

# IT Financial Management for Cloud

Improve resource allocation decisions through increased transparency and spend accountability

## AT-A-GLANCE

### Needs

- Minimize IT costs associated with increased use of cloud services
- Predict user demand
- Institute accountability for spending

### Solution

IT financial management for cloud featuring:

- Cost transparency
- Granular usage data
- Alignment of cost and consumption

### Business Impact

- **Efficiency:** Improve spend accountability and resource utilization
- **Agility:** Support fast, flexible access to resources
- **Reliability:** Provide incentives for standardization

### Key Success Factors

- Executive sponsorship
- Sub-scale launch
- Internal education
- Forecasting and planning

One of the many benefits of private and hybrid clouds is that they give business users real-time access to IT resources. As needs change, users can provision new resources and increase usage at will, which boosts efficiency and productivity—but can also lead to explosive, uncontrolled increases in IT costs. Without appropriate governance, these surges can leave IT scrambling not only to manage existing usage but also to predict future demands.

IT financial management (ITFM) for cloud puts IT managers back in control. By linking cost recovery to actual consumption, ITFM for cloud increases cost transparency and supports more efficient resource allocation and decision making. IT managers can use granular usage data to improve demand forecasting and capacity planning—capabilities that are especially valuable in cloud environments. With ITFM for cloud, business users still maintain the flexibility of on-demand access to coveted resources—while IT gains the control necessary to keep costs down and ensure optimal resource utilization across the organization.

## Business Impact

ITFM for cloud represents a new financial operating model for most IT organizations—one that drives substantial improvements in efficiency, agility and reliability.

### Efficiency—Improve spend accountability and resource utilization

When business users view a service catalog with pricing, they're more likely to request only the level of service they truly need. With ITFM for cloud, business users also become more accountable for their IT spend because they are made aware of—and even billed for—their actual usage. The granular usage data collected as part of ITFM for cloud also informs capacity planning. IT can employ an incremental provisioning approach and adjust service pricing to smooth demand peaks, improving resource utilization and overall efficiency.

### Agility—Support fast, flexible access to resources

Agility is an inherent benefit of any cloud environment and ITFM for cloud takes full advantage of this feature. Pay-as-you-go access to shared resources gives business users the ability to quickly scale down if the project does not meet initial demand forecasts. IT can repurpose those resources for other tenants and business users don't have to worry about what to do with unutilized capacity.

### Reliability—Provide incentives for standardization

With ITFM for cloud, IT has greater control over the adoption of standardized platform configurations, in part because IT can use lower prices to incentivize business users to choose a standard platform. Custom configurations are still available when warranted, but lower-cost standard platforms and configurations are likely to become more common, which leads to a less complex—and more reliable—IT environment.

## ESSENTIAL CLOUD CAPABILITIES

Based on real-world experience in dozens of engagements, VMware has identified five essential capabilities that enterprises need to transform their legacy platform into a cloud-enabled infrastructure:

**On-demand services:** Automate the front end of service requests with a service catalog and self-service portal.

**Automated provisioning and deployment:** Optimize back-end service governance and fulfillment with automation and policies.

**Proactive incident and problem management:** Apply intelligent analytics to monitor and filter events facilitating automatic incident resolution and problem diagnosis.

**Cloud security, compliance and risk management:** Embed policies into standard configurations to support policy-aware applications and automating security, audit and risk management processes.

**IT financial management (ITFM) for cloud:** Base IT cost recovery on a granular cost attribution model and service consumption of services, enabled automated metering and showback/chargeback mechanisms.

## Key Success Factors

Based on extensive experience, VMware has identified the following key success factors of ITFM for cloud that enable organizations to realize all the potential benefits of cloud computing.

- **Executive sponsorship:** A new executive role—CFO of IT—can help support the ongoing reviews and iterations required for the successful transition to ITFM for cloud.
- **Sub-scale launch:** The success of the initial launch is critical, requiring extensive planning, an initial sub-scale launch and gradual ramp-up to offer more services.
- **Internal education:** To achieve buy-in from business leaders and users, IT must communicate with lines of business early and often, explain price and service offerings in clear business terms and provide a compelling and cohesive overall marketing message.
- **Forecasting and planning:** To more accurately predict demand and plan for capacity accordingly, IT needs to supplement existing forecasting and planning groups with a new, more robust demand data analysis and forecasting capability.

## VMware Cloud Operations Advisory Services

VMware Cloud Operations Advisory Services can provide the direction to get you on the right path forward and help you understand how to plan, operate, staff, and manage your cloud effectively, efficiently, and in alignment with your business goals, in order to realize all of the expected benefits of cloud computing. Collaborating with key customer stakeholders, VMware Accelerate™ Advisory Services subject matter experts provide informed insight, prioritized recommendations and financial guidance to help you achieve your objectives—transforming your IT operations from reactive to innovative.

## Next Steps

Realize the benefits of cloud computing sooner with help from VMware Cloud Operations Advisory Services. Learn more by reading the VMware white paper, *IT Financial Management for Cloud*, which is available at [www.vmware.com/go/cloudoperations](http://www.vmware.com/go/cloudoperations) or contact the Accelerate team at [accelerate@vmware.com](mailto:accelerate@vmware.com). Now is the time to act—doing nothing is a risky strategy.

