Don't Let the Cloud Obscure IT Transparency

Cloud interest has reached an inflection point. Organizations are either on board and already using cloud or assessing its potential.

Business leaders look to the CIO to be the broker of cloud and other IT service providers. But this presents new challenges to all IT leaders, even those who have already achieved IT transparency across their portfolio of products and services. Instead of taking a step in the wrong direction in this new cloud era, proven IT financial management strategies, if used correctly, will empower IT leaders to succeed amidst these new challenges. This technology dossier examines the challenges of cloud transparency and sets out a roadmap for bringing performance and financial management practices to shared services organizations.

Shining a light on cloud costs

The cloud era makes it easier to provision and deliver IT services. But when it comes to delivering ROI, creating meaningful budgets, producing understandable IT products and services, or simply sending out an invoice to internal customers, the cloud is actually complicating the long-standing challenge of IT financial management (ITFM) and transparency.

New services such as cloud and DevOps are viewed as key enablers in the effort to meet increasing demands for enterprise agility and competitiveness. Enterprises continue to migrate toward cloud as they seek more cost-effective and more agile alternatives for delivery of IT resources. According to the "Computerworld Forecast 2015," 76 percent of enterprises have moved at least some data, infrastructure and/or applications to the cloud.[1]

Business leaders view this as an inevitable trend. In *CIO*'s "State of the CIO—2015," **59 per-cent of business leaders surveyed view the CIO role becoming that of cloud wrangler**, mostly orchestrating various IT service providers (Figure 1). In that same survey, CIOs most frequently cite optimizing the organization's business process as the business initiative most significant in driving IT investments.

But as organizations grow and utilize more shared environments, they often lose visibility into their technology expenditures across the enterprise, thereby making it more difficult to measure their effectiveness in meeting those priorities or to optimize resource utilization. Hence, the taking a step backward problem referenced above.

It's even more imperative for IT to deliver comprehensive data about the cost and effectiveness of cloud-based IT operations, including and especially those being run directly by business units. IT faces new difficulties in tracking and reporting usage and demand for IT resources as cloud services proliferate. Often these
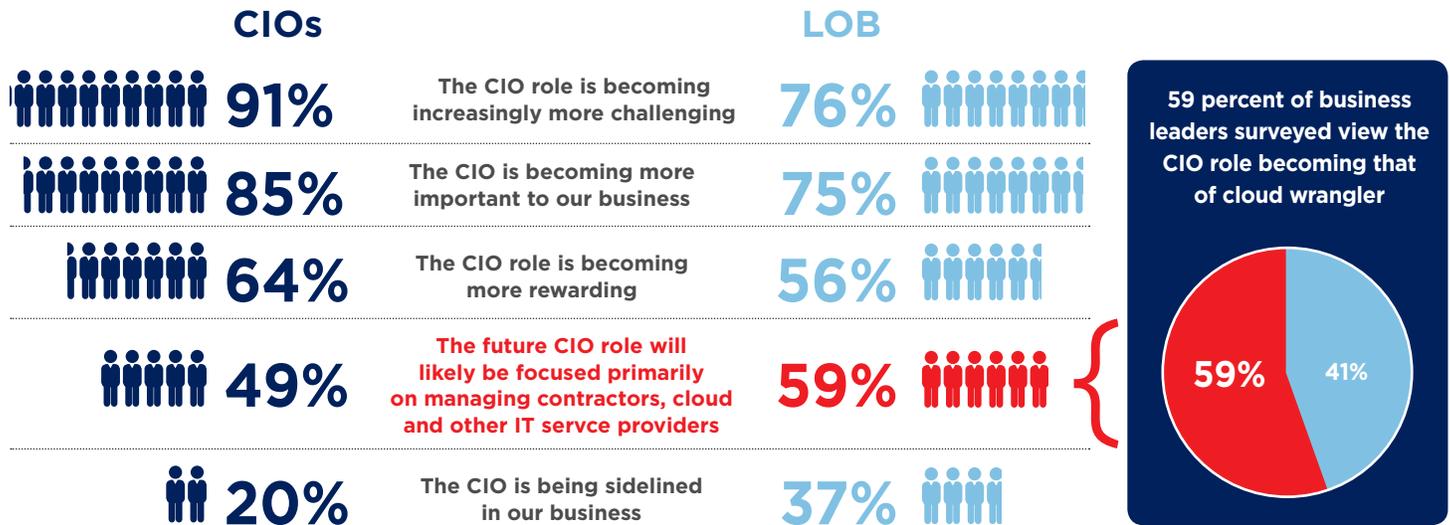
Figure 1. Business Stakeholders View CIO Role Differently

CIOs		LOB
91%	The CIO role is becoming increasingly more challenging	76%
85%	The CIO is becoming more important to our business	75%
64%	The CIO role is becoming more rewarding	56%
49%	**The future CIO role will likely be focused primarily on managing contractors, cloud and other IT servce providers**	59%
20%	The CIO is being sidelined in our business	37%

59 percent of business leaders surveyed view the CIO role becoming that of cloud wrangler

59% / 41%

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>
> **David Linthicum**
> Columnist
> *InfoWorld*

are a result of interlocking relationships between multiple cloud providers.

"There are even clouds built on clouds that in turn build on clouds," *InfoWorld* columnist David Linthicum observed[2] recently. He notes that while IT has been building complicated nested solutions, they "typically used tightly coupled software systems, such as storage, databases, processes, and security. What's new here is that the systems are loosely coupled and widely distributed as remote cloud services."

Lack of transparency leads business departments to circumvent IT provisioning processes, exacerbating a phenomenon often referred to as "shadow IT" or "rogue IT." "Compared to the lengthy, weeks- or months-long painful process that typifies infrastructure provisioning in legacy environments, cloud provisioning is virtually friction-free: from initial request to instance availability is mere minutes," writes CIO columnist and cloud computing authority Bernard Golden.[3]

Overcoming the challenges with cloud transparency

Understanding how technology products and services are consumed by internal business units is crucial for ensuring the business is taking advantage of the most cost-effective and value-added

services. Without such understanding, the ability to chargeback the cost or assign accountability to those who are actually using those IT products and services is virtually impossible.

Lack of cloud usage transparency also weakens an enterprise's ability to negotiate the best terms from its vendors. In the cloud market, the difference between demand pricing and committed pricing can be substantial. Owen Rogers, an analyst with The 451 Group, which has developed a Cloud Price Index to track changes in total cost of ownership of cloud services, writes that "best case" pricing for committed services dropped 12 percent from October 2014 to July 2015, while demand pricing dropped just 2.25 percent.[4]

This type of challenge is similar to what many organizations overcame in the last decade as they struggled to gain control of telephony costs, particularly as mobile phone and mobile data use exploded. Collecting the necessary data, properly tying usage to expense, allocating the expenses internally, and delivering internal call accounting information was perceived as time-consuming, labor-intensive and nonstrategic. But call detail processing and chargeback, if done correctly, has always been a popular solution for showing internal users how much they are spending on voice, data and wireless technologies. The same acumen can be applied to cloud-based services.

Automating costing, budgeting and forecasting, consumption reporting and demand management capabilities is essential to analyzing and managing IT costs and the value of services delivered. But that may be even more difficult due to differences in the way providers account for their cloud services delivery.

"If a company is using Amazon Web Services, Microsoft Azure and IBM Cloud Services, each one provides billing data differently, so it's difficult to get a holistic view across all vendors," said Bob Svec, SVP of ComSci and PowerSteering product lines at Upland Software. "ComSci can normalize the data across all the cloud providers and deliver various views across all vendors and lines of business. This also enhances an enterprise's contract negotiations as they can leverage information from all vendors."

One company that lacked visibility into charges billed by Amazon Web Services (AWS) turned to Upland Software and its IT financial management application, ComSci, to resolve that issue and gain visibility into all the cloud vendors used across the enterprise. ComSci now provides a cloud service that captures the company's AWS billing details on a daily basis, normalizing the data and providing detailed reporting by application, by line of business and other categories. The ComSci service also generates an accounts payable file to process the bill for payment and a chargeback file to assess costs out to the applicable business units that utilized the AWS cloud services.

ComSci is one of the only ITFM solutions that can handle the sheer volume of data that cloud service providers output on a regular basis. ComSci also operates at a transactional level with data, empowering organizations to not only gain insight at a high level but also to get into the weeds when nec-

essary and view detailed transactional data. Lines of business within an organization will be able to make better decisions with detailed billing records from every cloud provider.

For many enterprises, the intermingling of cloud and on-premise resources in a hybrid environment further complicates transparency into usage, demand and consumption. According to research firm IDC,[5] "More than 65% of enterprise IT organizations will commit to hybrid cloud technologies before 2016, vastly driving the rate and pace of change in IT organizations."

Success through cloud transparency

The CIO role has changed. CIO's "State of the CIO" survey found 72 percent expect that within the next three to five years they will become more focused on business strategy, compared to today, where 52 percent are focused on transformation and 22 percent are focused on functional issues. Obviously, this new business strategy focus will include cloud. CIOs must adopt methodologies to provide transparency and in order to succeed in this new cloud era. But it will be difficult to make that transition if IT is unable to prove that it is getting the best value for IT expenditures in a way that allows more resources to be spent to improve efficiency and drive innovation.

The ability to efficiently manage and optimize cloud services is a critical aspect of managing IT like a business. ITFM transparency initiatives can demonstrate how IT is improving its collaboration with financial management and business consumers.

For more information on implementing true IT cost transparency, please visit www.comsci.com.

[1] Computerworld; Forecast Study 2015

[2] Infoworld; David Linthicum; www.infoworld.com/article/2968412/cloud-computing/clouds-on-clouds-on-clouds-the-new-it.html

[3] CIO magazine; www.cio.com/article/2934733/cloud-computing/cloud-computing-has-its-jevons-moment.html

[4] The 451 Group; Owen Rogers, "Does a cloud price war risk providers' profits?" July 14, 2015

[5] IDC; www.idc.com/getdoc.jsp?containerId=prUS25350114