
ITFM vs. FinOps – How They Work Together

Do Companies Need Both?

Rob Mischianti, Chief Evangelist, Nicus Software



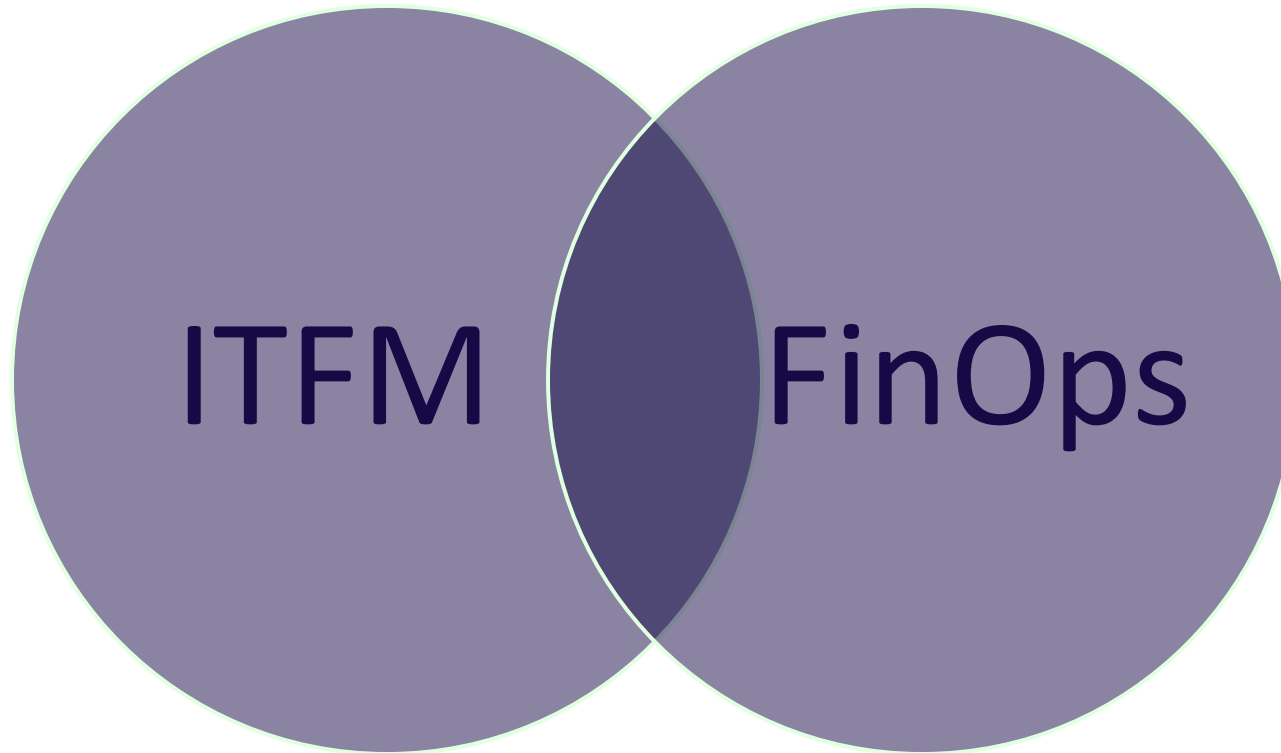
Abstract

As cloud adoption accelerates, a growing number of organizations are turning to FinOps and Cloud Financial Management to rein in cloud costs. As a result, FinOps is growing at an incredible rate. Looking at the core practices of FinOps, however, there's clear overlap with IT financial management (ITFM), raising the question of where FinOps fits in and whether organizations need both. Join us as we explore:

- Where ITFM and FinOps intersect, where they diverge and the types of organizations that should consider pursuing each
- How FinOps and ITFM work together in organizations today
- What's required to achieve greater maturity in unifying these practices
- The biggest challenges organizations face in bringing ITFM and FinOps together



ITFM v FinOps



ITFM VS FinOps

ITFM v FinOps

FinOps $\neq$ Cloud

Cloud + SaaS + AI + More...



**“FinOps teams have a new
mandate: managing and
optimizing the total cost of IT.”**

Recap of FinOps X 2025, Forester Research



Do Companies Need Both?

- Majority of workloads are now in the public cloud - *Flexera 2023 State of the Cloud Report*
- Organizations are turning to FinOps for cloud financial management and cost control
- FinOps & ITFM overlap
- **The Era of Cloud+ in FinOps: AI, SaaS, and More...**



ITFM v FinOps

What is FinOps?



What is FinOps?

- **FinOps** = *Finance* + *DevOps*

What is FinOps?

“FinOps is an operational framework and cultural practice which maximizes the business value of cloud, enables timely data-driven decision making, and creates financial accountability through collaboration between engineering, finance, and business teams”



FinOps Core Principles



FinOps Foundation



ITFM VS FinOps

FinOps Core Principle: Collaboration



Teams need to collaborate

- Finance, technology, product, and business teams work together in near real time as the cloud operates on a per-resource, per-second basis.
- Teams work together to continuously improve for efficiency and innovation.



FinOps Core Principle: **Ownership**



Everyone takes ownership for their cloud usage

- Accountability of usage and cost
- Individual feature and product teams are empowered to manage their own usage of cloud against their budget.
- Decentralize the decision making



FinOps Core Principle: **Transparency**



FinOps data should be accessible and timely

- Timely, Accessible, Near Real-Time
- Variance Causes
- Internal & Industry Benchmarking
- FOCUS standard not just for Chargeback



FinOps Core Principle: Centralized Team



A centralized team drives FinOps

- Central Team Management
- Executive buy-in
- Remove the need for engineers and operations teams to think about rate negotiations, allowing them to stay focused on usage optimization of their own environments.



ITFM VS FinOps

FinOps Core Principle: Value Driven



Decisions are driven by business value of cloud

- Unit economic and value-based metrics demonstrate business impact better than aggregate spend.
- Make conscious trade-off decisions among cost, quality, and speed.
- Think of cloud as a driver of innovation.



FinOps Core Principle: Leverage Variable Cost Model

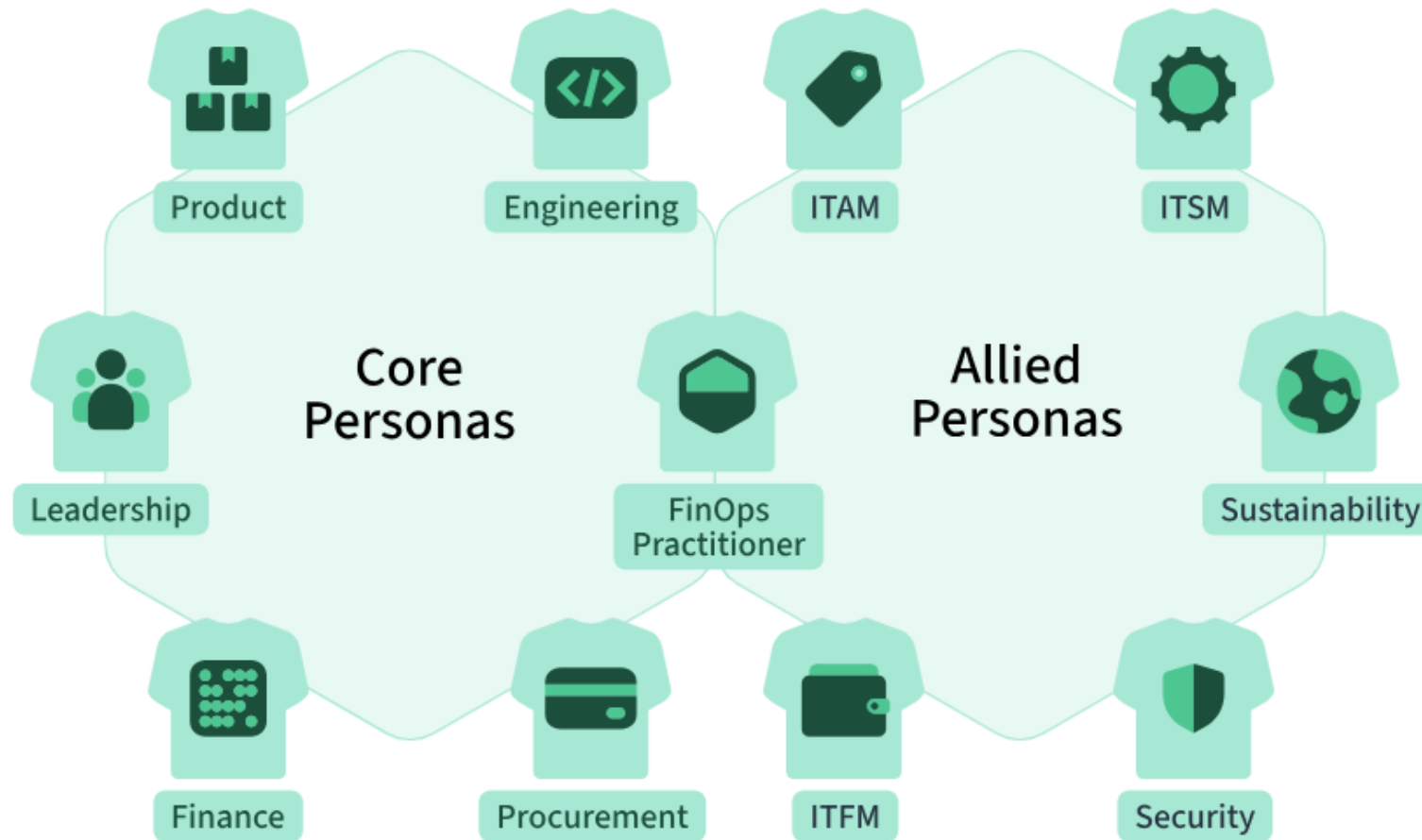


Take advantage of the variable cost model of the cloud.

- The variable model of the cloud should be viewed as an opportunity to deliver more value, not as a risk.
- Embrace **just-in-time** prediction, planning and purchasing of capacity.
- Agile iterative planning is preferred over static long-term plans.
- Embrace proactive system design with continuous adjustments in cloud optimization over infrequent reactive cleanups.



FinOps Personas



FinOps Personas



FinOps Practitioner

FinOps Responsibilities include:

- Technical Proficiency
- Analytical Skills
- Cost Management and Optimization
- Collaboration and Communication
- FinOps Practice Continuous Improvement
- Problem-Solving
- Change Management
- FinOps Persona Collaboration



Engineering

FinOps Responsibilities include:

- Cloud Infrastructure Management
- Application and Services Deployment
- Cost Management and Resource Optimization
- Monitoring and Alerting
- Security and Compliance
- Automation and Tooling
- Architecting Sustainably for Cloud



Finance

FinOps Responsibilities include:

- Financial Expertise
- Budgeting and Forecasting
- Cost Allocation Analysis
- Financial Reporting
- Compliance and Governance



Elevate IT. Ignite Possibility.



FinOps Certifications



FinOps Certified Practitioner

Covers all fundamentals of FinOps. Choose from self-paced, instructor-led, or exam-only options.



FinOps Certified Engineer

Designed for engineers who design, develop, and deliver infrastructure in the cloud.



FOCUS Training & Certification

Learn about FOCUS, the FinOps Open Cost and Usage Specification.



FinOps Certified Professional

The most in-depth and hands-on training available designed for FinOps Practitioners.



Introduction to FinOps

This FREE course provides a basic understanding of activities that are central to FinOps.



FinOps for Containers

This course examines ways engineers can perform FinOps activities on container spending.



ITFM v FinOps

A Shared Focus



ITFM and FinOps: A Shared Focus

- ITFM & TBM focus on all IT spend - FinOps is focused on cloud
- Many of the capabilities and domains outlined by the FinOps Foundation practice are also found in ITFM, including:
 - ✓ Cost allocation and managing shared costs
 - ✓ Showback and chargeback
 - ✓ Forecasting and budget management
 - ✓ Measuring unit costs to assess value of spending

Core Principals	ITFM	FinOps
Collaboration	✓	✓
Ownership & Accountability	✓	✓
Transparency	✓	✓
Centralized Team	✓	✓
Value Driven	✓	✓
Leverage Variable Cost Model		✓



Key Differences and Complementary Capabilities

ITFM	FinOps
All IT spend	Only Cloud Spend *
Top-Down Approach (Driven by CIO & Senior Leadership)	Bottom-Up Approach (Led by Practitioners and Engineers)
Macro & Granular View	Granular View

Gartner

Gartner predicts that “...most *FinOps* adopters will need additional *ITFM* capabilities to manage the total cost of cloud, which will feed interest in a total cost of IT solution.”



FinOps Gray Areas

- ITFM has, but FinOps is missing:
 - ✓ Internal labor costs
 - ✓ Some Software and SaaS application costs
 - ✓ Cloud management tools and managed services
 - ✓ Security and infrastructure
 - ✓ Facilities and networking
 - ✓ Telecommunications
- Implications:
 - ✓ Unmanaged costs often spiral out of control
 - ✓ Underestimation of full costs leads to firefighting rather than optimization



ITFM + FinOps: A Synergistic Effect

- **FinOps is Critical** - to prioritize investments and drive Cloud value
- **Complementary Disciplines** – leads to more effective decision making when used together
- **Exchanging Data** - each one feeds data to the other, providing more accurate unit costs that reveal the true business value of spending
- **Distinct Perspectives** - both offer distinct perspectives on how to manage technology spend



ITFM v FinOps

How FinOps and ITFM Work Together



How FinOps and ITFM Work Together

- **Optimization Opportunity** - analysts at McKinsey estimate that companies using FinOps can reduce cloud costs by up to **30%**
- **Limited Understanding of Full Cost** - just **15%** of companies have a solid grasp on the unit economics underlying the business value of any given cloud use case



The Current State of FinOps and ITFM Collaboration

- ITFM & FinOps are more effective when used together, *but...*
- ITFM & FinOps aren't aligned in most companies today
- FinOps Survey Data:
 - ✓ **50%+** run FinOps independent of ITFM or do not have ITFM
 - ✓ Only **8%** have unified FinOps & ITFM



What Maturity Looks Like

- Integrating ITFM & FinOps
- Several characteristics from the FinOps Foundation's "Run" category:
 - ✓ **Shared Tagging** – a shared terminology for tagging costs based on the ITFM/TBM taxonomy to ensure accurate cost allocation
 - ✓ **Standardized & Shared Data** - standardized data sources to enable consistent reporting and robust decision-making, examples include:
 - *FinOps can provide ITFM granular usage and cost data to support application TCO, show-backs and chargeback*
 - *ITFM can provide FinOps the non-Cloud related costs & fully-burdened unit rates*
 - *IT customers can be provided a single view of Cloud spend*
 - ✓ **Common Toolset** – a common set of tools and processes that are executed consistently, such as including indirect labor and other costs not traditionally accounted for by FinOps



Bringing ITFM and FinOps Together

- **Alignment**- careful alignment of people, process, and tools
- **Exchange of Data** – ITFM & FinOps teams need to exchange data, which leads to more effective decision making when used together
- **Communication Alignment** - both teams are responsible for establishing regular communication processes that streamline coordination and promote transparency in IT spending



ITFM v FinOps

Challenges and Use Cases in Bringing
FinOps and ITFM Together



Addressing Collaboration Challenges

- Challenges:

- ✓ **Competing Priorities** - FinOps is focused more on day-to-day cloud cost optimization, and ITFM is focused on IT spend as a whole and where to prioritize investments
- ✓ **Stakeholder Engagement** – ITFM top-down approach (driven by CIO & Senior Leadership) versus FinOps real-time bottom-up approach (Led by Practitioners and Engineers)

- Solutions:

- ✓ **Educate** - educating teams on the value that FinOps and ITFM each bring to the table, and how integration makes them both stronger
- ✓ **Outcome Focus** - driving awareness of shared goals and outcomes, such as reducing costs or connecting IT spending to business value
- ✓ **Communication** - establishing regular communication processes between the various stakeholders involved



Aligning on a Common Language

- **Common Taxonomy** - use an agreed ITFM taxonomy as that shared language because of ITFM's holistic view of IT spending. In this way, companies can make true apples-to-apples comparisons of total cost of ownership (TCO), unit costs, and profitability between cloud vs. on-premise applications and services.
- Recommended Steps:
 - ✓ Map cloud service provider (CSP) products and services to the ITFM taxonomy, whether collaboratively or driven by FinOps based on their deeper understanding of cloud services
 - ✓ Tag cloud resources to the application that uses them, including project codes as necessary, based on project codes from a shared repository such as the configuration management database (CMDB)
 - ✓ Obtaining additional data as needed, for example, to allocate costs incurred on a shared platform
 - ✓ Communicating regularly on the tagging strategy to ensure alignment between FinOps and ITFM



Expanding the Tool Stack

CMP (Cloud Management Platform)	IT Financial Management (ITFM)	FinOps (Finance + DevOps)
• Self-service management & provisioning • Cloud cost management – identify idle resources • Automated management policies – automates orchestration to optimize resource utilization	• Total Cost of Ownership (TCO) for <i>applications</i> and business units utilizing cloud • Bill of IT for showback & chargeback • Integrated cloud reporting • Line-item usage and cost detail to support decisioning	• Understand Usage & Cost • Quantify Business Value • Optimize Usage & Cost • Manage the Practice



Top Use Cases for Integrating ITFM and FinOps

- An organization's overall goals for integrating ITFM and FinOps will largely drive the use case for doing so. According to the State of FinOps survey, the most common use cases are:
 - ✓ Chargeback (**28.6%** of respondents)
 - ✓ TCO (**19%**)
 - ✓ Forecasting (**19%**)
 - ✓ Optimization (**19%**)



Chargeback

- Ensure fair recovery of costs
- Improve visibility and accountability for cloud spending
- Optimize costs and make more informed decisions
- Empower end users to manage resources responsibly
- Ensuring alignment between the cloud chargeback receiver and the ITFM-defined service owner is critical, with ITFM teams and FinOps collaborating closely to resolve any ownership disputes.



Total Cost of Ownership (TCO)

- TCO:
 - ✓ Enable rationalization decisions
 - ✓ Support optimization efforts
 - ✓ Natural extension of the chargeback process – how the business is using what they buy
- Challenges & Considerations:
 - ✓ Tagging cloud costs to the ITFM/TBM taxonomy
 - ✓ Ensuring data pulls span the same time period
 - ✓ Amortization of cloud costs related to commitment-based discounts and other cloud services that aren't on-demand

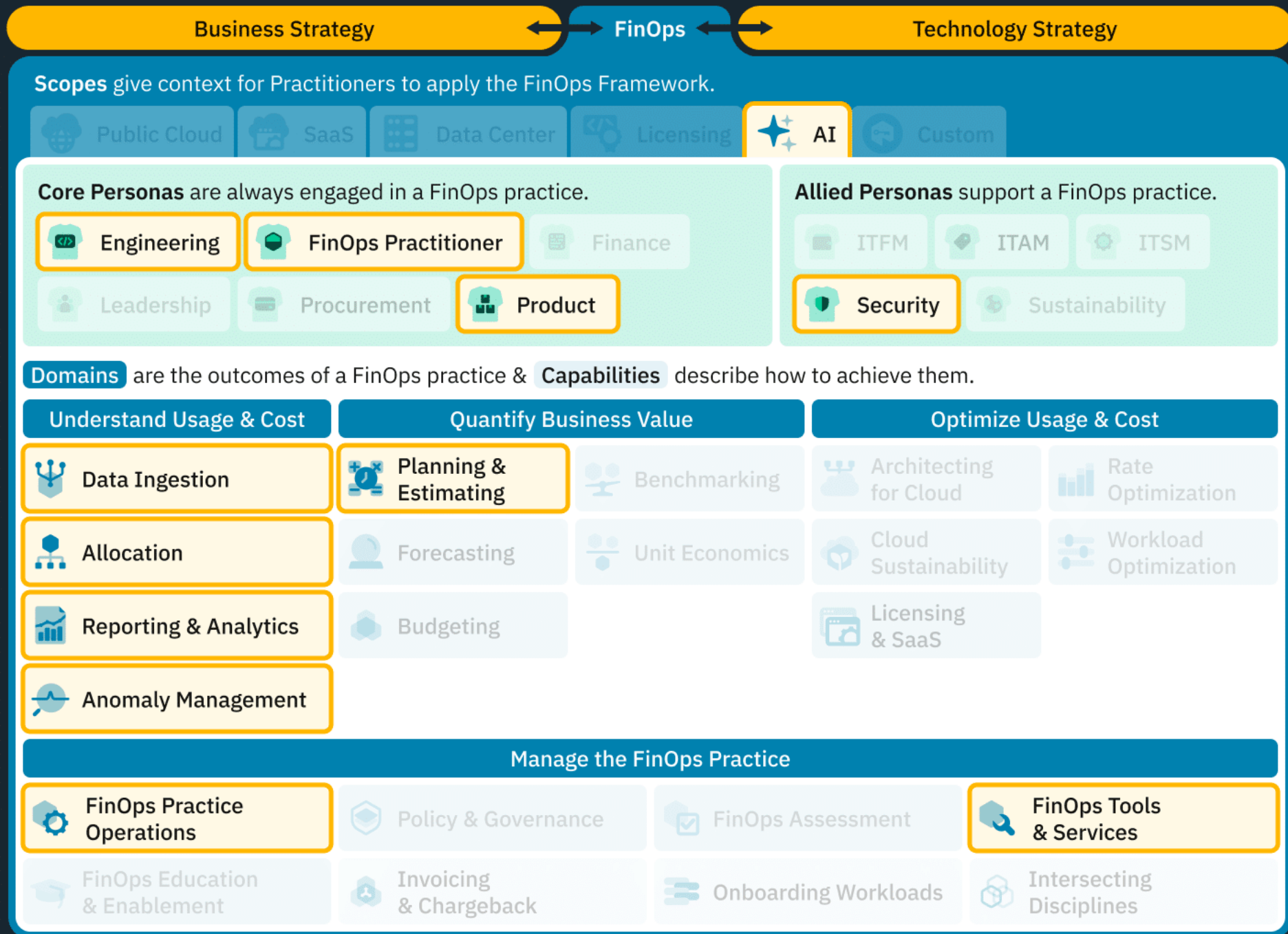


The Era of Cloud+ in FinOps

Adding Scopes to Support Cloud+



FinOps Scope for "AI"



Business Strategy

FinOps

Technology Strategy

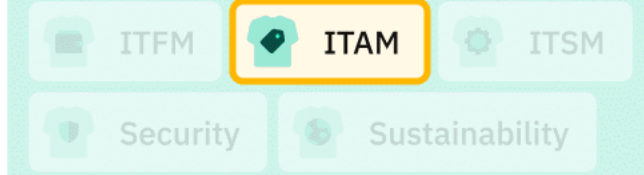
Scopes give context for Practitioners to apply the FinOps Framework.



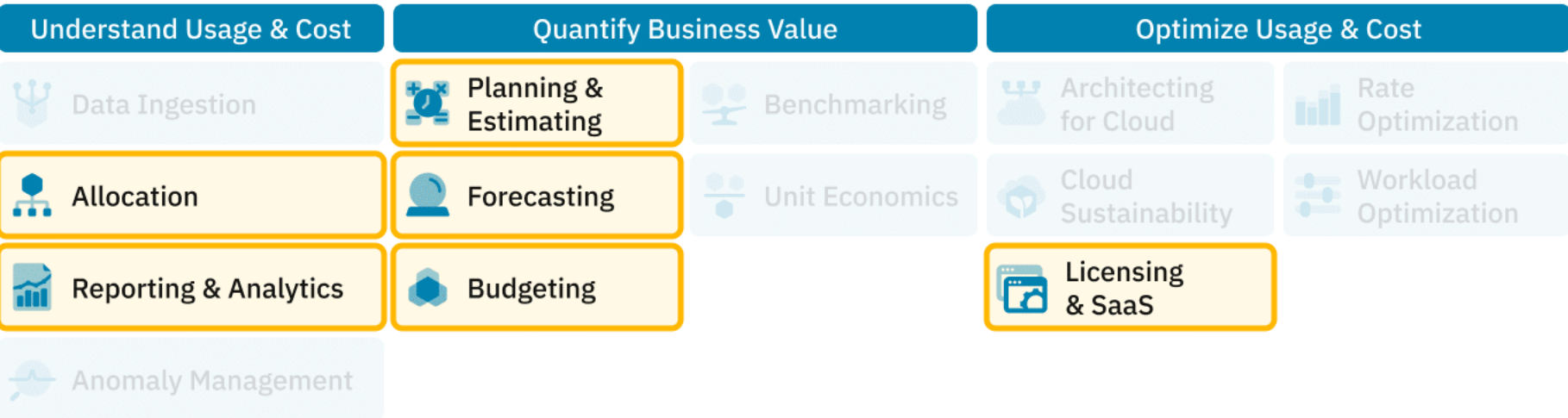
Core Personas are always engaged in a FinOps practice.



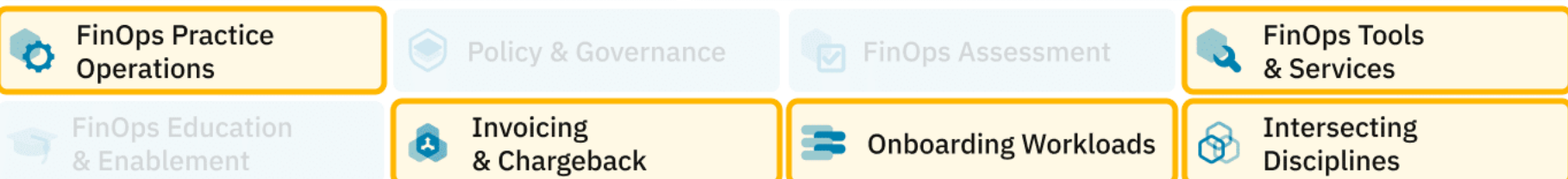
Allied Personas support a FinOps practice.



Domains are the outcomes of a FinOps practice & **Capabilities** describe how to achieve them.



Manage the FinOps Practice



FinOps Scope for “Licensing”



ITFM v FinOps

Some Conclusions & Insights



Some Conclusions & Insights

- Companies need both FinOps & ITFM
- Integration is best – alignment is good – separate is bad
- Deployment is **way ahead** of management practices
- Significant optimization opportunities exist
- Preparing for AI



Thank You

