

## CHAPTER 12

# FinOps and Cost Governance

---

## *The Economics of Cloud Transformation*

*“FinOps is not just about saving money;  
it is about creating value by ensuring  
every dollar spent in the cloud  
contributes to business outcomes.”*

— Sazzad Khan

The guardrails are in place. The next question every CFO asks is simpler and harder: what does all of this actually cost?

### EXECUTIVE SUMMARY

---

For Nordic Ventures Group, cloud economics sits at the heart of the transformation. After years of operating twelve distributed datacentres with disproportionately high operating costs, NVG established a clear objective: achieve a sustainable 25 percent reduction in operating costs while improving agility, resilience, and innovation.

This chapter treats FinOps as the financial operating model of cloud transformation. It moves beyond annual budgeting and isolated savings exercises to create shared accountability among engineering, finance, procurement, operations, and business leadership.

The objective is not simply to spend less. It is to understand consumption, optimise continuously, forecast credibly, and connect cloud investment to measurable outcomes. Savings become investment capacity for modernisation, AI, factory analytics, acquisitions, and international growth.

### Why FinOps Matters

The cloud changes technology economics from fixed capacity to variable consumption. That model creates flexibility, but it also decentralises spending decisions.

Engineers can create cost in seconds, while financial processes may still operate monthly or annually. FinOps closes that gap.

| Traditional Datacentre   | Cloud Operating Model                   |
|--------------------------|-----------------------------------------|
| Capital expenditure      | Consumption-based expenditure           |
| Limited elasticity       | Elastic scaling                         |
| Annual budgeting         | Continuous forecasting and optimisation |
| Delayed cost visibility  | Near real-time cost visibility          |
| Infrastructure ownership | Service consumption                     |
| Slow procurement         | On-demand provisioning                  |

### The Nordic Ventures Group Challenge

| Current State                               | Future State                                   |
|---------------------------------------------|------------------------------------------------|
| Costs measured differently by country       | A common enterprise cost model                 |
| Shared platforms without allocation         | Transparent showback and chargeback            |
| Overprovisioned legacy infrastructure       | Demand-aligned consumption                     |
| Savings treated as isolated projects        | Continuous optimisation embedded in operations |
| Technology spend disconnected from outcomes | Investment decisions linked to business value  |

### FinOps at a Glance

| Phase    | Core Question                                             | NVG Outcome                           |
|----------|-----------------------------------------------------------|---------------------------------------|
| Inform   | Where is money being spent and by whom?                   | Transparency and ownership            |
| Optimise | How can value improve without increasing risk?            | Lower waste and better unit economics |
| Operate  | How are decisions embedded into normal work?              | Sustainable accountability            |
| Improve  | What did we learn and where should savings be reinvested? | Continuous value realisation          |

### 1. Inform — Building Financial Transparency

NVG’s first challenge was not optimisation. It was creating a reliable view of cost. Different countries used different reporting methods, shared services were difficult to allocate, and infrastructure costs were rarely connected to applications or business outcomes.

| Principle             | Outcome                                   |
|-----------------------|-------------------------------------------|
| Standardised tagging  | Clear ownership and allocation            |
| Centralised reporting | Executive visibility                      |
| Showback              | Cost awareness without direct billing     |
| Chargeback            | Formal accountability                     |
| Unit economics        | Decision-making based on cost per outcome |

### Mandatory Resource Metadata

| Tag                 | Illustrative Value          |
|---------------------|-----------------------------|
| Owner               | Manufacturing Platform Team |
| Cost Centre         | Factory Operations          |
| Environment         | Production                  |
| Business Unit       | Germany                     |
| Application         | SAP                         |
| Criticality         | High                        |
| Data Classification | Confidential                |

#### BUSINESS VALUE

- Leaders can identify which factories, applications, and business units consume resources.
- Product teams can see cost consequences while architecture decisions are still reversible.
- Finance can forecast with a consistent allocation model.
- Unowned or unallocated spending becomes visible and actionable.

*“If you cannot explain where the money goes, you cannot optimise where the money should go.” — Trusted Advisor Perspective*

**TRUSTED ADVISOR INSIGHT** *The fastest way to lose the FinOps conversation is to present savings the business unit does not recognise as their own.*

2. Optimise — Achieving the 25 Percent Objective

Optimisation is a continuous discipline, not a one-time cost-cutting programme. NVG focuses on eliminating technical debt, matching capacity to demand, using commercial commitments responsibly, modernising architectures, and automating resource lifecycle management.

| Optimisation Pillar            |                                    | Objective                                                |
|--------------------------------|------------------------------------|----------------------------------------------------------|
| Technical debt retirement      |                                    | Remove duplicated and unnecessary cost                   |
| Rightsizing                    |                                    | Match capacity to observed demand                        |
| Reservations and savings plans |                                    | Reduce predictable compute costs                         |
| Licensing optimisation         |                                    | Use entitlements and hybrid benefits effectively         |
| Modernisation                  |                                    | Replace operationally expensive patterns                 |
| Lifecycle automation           |                                    | Stop, archive, or delete resources when no longer needed |
| Resource Type                  | Common Waste Pattern               | Typical Response                                         |
| Virtual machines               | Overprovisioned CPU and memory     | Rightsize, schedule, or modernise                        |
| Databases                      | Excess performance tier            | Scale tier or adopt serverless patterns                  |
| Storage                        | Unused snapshots and hot-tier data | Apply lifecycle and retention policies                   |
| Development environments       | Running outside working hours      | Automated start/stop                                     |

| Optimisation Pillar |                                     | Objective                                  |
|---------------------|-------------------------------------|--------------------------------------------|
| Networking          | Unnecessary public IPs and gateways | Consolidate and remove                     |
| Logs                | Unlimited ingestion and retention   | Tier, filter, and align retention to value |

The most powerful savings often come from architecture simplification rather than price negotiation. Managed services, automation, elasticity, and platform reuse reduce both cloud bills and the labour required to operate the estate.

#### BUSINESS VALUE

- Direct contribution to the 25 percent cost-reduction objective.
- Improved financial predictability and executive confidence.
- Lower operational effort through simplification and automation.
- Investment capacity for modernisation and innovation.

**TRUSTED ADVISOR INSIGHT** *Optimisation without ownership reverts within two quarters. The waste always finds its way back once nobody is watching.*

### 3. Operate — Embedding Financial Accountability

FinOps becomes sustainable only when cost decisions are embedded in ordinary planning, engineering, and operations. Teams need budgets, forecasts, anomaly alerts, architectural guidance, and clear escalation paths at the time decisions are made.

| Function              | Responsibility                                             |
|-----------------------|------------------------------------------------------------|
| Finance               | Budgeting, forecasting, allocation, and financial controls |
| Technology leadership | Portfolio priorities and value realisation                 |
| Platform team         | Cost-aware standards, automation, and shared services      |
| Application owners    | Workload consumption and lifecycle accountability          |
| Procurement           | Commercial terms and supplier optimisation                 |
| FinOps practitioners  | Reporting, facilitation, and optimisation insight          |
| Business leaders      | Investment and reinvestment decisions                      |

FinOps is a team sport because no single group controls all the levers. Finance understands budgets and reporting. Engineers understand architecture and usage. Procurement understands commitments and contracts. Business leaders determine whether outcomes justify continued investment.

#### 4. Connecting Cost to Business Value

A Trusted Advisor never presents cloud cost in isolation. Every investment should be connected to an outcome: risk reduction, productivity, resilience, customer experience, growth, or innovation.

| Investment            | Business Outcome                  |
|-----------------------|-----------------------------------|
| Security capabilities | Reduced cyber and regulatory risk |

| Investment                       | Business Outcome                            |
|----------------------------------|---------------------------------------------|
| AI platform                      | Faster experimentation and new services     |
| SAP modernisation                | Productivity and process standardisation    |
| Factory analytics                | Operational efficiency and reduced downtime |
| Platform automation              | Lower delivery and operating cost           |
| International expansion platform | Faster market entry and revenue growth      |

## KEY PERFORMANCE INDICATORS

| KPI                                      | Business Meaning                |
|------------------------------------------|---------------------------------|
| Cost reduction realised                  | Financial efficiency delivered  |
| Forecast accuracy                        | Planning maturity               |
| Unallocated spend                        | Governance effectiveness        |
| Unit cost per transaction or application | Efficiency trend                |
| Commitment utilisation                   | Commercial optimisation         |
| Waste removed                            | Operational discipline          |
| Value of savings reinvested              | Transformation capacity created |

**TRUSTED ADVISOR INSIGHT** *A forecast the CFO does not believe is not a forecast. It is a guess with a decimal point.*

## ARCHITECTURE DECISION RECORD

---

### ADR-012: Adopt FinOps as the Cloud Financial Operating Model

#### Context

- NVG requires cost transparency, financial accountability, and sustainable cloud economics.
- The 25 percent cost objective cannot be achieved through isolated optimisation exercises.

#### Decision

- Adopt the Inform–Optimise–Operate lifecycle with continuous improvement.
- Implement standardised allocation, forecasting, anomaly management, optimisation backlogs, and value-based reporting.
- Create shared accountability across finance, engineering, procurement, operations, and business leadership.

#### Positive Consequences

- Improved financial visibility.
- Lower operating costs.
- Better investment decisions.
- Stronger ownership and forecast credibility.
- Sustainable funding for innovation.

#### Negative Consequences

- Organisational change and new responsibilities.
- Increased reporting requirements.
- Risk of focusing on cost at the expense of resilience or growth.

#### Mitigations

- Executive sponsorship and clear value measures.
- Automate collection and reporting.
- Use unit economics and business outcomes, not cost alone.
- Train finance and engineering teams in shared FinOps practices.

### The Nordic Ventures Group Lesson

The greatest savings did not come from negotiating lower prices. They came from simplifying architecture, reducing complexity, eliminating technical debt, and modernising the application estate. The organisations that win in the cloud are not those that spend the least; they are those that generate the greatest business value from every unit of spend.

### KEY TAKEAWAYS

| Principle                               | What It Means                                                     |
|-----------------------------------------|-------------------------------------------------------------------|
| FinOps is about value                   | The goal is to maximise outcomes, not minimise cost in isolation. |
| Transparency creates accountability     | Teams can improve only what they can see and own.                 |
| Optimisation is continuous              | Cloud demand and architecture change constantly.                  |
| Finance and technology must collaborate | Neither discipline controls all financial levers.                 |
| Savings create strategic capacity       | Optimisation can fund innovation, resilience, and growth.         |
| Unit economics improve decisions        | Cost per outcome is more meaningful than total spend alone.       |

### REFLECTION QUESTIONS

- Can your organisation explain where every material cloud cost is allocated?
- Which applications deliver the greatest value per unit of spend?
- How much technical debt is consuming the innovation budget?

- Do engineering teams see cost information early enough to influence design?
- Where would NVG reinvest savings from the 25 percent objective?
- Is FinOps treated as a reporting function or a strategic operating capability?

## REFERENCES

---

- FinOps Foundation. (2024). FinOps Framework.
- Storment, J. R., & Fuller, M. (2023). Cloud FinOps (2nd ed.). O'Reilly Media.
- Microsoft. (2025). Azure Cost Management documentation.
- Microsoft. (2025). Cloud Adoption Framework for Azure.
- Microsoft. (2025). Azure Well-Architected Framework: Cost Optimization pillar.
- Weill, P., & Ross, J. W. (2004). IT governance. Harvard Business School Press.
- Westerman, G., Bonnet, D., & McAfee, A. (2014). Leading digital. Harvard Business Review Press.
- Hohpe, G. (2020). The software architect elevator. O'Reilly Media.

## TRUSTED ADVISOR PRINCIPLE

The cloud is not expensive.

Waste is expensive.

Transparency creates accountability — teams can only improve what they can see and own.

FinOps is not a cost-cutting exercise.

It is the discipline that turns spending into evidence of value.

The Trusted Advisor reports cost the way the CFO reports revenue: with ownership attached.

Now that spending is transparent and governed, one question inevitably follows: can the organisation prove the platform is actually working?