was with a central procurement group and those types of things to where it is now, you know, highly distributed, meaning the finance and back office team now working with engineering, and now working with IT ops, and so I think, back to your question about why did it take so long, I think it's because it's this recognition of there are groups of people that that, within a corporate culture need to come together and start working together in a different way. It's not as simple as just having, you know, a basic cost management capability and inside of the inside of the tool,

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Aaron Bock 07:37

well, and then I guess, you know, what we see with our customers is that we've got, you know, if you look at the bell curve of technology, you've got customers who are cutting edge, they're way ahead. They were born in the cloud, they're already on all the, you know, cloud services, native, etc. And then you've got the traditional, you know, we're in the southeast where there's

a lot of manufacturing, traditional folks, that haven't really even kind of said yes to the cloud yet. So I think my prediction is probably part of that reason is that you still don't have a 100% adoption in the cloud, if you, you know, we're getting closer to more people accepting it fully. But my question for you would be, let's go back to, before we get into really deep into Cloud fin ops, and, and that the collaboration between departments, I think we hear a lot, you know, from like a CFO or CEO, like, why, why change? Why go to the cloud? What are the benefits? So maybe speak to that? You know, for those folks that are listening, that are not on the cloud? Or we're very little on the cloud? Like, why should they even consider it? Why are all these big companies and why is there so much emphasis on going to the cloud?

W

Will Friedrich 08:47

I think the emphasis for going to the cloud has been this momentum of the architectures of software have changed dramatically over the last several years. And so in terms of companies undertaking a digital first strategy, you know, you hear about digital transformation, those types of buzzwords, the underlying principle of software development in that pursuit is service oriented architecture, right, highly distributed. And anything you could go so far as to say, you know, the microservices and being able to develop with with those types of that type of architecture, to support that you need a highly distributed architecture as code architecture as a service to facilitate that. So your computer, your storage, and networking resources have to adapt to that type of application. And so I think that's one of the one of the main reasons for for moving to the cloud. The other is the performance that the cloud providers can can provide scale infinitely faster than you can purchase new gear, refresh your hardware, and you're seeing the impacts of companies believing that notion, the annual growth rate for a cloud consumption, and it's really, when I say cloud consumption, I'm talking about infrastructure as a service and platform as a service. There's various product segments, but but those two main ones kind of driving things at the top, it's growing at a 14, 15% annual growth rate clip, and that number alone doesn't really mean much. But when you put it in context, and you compare it to an annual growth rate with traditional IT gear, you know, that's growing at about 1.3%. So, and at some point, and some some suggests there was an article in, I think, ZDNet, through the IDC research, they took out an article that said, you know, for the first time ever, the the forecasted spin for for cloud services, you know, shared services is going to eclipse traditional IT for the first time in real dollars. So you're starting to see that

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Aaron Bock 08:52

Do you think that was sped up because of COVID. Or do you think that that was happening already? And COVID just is it coincidence that people became more distributed?

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Will Friedrich 10:57

Well, it was happening before. COVID certainly had an impact, but it was more than just COVID. At the time, there was you can imagine a lot of the cloud providers, their sales forces, their reseller channels, their partner groups really began to push cloud services, which is good because the performance, it is in some respects, a better performing IT infrastructure than what you're using on prem it provided that your use cases aligned with what you need it for, well, these groups began to really push that and so companies got caught up in it. And the way

that you provision cloud services is completely different than the way that you do it on on prem. And a lot of companies got caught up in the just like for like matching, whatever we're doing on prem, Let's replicate that in the cloud, we're simply just going to lift and shift it, and they over provisioned. And then on top of that, they started looking at all the discounts they could achieve, if they commit to certain resources in advance, commit to certain terms. And so then they over commit, so now you're burning the candle at both ends, you don't have the right architecture in the cloud, you're overpaying for your prepaid service, you're not using it the way that you purchased it. And so now you have a mismatch. And then they get their cloud bills. And they're huge. And they don't know why. And in a lot of cases, they don't know where this is coming from. So I think that that's the cloud adoption has really accelerated, but there was kind of this synthetic business driver that got people kind of backwards. And now, you know, you read about CIOs doing the unthinkable there, they're moving back, they're taking things back out and building, you know, on prem data centers, and investing more in that because they either migrated inappropriately did it too soon, too fast too much. And they didn't really give themselves the right ROI window based on the level of their investment. So they they invest. And the level of investment probably needed a five to seven year ROI window. And they've got a two year horizon and it doesn't match. And they're, they're moving back.

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Aaron Bock 13:01

So let's come back to that, because we've seen some of it. And I'm interested to hear your perspective. Let's go back to the you know, maybe it's the CFO or the CEO who goes to a conference or hears this or is hearing it from others, you need to be considering the cloud, you said something just there. That's really important, if you have the right use cases. So like if you're talking to that CFO who's not sure because they're not as intimate with it, as you know, an IT director or CIO or someone like that. What are the general use cases for cloud at this point? And then I would ask you like, what advice would you give them to start, like figuring out well, how do we go to the cloud? Is it 100%? Like, what percentage is the right percentage for us?

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Will Friedrich 13:47

Yeah, I think the big thing is how much of your business is being driven by a technology experience that that needs to be readily available? So you're you're talking about these hybrid use cases, for service oriented infrastructure. It's a lot of custom when mobile application development, and how much do you need that performance to be at its peak, that doesn't mean peak usage, and you're maximizing the CPU that you're that you're trying to drive, but it's how much of your business is really innovation through through software? I think those make easier candidates to justify migrating because you're gonna have a hard time supporting that software innovation and supporting your application development teams long term, if you're limiting them with just what you've been able to purchase in a one or three year cycle in an on prem data center.

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Aaron Bock 14:39

Can you give an example like you can be any company in the world? You know, probably probably one that people have heard of, like, what would be an example of someone who's innovating through software in your eyes? Like how are they doing that? Like just so that our

listeners if they're not as if they're not as exposed to this concept? They understand it?

W

Will Friedrich 14:58

Yeah, I think SAAS companies may make really good that software as a service companies make good candidates for this. They're not the only ones. I mean, huge enterprises that are in all kinds of industries segments are moving to the cloud, and rightfully so that they're moving all their production workloads, their websites, all their traffic to the cloud. But I the the example, I always use is the Netflix model, but it's not relegated to just companies like Netflix anymore. You know, almost every company that we deal with, is building software and enabling technology inside of their four walls, just like Netflix would that they're building services. They're they're building software themselves. And they're investing in their application development, as opposed to simply just outsourcing it and says, Oh, well, that company developed our website, they built this app, I don't really know, you know, we really own the code and that sort of thing. So I think Netflix is a great example. It's that software as a service, and the underlying infrastructure that supports that is coming from coming from the cloud.

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Aaron Bock 15:56

I think that's a really good example. And I think, if I remember, and I can't cite the source, but Netflix was one of the largest cloud spends in like one of the last couple years, I forget which cloud they're in, but their their cloud spend was enormous, but they could show an ROI because of all of the other factors that they don't have to deal with with traditional infrastructure. As we look forward on this podcast, we talk a lot about trends, we talk a lot about what's happening. So I would say the cloud has been a trend for I don't know, probably since 2015. Or before that, you know, you keep hearing about it. You go to Gartner Seminars, you go to different things and everyone's cloud cloud cloud. 2022, I would say when we hear the cloud, think of hyperscalers, like, define the cloud, like what is it is just the hyperscalers? Is it? Is it you're you're putting infrastructures of service and you know, local colo that's offering it like what is cloud in your eyes? And what the way a CFO or CIO should look at it?

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Will Friedrich 16:58

Yeah. That's one of the interesting things about the cloud now is that there are 1000s of service use available across different providers to do different things. But by and large, if you're talking about infrastructure as a service, you're talking about compute storage, and networking. And then platform as a service, you're talking about resources that are packaged together either for you've got security monitoring, you've got telemetry, monitoring, you've got certainly containers, right. So you're, you're deploying containers, and positioning your service oriented applications through through containers. And that's a performance scalable, being able to have a highly distributed model to have software distributed in that fashion. So you have all those components. And then you have all kinds of purchasing options, pricing models and alternatives that you're evaluating to figure out, well, given that that's my menu, what's the best way to actually put this into production. 1000s of use cases, all dependent on what you're trying to get out of the application. But that's really where cloud thin ops can help because that discipline is there's whether it's a central team, or distributed segment teams that are working with product groups, and helping bridge the gap between finance and engineering, to help

them understand that if the engineering team is validating that this is the architecture they're going with, and these are the resources they've selected, let's make sure that they've got the right mix. And let's make sure that we're making the right purchases to give them the infrastructure that they need. It's really taking all the capabilities you associated with your on prem data center, and having somebody else provide it, you just have to be much smarter, and much more deliberate about how you can consume it. Because it's not the water cooler that gets delivered to your office every month. It's a sprinkler system that if you don't turn it off, the bill keeps running. So it's a completely different metered billing model.

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Aaron Bock 18:48

That's a great analogy for for, I guess, for the listeners, let's talk a little bit about specifically like what you do now for Experis, like when people engage you like, because I think what we what I want to do is define cloud fin ops, in the sense of like, what is that for an organization? Is it a department? Is it a role under finance? Is it a role in IT? You do it as a consultant, like so when would a customer engage you and maybe if you can share, you don't want to share names, but share an example or a story about when you've come into a customer? And it's a mess, or, they very much need what you do explain that for our listeners.

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Will Friedrich 19:30

Yeah, sure. So a couple of things. One, just in terms of the term cloud fin ops, so the reason why I keep putting cloud in front of that the organizations that are governing this, they generally don't they call it thin ops, in practicality and then working with customers. One of the problems that presents is that fin ops in general refers to a collection of financial operations that a business might undertake. So separate from that general term, thin ops, the way that these organizations are using it for the cloud is really a combination of you know, Fin coming from financial management. And then the ops piece coming from a combination of DevOps and data ops enablement, that's used to actually bring financial management best practices for the cloud to life. So there is an engineering discipline within this. But really, when when we engage customers, when we engage them in this discipline on different levels, from an Experis perspective, we have consulting services in that we can help organizations with maturity assessments, helping them to look at, you know, stakeholder interviewing, and an environment discovery, we can help them with baselining, their their KPIs, and their OKRs. And all the metrics that you would use to drive proficiency in trying to get better at managing and even getting to a certain point where you're optimizing Cloud Spin. And then we help organizations build teams. So the notion of the last couple of years, it's come to light as this, this notion of the fin ops team was kind of like an agile delivery pod. But this group is central, it's usually within the CIOs purview, sometimes reporting up to a kind of a combined function between CIO and CFO. And it works with different stakeholder groups. And they're really the air traffic control function within this organization to make sure that, you know, as you're developing processes, and as you're developing workflows, and then as you're applying automation to those processes to get better about reviewing reports, making real time decisions on Cloud Spin, and being able to drive certain operations metrics, they're there to make sure that those groups keep the same autonomy, like particularly on the engineering side that they've worked so hard to achieve through agile and Kanban. All those types of delivery models, they want to keep that autonomy, they just want to increase the awareness and the impact of what they do, what impact does that have on the business? What impact does that have on what the finance

procurement and back office groups now have to deal with as a result of what they're doing for resource purchasing. And so it's an orchestration of different groups, that all are trying to do the right thing. By managing cloud cost, they're just each doing it in a vacuum, and not communicating. So it's really a team that facilitates so when clients come to us, we're really helping them to do just that. In a lot of instances, they're past the point of determining whether or not the cloud is for them. They're in the throes of a migration plan, where they need to have a concerted effort at looking at cost management, or they have a lot of applications that are born in the cloud, they're operating post migration, but there's still that consistent focus on needing to achieve cost management, you have to make sure that these things aren't, are wildly out of control, I think I saw that cloud as an enterprise level of expense, in many instances is second only to payroll. So if you're not paying attention to that, it can get wildly out of control. And so there is there is a need. And there's an associated ROI with investing in a fin ops, consulting, service and assessment to help you understand where you are today. And where you need to get to. And there's also an ROI for having a team and also staffing full time dedicated roles that aren't just doing fin ops on the side, while they're doing other things, but there's a real push to have dedicated fin ops practitioners in your organization, that are doing these types of things as a full time job. So we help customers in all three of those areas. And one of the examples I you know, to your to your point without naming names, although based on where we got them to, they probably wouldn't mind name dropping, but but I won't. It was a organization that that used Azure, and they got caught up in in the all too common. Well, we just moved, we just we just shifted because that's when we work with a vendor as what we decided to do. And it was really a decision made in a vacuum that really required a lot of analysis, that that just didn't happen. You doing it right, the first time will save you so much pain later in in trying to put out fires on the backend. So they lifted and shifted. And they did some of the things that I alluded to earlier, they, they just simply replicated from a VM perspective, what they had, which they didn't need to the cloud has gotten much better giving you more than what you would generally associate the on prem equivalent, so they had too much. And then they put too many prepaid commitments. So one of the things you can do is that you can get a discount above and beyond an on demand service rate that a cloud provider might give you for a certain service, let's say a compute instance. And if you commit to that in advance, you can achieve a certain discount, and that's dependent on your ability to make sure that you actually use the commitment for what you purchased it for and many organizations don't or they purchase for A three year term and in their environment, their usage, their their designs and things change, their infrastructure needs change. And then what happens is they've already purchased the commitment. And now they're back to consuming the on demand rate once that configuration is a mismatch, or or they're beyond term.

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Aaron Bock 25:17

We're actually seems a little tangent, but like what we're seeing, like in the infrastructure space and the cloud, one of the software's or technologies that seems to be popping up more and more as like a trend is the reserved instance, and whatever it's called for each cloud, but like the, you know, basically prepaid usage or the reserved instance, we're seeing, basically, the ability for tech software, you can put a software on there where you can actually sell off instances you might not use that you initially reserved, and basically broker those so that you're right sizing because, to your point, so many customers are struggling with, I don't know how to predict my cloud spend for three years. So I'm just going to purchase, you know, whatever they kind of tell me in a calculator in a vacuum, and it's not right.

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Will Friedrich 26:04

Yeah, well, then those secondary markets are, are part of it. The other part is, you're limited certain resources won't let you do that you can convert some you can't convert others you can resize, you can always purchase more, you can't purchase less than those types of things. So there's different restrictions on on what you can and can't do. And one of the things that we will work with this this customer on is that a committed savings plan is probably more conducive to their needs than then reservation instance, that's really the most mature version of trying to get a committed purchase to get a discount residence was really require you to understand that the technical need for something like that savings plans and and even you know, Google's got the sustained usage plan, the more you use, the more you save that type of thing. You can know less about the underlying technical use case for that resource and still feel more confident in doing those types of commitments than you can with a reservation. But, you know, those are some of the nuances that when we start working with customers, they didn't even realize they could do that. Or if they could, where in the tool, would I use that? And it's not so much whether or not they made the right commitment, or whether or not they're looking at the right report, it's that no one really owned it. So when a condition in their clients environment changes, how do you react to that? If there's a process in place, and certain people working on it, they can really handle any anything that might come their way?

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Aaron Bock 27:30

Do you think the misscopings that happen or the lift and shift decision that's made in a vacuum-- Do you think that there's something driving that you think it's lack of knowledge? Do you think it's that there are people are running like a tool one time and saying, well, like, let's run it on our environment, and this is what it's telling us, we should be in this cloud, and here's how we should do it. Like, what's driving that? Because what would always baffles me is I hear customers over and over and over. And if you're in this space long enough, you hear that's the problem with the cloud, the you lift and shift the costs get out of control, and then it's hard to manage them. So you, you know, you think well, that will never happen after a couple years when you hear it every single time when that's the warning about the cloud, but it still does all the time. Why does it happen so often? Because it just easy to miss? Is it a is it that people focus on more than technology? And they don't think about the process and the people?

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Will Friedrich 28:23

Yeah, that's a great question. In my experience and our experience working with customers, it's that from a culture and team perspective, there's the capability teams can do it. Teams can provision their own cloud resources and engineering teams and a lot of sense, particularly mature ones. They love that autonomy, and rightfully so, I mean, the cloud gives them that ability, they ought to take advantage. What's missing is the accountability. There's there's no performance KPI, there's no right sizing score, there's no show back or chargeback relative to the spend impact of their decision. There's nothing that comes back to them that says, Yeah, you were able to push that button. But here's, here's what it did. Here's the impact. And here's what it means for you. And in the case of chargebacks, and organizations are trying to put in place real chargebacks back to the product teams P&L for how they consume cloud resources. Because in a sense, it it generally speaking, it's not the best idea to then try to centrally control all of the Cloud Spin and try to recreate a procurement bottleneck that often existed in the

traditional IT spin. So if teams are going to continue to be distributed, autonomous, doing that the procuring the resources that they need provisioning, the resources, they need to build their apps as quickly as they need to. Don't get in the way of that but create a mechanism for them to be accountable for it. And obviously, that accountability and that that transparency with other teams, drives the kind of behavior where all of a sudden, it's not an unintentional abuse of the availability of that resource. It's a more intentional stewardship over what they're doing for the for the business. And that's what we try to do. And what we have done working with customers trying to increase their awareness and close the gap between capability. Yes, you can do it. But accountability, what does it mean for the business?

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Aaron Bock 30:12

Who, when you deliver your consulting, and whatever that package may look like, if it's there's an output or, you know, I imagine there's some sort of analysis that you guys would do, who in the organization is usually the champion for really promoting a fin ops culture? Especially for the cloud? Is it usually coming from the financial viewpoint? Or do you see it a lot of times coming from within IT, they just don't know how to sell it, or they don't know how to champion it, if you will?

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Will Friedrich 30:44

Yeah, our champions have come from the technologists, I use that term generally. So sometimes it's the CTO CIO, of those are different functions, we have clients, but those are two different roles, depending on what they're they're doing even even CDOs, you know, Digital Officers that understand that they're responsible for that they they may run the IT groups that support the design and engineering teams, one of the things that I think will happen more, and this is coming from some of the data that's coming through the fin ops foundation, you know, they do the state of thin ops report every year. And in the 2022 findings, the percentage of practitioners that took the survey that identified themselves as coming from a financial or back office function was less than 10%, combined across all those types and including procurement. And we'd like to see that increase, because I think that the cloud thin ops focus is has done great things for technologists who already understand the cloud already understand the nature of the services, and to some degree, they understand the pricing models. But the finance team is really just on the other end of this, like a fire hose trying to ingest all these different changes in a completely different cost model. So when we conduct assessments, for example, and we do stakeholder interviews, we absolutely have a concerted effort to bring in financial leaders. So it's usually a there's a role within a lot of organizations, we work with a digital controller. So this is a person who is essentially a controller and all the functions that you would associate a financial controller for. But they're they're focused on the expenses for digital projects, product development, and software development. So we had one customer where our main sponsor was a CIO, but ultimately, who they delegated to help us navigate the environment, help us do our discovery, help us do our interviews, and together our information was a digital controller, which was actually very helpful because she could help navigate both the tech side, the business side, there was a procurement function, who definitely felt like they needed a role in this new dynamic. And you certainly didn't want to alienate that group. But yeah, I think it's interesting, as a result of this type of emerging discipline, our champions roles are also changing. And it's kind of exciting to see, you know, a digital controller, that wasn't a role I was working with from the client side two years ago.

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Aaron Bock 33:05

That's awesome. You are talking about enterprises. When you talk about Digital Officers and CTOs and CIOs, I assume you're working a lot with enterprises, I guess. We do have some listeners that are smaller companies, mid market size companies, who may not have all those roles, who may not have the ability to have like a full fin ops group. So for a smaller company, mid mid market, you know, lean IT staff, maybe who doesn't have the cloud capabilities? How do they do fin ops? Without, you know, having all this expertise, and how do they train their folks to really, to use the cloud to the best way possible, but not overspend?

W

Will Friedrich 33:49

Yeah, I think you're dipping your toe is always a good measure. One of the things that we advise clients on is not to get caught up in the the allure of transformation, I have to completely reinvent our culture and our operations and everything, etcetera, in some arbitrary time box timeframe, but we always say is take incremental steps, right? A lot of times you there is no ROI for building a thin ops team. If your spend is at a certain level, let's let's say that that spin is less than 5 million a year, the waste associated with that spin, which if it's on par with industry average, it's probably 30%. And so, you know, a fin ops team could could grossly exceed what you're already overspending. So I think coming up with champions who want to learn more about that discipline and can do it part time and then as the need develops, as your spend increases, you move more workloads and applications into the cloud, you become more dependent on those services. You may have the justification for having full time roles, but I think for smaller organizations relatively having a part time focus across different types of roles, I think business and data analysts, product owners, and of course, you know CTOs and CIOs, but even just VPs of product ,VP of IT, that those roles can really get behind that kind of effort. Because we really do see, again, relative your comment about midsize companies. It's a grassroots movement in terms of the internal need, at the going back to the finop survey, only 46% of the we need to focus on fin ops comes from a C level directive. Now we expect that that's going to increase significantly in the years to come. As it becomes more of a budget item, hey, we've got to we got to best to address this problem because it's leading to overspend. But you know, roughly 44% of that came from people lifting their head saying this is a problem, I want to spend more time looking at our cloud bill, I want to dig into the data to find out what's going on where these anomalies are coming from while we're overspending. And so curiosity really helps, too. So but I think, you know, going back to where in smaller companies does this come from? I'd like to see it come from analysts and product leads that are looking at this saying, I'm in charge of the p&l of this of this product, and I'm consuming this service, I'm probably doing my organization a disservice by not by not paying attention to the kind of the cause and effect of, of what we're doing with Cloud Spin.

A

Aaron Bock 36:24

I think that's great. And I think that there's a lot of things that people can do, you know, one of the things that we see a lot is the adoption of the cloud for a small organization or mid mid sized organization, you know, they're not even to the fin ops conversation, they're trying to figure out, do we have the personnel that understand the cloud, that are interested in doing it? Are they, you know, do you have people in the organization who are afraid of change, and I

think, depending on where you're at, and the type of companies you're working with, that's a real conversation, too. And so, it's getting them to understand a fin Ops is probably down the road, but it can be started, basically, when you go to the cloud. And when you do that, and you put that mindset, when you're going to the cloud, you will be better off down the road, because you have a practice for managing cloud spend, which is one of the, you know, I would say top three problems that people would say if they're going to the cloud. So I think we agree with that for, you know, kind of to wrap up and not immediately. But I have a couple questions for you future looking, because we've been talking about a lot about fin ops now. So general question about the cloud. So we've got really right now with the hyper scalers, you've got, you know, you've got Google who's a distant third. And then he got Azure and AWS for Microsoft, Azure GCP for Google, and then you've got AWS for Amazon, those are sort of the three I know you've got Oracle, you've got I think Alibaba is sometimes in the mix, you've got some others, but make a prediction. What do you think is going to happen with? Do you think there's going to be more competition in five years? And where will that come from? Or do you think that these three behemoths will just continue to take off? And when we talk about cloud and 5-10 years, we're still gonna be talking about the same three players?

W

Will Friedrich 38:09

Yeah, I think where you'll see more players coming in is in hybrid cloud solutions. I mean, you're already seeing that even even with larger companies, you know, IBM and Oracle spend a lot of time in hybrid cloud. But in terms of companies that have a public cloud first strategy, that's the level of service that the type of performance they're looking for. Those three organizations are really in such a position to just from a level of investment perspective, to really give those organizations best of breed, I don't think you're going to see things like all of a sudden GCP overtakes AWS and Azure starts to eat major chunks of AWS market share what I do think you'll see, and this is just me personally looking at data talking to customers, and we're finding out that more customers are adopting a multi cloud strategy across public providers. You know, in even just a couple of years ago, the main mindset was almost a default of well, most of our stuff is in Azure, therefore, we're going to use Azure going forward. And the problem with that is no one provider can cover every single use case, you're going to need as a customer from a from a cloud service perspective. So we still advocate for a one for one, you know, resource or cloud provider to application ratio. But application A could be in Azure application B could be in AWS, and you could leverage the different providers, and that's good from an innovation perspective. What that will also do is grossly complicate your ability to manage costs across different providers. So the other piece of innovation that we will certainly see in the fin ops realm develop is a whole slew of providers that are creating third party tools that can help you aggregate all of this information coming from your different public providers and help you assess your usage patterns from Azure from AWS from GCP. And what does that mean for your overall spend? And how's it going to help you make decisions towards your spending goals? So I don't think you're going to see major changes in market share relative to who's first, second, third. But what I do think you'll see is a larger focus on multi cloud strategy across the public providers.

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Aaron Bock 40:25

What do you think would slow down the adoption of cloud at the rate we're going right now? If there is anything?

W

Will Friedrich 40:32

Yeah, well, I mentioned it earlier, I think organizations are already doing this, they're moving. And then they either move too much too fast too soon. And they did not give themselves the right ROI horizon. And then they they can't save face to their constituency, they can't go to their board, they can't go to their customers, they can't go to their leadership and say, this, this investment was worth it. They're, they're forced from a dollars and cents perspective, to go back to to on prem. So I think there's definitely a need to make sure you have the right candidate to move to the cloud. And make sure that cost management is part of your migration plan, not something that you focus, once your workload has been transitioned, once your application has been moved. It's not too late at that point. But it's certainly more expensive to fix it.

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Aaron Bock 41:26

Yeah. It's like your personal budgeting and your household or it's like personal spending, you don't just look at it once a year and say, Oh, we spent way too much on so and so you look at it every month, you look at it every couple of weeks, that's generally who manages their money the best is those who know, kind of what they're spending and when they're spending and how they're spending and planning for spending. It's no different for a large company with the cloud, it's looking at it all the time, have a way to assess, have a way to understand when there's peaks and valleys, and the more you can do that and get ahead of it, the better you will be at managing your cost.

W

Will Friedrich 42:01

And quickly to that point, one, one comment to that is one of the things that we see with with our clients, for example, is when we do the stakeholder interviews, and we talk to the finance team, what they're used to is a purchasing cycle where you might purchase gear for two years, but you're purchasing for anticipated growth, and you make that purchase up front. You don't do that in the cloud, you don't have to you purchase for what you need, then, because when you do get to the point where you need more, you need to horizontally scale, vertically scale, whichever the case, you can do it in real time. So don't don't get caught up in trying to purchase for three years like you did traditionally, even even that simple dynamic of how it worked in cap X and how it works in this op X model. It's it's totally different. And companies that don't pay attention to that wonder why they spent too much and they did. They they they they bought too much of the cloud,

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Aaron Bock 42:58

we get the question sometimes can you cap X cloud? Do you think there will ever be a way to cap X cloud spend? What do you think about that comment? And what are you seeing?

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Will Friedrich 43:08

Yeah, well, companies do that. Now, I think sometimes when that comment is made, it's in the

Yeah, well, companies do that. Now, I think sometimes when that comment is made, it's in the context of when you purchase a commitment. And it doesn't really matter what the vehicle is could be a reservation instance, could be a savings plan could be a sustained usage. But when you're making that commitment, there's a weighted average cost of capital calculation that a lot of organizations make because that that prepayment, no matter how many instances or services you're running concurrently, could be in the hundreds of 1000s of dollars. And so you're weighing that investment versus some of the other CapEx investments that the company might make. And once you get past that, you then make that purchase and amortize it over the term that you purchased it for. So there are a lot of times they consider those those commitment based purchases to be capital expenditures, even though the on demand consumption of that resource would be would be an OP X type type of model. So we're already seeing that today. And a lot of companies do that they treat that commitment, like a project, which is which is actually a good a good strategy, because it takes you through the breakeven and takes you through the weighted average cost of capital calculation to

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Aaron Bock 44:11

do you see, you know, I guess I hate to go back to this, but you mentioned this, and you kind of brought up something that I've heard a couple times recently, you know, customers, your traditional providers, when you think of traditional infrastructure, you know, they always Microsoft is a perfect example with your your email licensing, O365 M365. You would sign an EA and you commit to levels of spin blah, blah, blah. I've heard more recently, companies, enterprises a lot of times who are in a battle with certain you know, okay, do we go Azure? Do we go GCP they're probably not looking at the multi cloud as much as they should be. But let's just say that they're getting a sweet deal. Air quotes on that, like from one of the cloud providers to say, hey, commit to this level of spend. Do you think that those are good things for companies or because because I look at it and say, If you commit to a level spend, you're you're basically forcing yourself to get to some level that you might not need to. And so you're finding any way to do it, I could see why you think it'd be good because hey, we got to get there one way or another. So let's just commit. But I also see that it could prevent people from really embracing fin ops to say, Are we spending the right amount of money? Or okay, we spend our money, we spend our commitment, that's great, where they're like, I doesn't incentivize you to optimize. And that's my big problem with it. I'm curious, your thoughts?

W

Will Friedrich 45:33

Yeah. Well, in the case of Microsoft, for example, there's the agreement, which depending on what kind of agreement you signed, it's really entitlement, right? What type of discounts or, what type of access to consume services across the board do you have and then within that, you can still make targeted commitment purchases, based on what you need. And so there's different use cases for whether or not you would you would do that. So you'd have an enterprise agreement, that that is based on some overall consumption model, and you would put your highest volume, most sustained, least likely to change most dependable workloads, you can put those through a one year commitment, let's say even a three year, again, depending on what the workloads are doing. But for your product development, and for your r&d and things that need to change on a dime. That's risky. And so you might not necessarily commit to those, you might work Spot Instances, for example, you might try to work those into your plan, those actually carry deeper discounts than reservations themselves. And if you use them appropriately, you can achieve bigger discounts for applications you're developing where

your resource needs could change significantly, your usage patterns do this, they spike up and down. They're not very consistent. So again, it comes back to use case but I think it's always the right combination. I don't think the providers have set customers up to get trapped in the is an enterprise agreement or not, it's a commitment or not, I think those are good. In certain cases, I think where you need flexibility, they might not be as good could be riskier and more expensive in the long run to commit to something now, there's other avenues to get to that saving.

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Aaron Bock 47:12

Yeah, and I don't mean to say they're always bad, I just see in certain situations where it's, it's two-one, it's like you said, multicloud, which I agree that you need to really consider multi cloud approach. I just think that I see it in the light of there's too many, there's too much being put into one just because of a number that was put out. And I think it's lack of understanding of what what you should and could be doing. So I definitely agree with you. And I think there's always you know, a use case. And there's always a scenario that does work and doesn't work for the listeners. And this is kind of how we always close our episode. Will, by the way, this has been a super insightful show. I think a lot of folks will learn a lot from this really appreciate you sharing, you're giving a State of the Union, the Will Frederick State of the Union in front of a million, 10 million people, however many people you want to give a lot of people and you get to give one piece of advice. It can be general it general cloud, specifically about fin ops and ops in general. What advice do you give to people?

W

Will Friedrich 48:14

That's a good question, you know, Aaron, I think of it like this, I'll think that I'm imagining myself speaking to, let's say 10 million young people early in career first or second year. And this is something that I helped with, you know, coaching our teams, help coaching staff, whatever the case, and even something that I pay attention to as I'm as I'm doing it, borrowing from there, there's a book by Dr. Jordan Peterson. It's called 12 rules for life. And it's really an anecdote to empower you as an individual to help you be more valuable to yourself, your community, your organizations, and one of the rules is be precise in your speech. And when I read that, and I read the chapter corresponding to that rule, it really, really hit home with me. And you see that a lot in professional and personal life. And I think it comes down to not spending too much time making generalist claims about whatever it is that you're talking about, whether you're talking to a customer, whether you're talking to a partner, whether you're talking to whatever it is, in a professional sense. So I would say I always try to encourage people to at a certain point, that that claim should be backed by a piece of data. And then that data point is used to substantiate that claim. And then coming up with, you know, putting that data point in context. So going back to the comment I made about compound annual growth rate between Cloud Spin and traditional it spin. I think a lot of people could go out there and make the claim that the cloud is great, and it's growing and all these types of things. But look at the numbers. And then what are the numbers suggest, right? And you could even go out and say something like, well, Cloud is growing in the US across two segments by 15% a year but what does that mean? Compared to what? And when. So when you look at that compared to traditional spend, it's like, wow, 15% is a lot more than 1.3%. Those two growth trajectories are not even on the same plane. That's just kind of a silly example in the context of this conversation. But but it really goes back to, you know, being precise in your speech, and being

able to use data and information to back up your claims. I think it really helps conversations and really gets to the heart of what you're trying to say. So that would be my tidbit for for young professionals, I would say.

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Aaron Bock 50:31

We appreciate you sharing that. Will, we appreciate you joining the show today. Thank you for sharing all the information that you have. Will, how can people get in touch with you if they want to reach out?

W

Will Friedrich 50:42

Yeah, absolutely. You can reach me through LinkedIn, that's probably my preferred social media outlet. Or you can reach me through email william.friederick@experis.com. And yeah, I would love to chat fin ops and to chat cloud and services. I'm a community member of the fin ops foundation so you can find me on their Slack channel. So all of those are great.

A

Aaron Bock 51:07

Well, thanks for joining Will, we will put the information in the show notes. Super insightful. I hope you all enjoyed this episode. Thanks for listening. And I hope you guys have a great rest of the day.

N

Narrator 51:21

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