

Controlling costs with better IT financial management

Organizations discover value and efficiency opportunities through cloud FinOps, technology business management, and IT portfolio management.

As technology rapidly evolves, global businesses continue to dedicate significant portions of their revenue to IT. In the U.S., the federal government alone spent \$102 billion on IT in 2024.¹ Across the public and commercial sectors, there are significant untapped opportunities to find greater IT efficiencies and deliver more value.

Organizations are increasingly launching measures to find those efficiencies and decrease spending. All IT financial management goals should include both short-term savings and long-term IT efficiencies. Efforts can include looking for duplicate or inefficient use of resources, application proliferation, and redundancies. Effective IT cost reduction strategies require a careful approach, though, as decision-makers need to avoid interrupting services that are critical to mission delivery and business outcome support.

One of the best ways to strike that balance is to implement better overarching strategies for managing value through IT investments, leveraging critical practices as cloud FinOps, technology business management, and IT portfolio management.

All of these IT financial management practices focus on creating greater IT cost transparency by aligning business, technology, and finance functions to generate the most impact. To drive more value, organizations need to fully understand the short-term savings and long-term efficiencies of each function's strategy.

Untapped opportunities for IT efficiency

\$44.5B in missed cloud savings by businesses per year.²

25% of SaaS budgets are spent on unused or overappint tools.³

30%+ of IT spending goes to unauthorized applications.⁴

¹ Statista, "Federal government information technology expenditure in the United States from FY 2011 to FY 2025, by significance."

² ITPro, "Enterprises are set to waste \$44.5 billion on needless cloud spending this year — the growing disconnect between FinOps and engineering teams is a key factor."

³ Gartner, "Magic Quadrant for SaaS Management Platform."

⁴ Forbes, "Don't Fear Shadow IT: Embrace It."

Cloud FinOps

Cloud FinOps is a discipline that enhances transparency in IT costs. It provides detailed insights into an organization's cloud spending, facilitating discussions among engineering, finance, and business teams to identify and drive spend reductions within the cloud portfolio. This operational framework and culture practice also informs longer-term optimization initiatives and creates greater financial accountability. By integrating cost monitoring into cloud operations, cloud FinOps helps organizations make spending decisions that align with their needs and helps teams address development and engineering backlogs.

Over time, cloud FinOps helps with right-sizing cloud environments either by committing to longer-term cost-saving contracts or ending existing contracts when necessary. For example, that might include identifying situations where data center workloads have been migrated to the cloud without ensuring they're using the optimal resources. It might also involve renegotiating existing savings plans and reserved instances or ending the use of commitment-based discounts entirely.

Building a culture of cost awareness ensures that teams optimize spend continuously—whether by rebuilding applications to create cloud services with a lower cost profile or finding ways to more effectively bridge any gaps between legacy systems and current needs.

Like public cloud services, cloud FinOps is now being applied to private cloud and data center infrastructure scope (Cloud+), providing a holistic view of IT costs across hybrid and multi-cloud environments. With the trend of increased spending in AI, organizations are now looking to provide transparency and cost optimization strategies across AI spend as well.



Organizations can use cloud FinOps to:



Set up anomaly detection services within cloud environments to identify cost reduction opportunities and discover unused resources that haven't been paused or terminated



Review and act on existing short- and longer-term cost optimization suggestions offered by the cloud provider's recommendation service (e.g., AWS Trusted Advisor, Azure Advisor)



Decommission environments and resources no longer in use and find other ways to optimize the existing footprint



Establish budget alerts to track spending across individual services, applications, accounts, or teams



Technology Business Management (TBM)

TBM is an IT cost management framework that generates conversations on IT spend among an organization's business, finance, and technology departments to maximize transparency in IT costs. Facilitated by connecting general ledger entries to IT services and business capabilities, this approach helps achieve IT efficiencies and savings without disrupting essential functions.

TBM can help reduce redundancies in contracts by comparing IT costs to industry benchmarks. It can also identify cost-cutting opportunities by using TBM taxonomy to track IT spending on core IT services, applications, and business capabilities. This crucial transparency on technology spending across agencies and business units helps organizations better understand their IT services and applications costs.

For example, it can help illuminate how much they're paying per user and which investments offer the most value. TBM insights are particularly helpful for reducing spending on unused applications, renegotiating contracts that don't support an organization's most pressing priorities, and identifying contracts that lock an organization into overpaying for IT capabilities.

IT Portfolio Management (IT PfM)

IT PfM is a strategic way to holistically reduce IT spending because it provides an overarching strategy and creates a foundation for sound IT investment management. Effective IT PfM helps ensure that investments are well-managed, align with organizational goals, and use resources efficiently. An IT PfM strategy should be developed in collaboration with key organizational departments that drive IT costs, such as technology, business, and finance. This cross-functional approach ensures alignment with strategic objectives and facilitates informed decision-making throughout the process.

IT PfM can help by identifying risky projects, duplicate capabilities, and non-essential IT services as immediate areas to trim spending. Some quick IT PfM wins might include implementing automated strategies for scoring major investments and performance tracking or implementing cloud FinOps and TBM strategies to provide greater transparency into the organization's cloud and technology spend.

Over time, IT PfM can achieve even greater efficiencies through IT strategies designed to anticipate where the organization is headed. For example, if an organization expects significant additional traffic to its site in the future, leaders might start reviewing all near-term IT investments based on how well they're able to scale—even though that capability might be less important for the next several years.

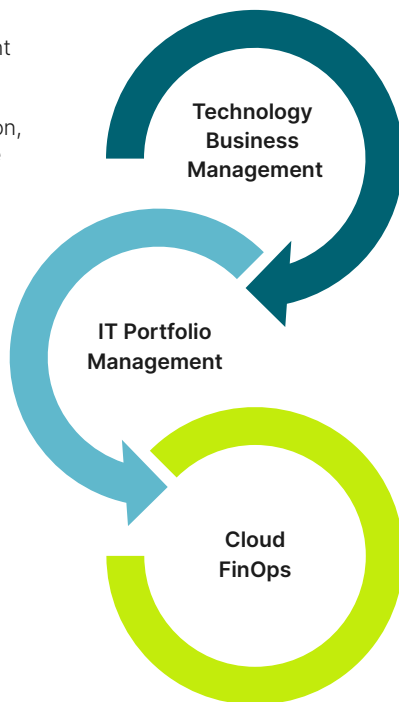
IT cost reduction strategies

The following three approaches all help organizations improve IT cost reduction strategies in different ways. TBM facilitates IT management as a business; IT PfM centers on managing a portfolio of IT investments and projects; and cloud FinOps enhances IT financial management through collaboration and accountability. IT PfM also provides a key rubric for finding IT efficiencies now and reducing inefficiencies in the future. That vital benefit is complemented by TBM and cloud FinOps, which similarly build critical cost transparency practices into technology management and decision-making.

Technology business management provides transparency into IT spending mapped to business capabilities across the organization, informing funding decisions made through IT Portfolio Management

Decisions on allocating funding to the highest value services and reducing resources committed to lower value IT portfolio management process

Cloud FinOps takes advantage of the data provided by public cloud providers to identify efficiencies and reduce spending on cloud service



Getting started

If your organization wants to implement better IT financial management, here are some initial steps to consider:

- 1 Assess the effectiveness of your current IT cost optimization efforts.
- 2 Identify areas of improvement and efficiency using an IT PfM strategy.
- 3 Pilot TBM or cloud FinOps on a key portfolio item.
- 4 Implement both TBM and cloud FinOps strategies more broadly.
- 5 Continuously improve and enhance these practices by leveraging technology such as automation and AI.

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