

A Note From our CEO - Cathy Horst Forsyth

Recent days and weeks have brought much change: the season's first game of Monday night football, the first day of fall, and more recently, the Dow's lowest close since 2020. Times are uncertain at best, and we are seeing the ripple effects across our client base who continue to fight the economic headwinds of inflation, FX risk and earnings pressure with both cost-cutting campaigns and staff reductions.

The good news is that, even during these tough economic times, companies are committed to modernizing infrastructure and continue to invest in technology in support of broader Digital Transformation efforts. Large enterprises continue to capture both performance improvements and cost efficiencies through cloud-enabled and next-generation infrastructure solutions.

Yet at the same time, many large firms are not proactively planning for cloud and other large-scale tech migrations, and as a result, they are spending more than necessary, particularly in the hybrid cloud space. For example:

- Without proper on-boarding controls and approvals, developers, administrators and application owners are subscribing to consumption-based compute resources without proper constraint
- Similarly, LOBs are introducing new applications in the cloud environment, often without the engineering and planning required for optimal performance, and more often than not, without any accurate forecast of projected run costs
- While many IT teams are rigorously focused on retiring, rewriting or re-platforming legacy applications, it often takes longer to migrate legacy applications than anticipated, extending the timeline for dual operating costs, and significantly increasing 'bubble costs'

While some of these challenges may be self-inflicted, external market factors don't make thoughtful economic planning any easier. On the one hand, performance improvements and efficiencies are captured through improved densification and leading-edge private cloud solutions. On the other hand, Cloud Service Providers (CSPs) continue to offer fairly complex pricing models with inflexible commercial terms that threaten to create vendor lock-in over the long term.

Overall, forward progress continues, and as more and more applications migrate to the cloud, Azure, AWS, GCP, and SaaS spend levels are hitting new highs; it's not uncommon for our clients to now be signing multi-year CSP deals for \$500M or more!

At the same time, however, these same companies have committed significant expenses to on-premise DC operations for the next several years. Often, cloud migration can't be completed in time to avoid large-scale refresh in the data center, further complicating the economics of hybrid cloud solutions.

Over the past year, Strongbow has invested heavily in our hybrid cloud practice so that we can help our clients navigate this complex and challenging market. In this quarterly newsletter, Barry Platzman and Alex Petrov walk through some of the most common challenges we see in the market today, and some practical ways IT teams can help navigate these economic headwinds.

As always, if you would like more information on this quarter's issue - drop us a line!



Cathy Horst Forsyth

Team Spotlight - Barry Platzman



Barry Platzman has been with Strongbow since 2015, which means he has done pretty much every job we have to offer. In his current role as the *Managing Director of Engagement Strategy*, Barry is responsible for sales and business development. Barry's favorite part of this assignment is working with clients to solve problems they can't solve on their own, either due to internal constraints or external market conditions. Barry's devotion to his clients and his commitment to driving exceptional results has helped fuel Strongbow's recent growth across all Strongbow service categories. Additionally, Barry has served as an adjunct professor at Baruch college, Zicklin School of Business introducing graduate students to the importance of IT and business alignment. When Barry is not busy working hard for Strongbow's clients, he enjoys reading, playing golf and spending time with his wife and two children in New Rochelle, NY.

FinOps In a Hybrid Cloud World

- Barry Platzman

One of the things I both love and hate about our industry is the extensive use of both acronyms and technical jargon. While I somewhat enjoy clever terms such as SASE (pronounced sassy) and abbreviated combinations of words like DevOps, the acronyms and abbreviations can become too much, especially when they mean different things to different people.

So it is with some trepidation that I am writing about FinOps, one of the industry's latest buzzwords, which certainly does mean different things to different people. Starting with the official definition, given by the FinOps Foundation, FinOps is *"an evolving cloud financial management discipline and cultural practice that enables organizations to get maximum business value by helping engineering, finance, technology and business teams to collaborate on data-driven spending decisions."*

I think that aligns with how most people in industry understand FinOps; it's generally a cloud cost management methodology, ideally supported by a combination of automated tools and executive sponsored governance framework focused on creating shared accountability for cost control. But while enterprises excel at the adoption and proliferation of toolsets, it's the 'management discipline and cultural practice' that cuts most large organizations at the knees, as these don't come naturally, especially when working across organizational boundaries.

"Enterprise customers need rigorous reporting that creates visibility into both spend and savings opportunities"

Indeed, that's where we see most companies struggle – it's in the adoption and execution of cost savings recommendations that are generated by the typical FinOps solution.

Tools produce a myriad of recommendations that do not consider the qualitative aspects of the application and ignore the practicalities of change management. At Strongbow, we prioritize recommendations based on the cost and difficulty to implement by creating an "ROI roadmap" that aligns financial return with change management requirements and commercial structure.

While Reserved Instances (RIs) are typically seen as the most straightforward FinOps practice, aligning the proper time horizon with business plans and appropriate spend commitments requires active collaboration between IT and the LOB – and no tool can accomplish that. But it's not enough to look at future forecasted spend – companies should also plan for future changes in technology as well. For example, it's important to understand how moving to containers will impact future consumption with both primary and alternative CSPs.

In all cases, understanding business context and technical risk is key when implementing FinOps recommendations. Regardless of what tools are used, enterprise customers need rigorous reporting that creates visibility into both spend and savings opportunities – with the insight required to create the accountability required to drive action. Having tools for ‘charge back’ and ‘show back’ are not enough to create accountability. It takes rigorous inspection to get underneath the numbers to understand not only how to control spend, but also how to confirm the ROI for cloud-based investment.

In general, FinOps programs focus on cost management for cloud-based solutions. But unfortunately, this approach completely ignores the challenges that Cathy mentioned in her opening remarks. More specifically, these programs usually neglect the financial management of on-prem resources, including forecasting, optimization, lifecycle management and commercial strategy for traditional storage and compute solutions provided by companies such as IBM, HP and Dell.

Many of our clients have literally thousands of applications across their corporate portfolio (and some can’t even tally the total number of applications in the environment). Given the complexity involved with application rationalization, and the resulting efforts to retire, replace or re-platform applications, the realistic timeline for migration to a steady state hybrid cloud solution is several years, with some companies measuring the ‘journey’ in double-digits.

With that said, on-prem resources will need to accommodate ongoing growth, and refresh programs must be sustained, both to avoid end of life, and to take advantage of the latest technical improvements (for example, improved virtual machine densification and on-premise Storage as a Service). While it may be tempting to ignore on-prem resources because “they are going away” this can only lead to stranded investment and/or tech debt in the future.

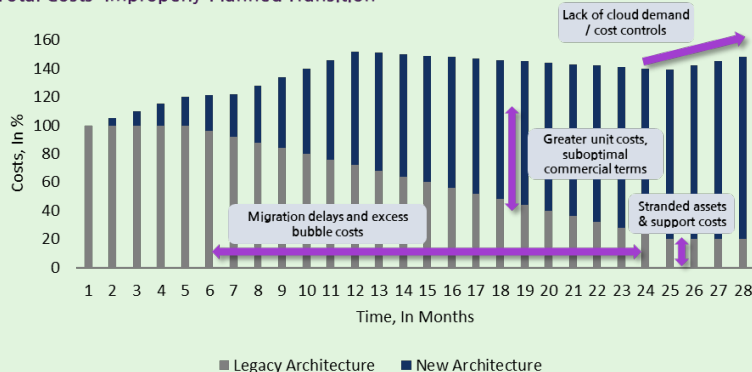
In order to avoid unplanned purchases and overcapacity, we help clients understand the entire landscape, including SaaS, IaaS and traditional on-prem compute resources. In fact, we think legacy DC costs are an important part of any best-in-class FinOps program.

The chart below demonstrates the need to manage cloud and on-prem spend simultaneously in order to mitigate the risk of elongated bubble costs and increasing costs. In fact, some industry research has indicated cloud-based compute will not eclipse on-prem compute until 2025, and enterprises will have to manage both environments for the foreseeable future. Indeed, many of our clients indicate they are roughly 20% to 30% complete with their cloud migration journey, meaning there is a long way to go.

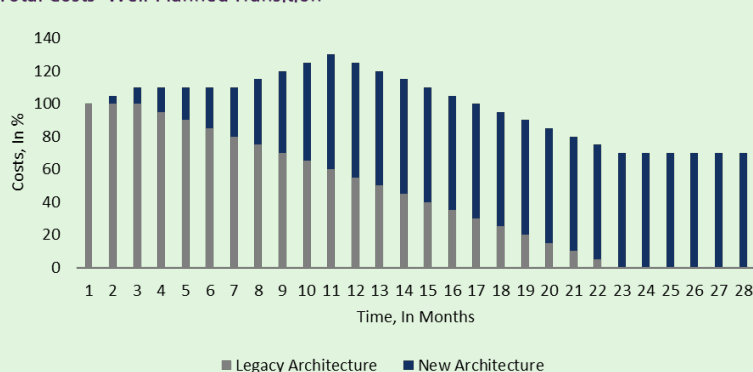
To summarize, when planning for migration to the public cloud, it’s critical to get into the details. This means which applications map to what infrastructure, and what purchase agreements / depreciation schedules govern those assets. This also means understanding the compute forecast for on-prem resources, with sensitivity analysis to account for BAU growth, ongoing optimization and planned migrations to the cloud. And it means digging into legacy data center commercial agreements to determine the best way to consume services – many providers are happy to offer flexible, consumption-based buying models, which is an important complement to the utility-based models offered by today’s CSPs.

When done properly, not only can bubble costs be reduced, but savings from legacy data center infrastructure can be captured to help fund investment in cloud-based technologies. When done poorly, however, dual operating costs and unplanned tech refresh can kill the strongest of business cases. The difference between these two outcomes depends on detailed, proactive financial planning in the beginning, and careful program management throughout the migration period.

Total Costs: Improperly-Planned Transition



Total Costs: Well-Planned Transition



Optimizing Cloud Optimization

– Alex Petrov

There is now a proliferation of cloud expense management tools and managed service providers available in the market: CloudHealth, CloudChecker, Cloudsaver, to name just a few; beyond that, there are the native tools offered by the CSPs themselves. ALL of our customers have at least one tool in place today, and some have many, yet everyone is still struggling to find that single pane of glass to strategically manage cloud performance, security, benefits, and costs. It seems that a lot of the tools do a few things well. Some tools specialize in Azure or AWS, some tools are really good at providing show-back or enabling charge-back and some tools are good at AI-driven recommendations based on past events/utilization.



Yet our customers want more from their tools, including a solid ROI that demonstrates savings & benefit capture, as opposed to savings opportunity. With costly monthly and/or annual subscription costs, most tools don't track actual savings realized. Beyond that, there are other reported shortcomings – here are just a few:

- **Multi-cloud:** More and more enterprise customers are shifting towards a multi-cloud environment leveraging a combination of Azure, AWS, GCP, and SaaS, in addition to “private” cloud. Most tools specialize in one of these cloud environments, leaving the need for tooling to optimize spend across clouds.
- **Forecasting:** Cloud tools are really good at analyzing historical data. But they inherently cannot account for future changes based on changing business requirements, seasonality and other factors that shape future demand. Additionally, tool sets do not provide the actionable plan required to validate and implement recommendations. First, recommendations must be challenged to confirm feasibility, and when that toll-gate is achieved, the implementation plan must be confirmed and approved, often across multiple internal stakeholders.
- **Scenario Analysis:** As customers contemplate transforming applications with new capabilities in the public cloud, there is no automated solution to confirm the financial impact of those potential changes. For example, what are the financial and commercial implications of moving an application to containers?

At Strongbow, our team helps customers fill the gaps left by the market's current tool sets. Our process leverages quantitative data collected from the cloud platform and qualitative analysis of the applications themselves, to help our team of analysts & cloud economists construct thoughtful, actionable recommendations to achieve short-term savings, and avoid longer term vendor lock-in. Not only does this unique analysis identify savings opportunities that AI-driven tools miss, it also creates an actionable implementation plan, including the accountability required to action the plan.

About Strongbow

Leveraging our deep technical and commercial expertise from the Data Center to the Desktop, Strongbow helps Fortune 500 companies plan, build and implement infrastructure modernization plans for improved resiliency and speed to market in today's fast paced digital economy.

Our experienced bench of consultants understand next-generation technologies and legacy technologies, including bespoke configurations and outdated systems. Bridging the gap between old and new is critically important when delivering successful change programs with strong, positive financial returns.

Strongbow is Hiring!

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