

Financial and economic considerations for cloud migration

Aligning with key financial stakeholders on cloud migration



Getting cloud buy-in from your CFO

Aligning with the CFO and finance team and securing their buy-in is crucial for developing a successful cloud migration strategy.

Their support helps accelerate cloud migration and enables you to stay agile as a business – adjusting to rapidly shifting resource demands while maintaining a lean cost structure.

Support from finance is especially important now, as many organizations may be dealing with constrained IT budgets and must find ways to operate efficiently through cost reductions, optimized investments, and improved cash flow.



“Migration to the cloud was more about the mindset in the organization and that transformation we needed to do in IT to become the driver of change in the company instead of maintaining the old. A big part of the migration was to reinvent the digital for the company.”

Mark Dajani, CIO
Carlsberg Group

Gain the buy-in of finance stakeholders by explaining the technical benefits and financial opportunities that cloud migration offers:

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Optimizing datacenter usage and costs

2



Maximize cost savings with flexible cloud infrastructure

3



Improve financial KPIs and metrics

4



Gain ongoing recommendations for cost optimization

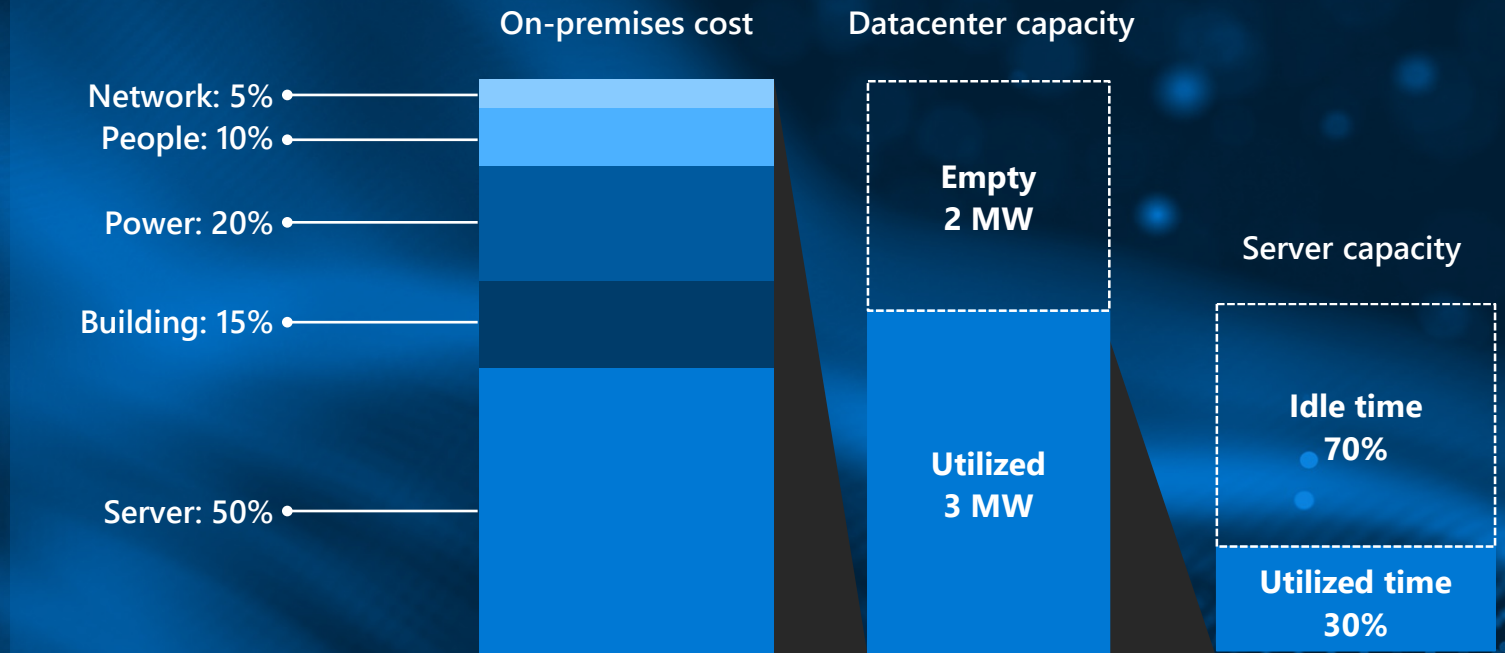


Optimizing datacenter usage and costs

Wasting resources is something every CFO wants to avoid, and it's typical for on-premises datacenters to utilize only a fraction of their allotted capacity.

With a capital expense (CAPEX) model, it's common for organizations to use roughly 60% of their datacenter capacity for daily operations, and only 30% of server capacity. While having excess capacity is critical, it still means paying for unused infrastructure.

With an operational expense (OPEX) model, the cloud allows you to create resources as needed, and only pay for what you use. This helps free up excess capacity, thanks to reduced lead time for deploying resources and greater elasticity for infrastructure.



Typical datacenter cost structure and utilization pattern

On-premises – CAPEX model

On-premises datacenters are frequently overprovisioned for usage peaks, resulting in under-utilized capacity and excess spending.

Cloud – OPEX model

The cloud model enables you to provision what you need, and only pay for what you use.



Maximize cost savings with flexible cloud infrastructure

The cloud can help eliminate the need for upfront investments in infrastructure with its built-in flexibility and elasticity, which allows for more efficient utilization of IT resources. This frees up funds that can be used for business-critical projects. It also empowers finance teams to shift to a variable cost structure, which can improve an organization's bottom line and simplify finance operations.

Simplify and optimize your financial operations model



Balance sheets become more agile

Shift investments from fixed assets to app modernization projects to drive innovation and growth



Cash flow statements show immediate savings

Moving datacenter operations to the cloud helps avoid cyclical and sporadic IT asset purchases

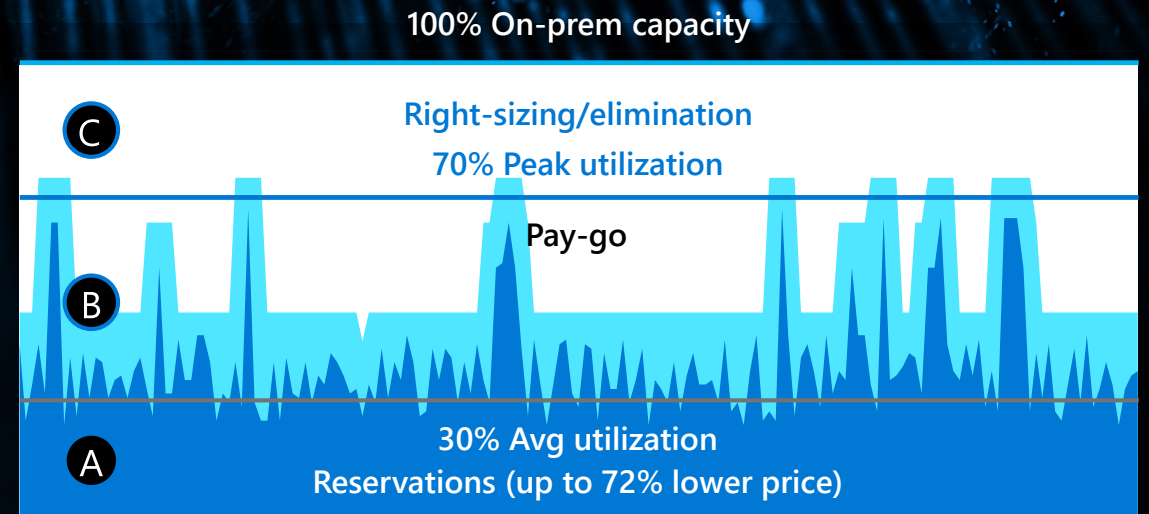


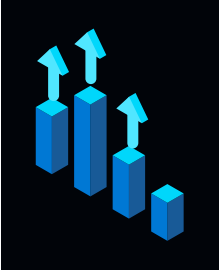
Income statements show improved profitability over time

Reduce time and money needed to deliver IT value with the scalability and flexibility for resources

Adopt a more flexible and elastic financial posture

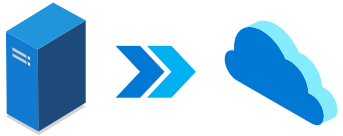
- C** Maximize efficiency with right-sizing, which allows users to consume resources during peak usage periods and reduces capacity when demand drops
- B** Be flexible with pay-as-you-go models that allow you to purchase additional cloud resources exactly when you need them
- A** Reduce operating costs in Azure by taking advantage of Azure Hybrid Benefit and Reserved Instances (RI)





Improve financial KPIs and metrics

The cloud provides many financial benefits that can improve key performance indicators (KPIs), metrics, and processes used by finance teams, which can positively impact financial statements. Understanding and highlighting the symbiotic relationship between cloud migration and these metrics helps to proactively set expectations with CFOs and align on financial targets in a cloud vs. on-prem world.



Shift from CAPEX to OPEX

Moving from on-premise IT infrastructure to the cloud, shifts capital expenses to operational, which allows CFOs to optimize cash flow and gain more flexibility in how they balance the company books. By reducing the costs of maintaining high overhead, organizations have more cash on hand for critical projects.



Shift away from EBITDA¹

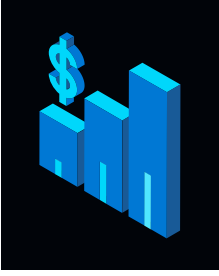
Migrating to the cloud means that EBITDA can no longer ignore real costs, like server depreciation, which enables CFOs to use additional financial metrics that offer a more realistic measure of business value improvements, such as cash flow, operating income, or cost of goods sold efficiency.

¹Earnings Before Interest, Taxes, Depreciation, and Amortization



"We wanted to eliminate \$3 million (USD) in capital costs over about three years, and to reduce our operating costs by approximately the same amount. At the same time, we wanted to improve our quality of service. With Azure, we're confident about meeting these goals."

**Jim Slattery, Chief Financial Officer
Capstone Mining**



Gain ongoing recommendations for cost optimization

While there are immediate benefits like simplifying financial metrics and reducing costs, success in the cloud is often defined by what steps are taken after migrating.

Sharing post-migration best practices with finance teams helps to ensure ongoing cost savings and return on investment (ROI).

Once your workloads are in the cloud, here are some proactive steps to ensuring optimal cost savings and benefits.



CFOs, financial stakeholders, and IT personnel should reach full alignment on everything from when to buy new on-premises assets to reducing on-premises asset acquisitions



Use Azure resource tagging and spend categorization to help increase spend accountability, while evaluating workload ROI



Clean-up unneeded resources, and consider how to right-size and optimize existing workloads



Leverage the different Azure billing models and competitive pricing to save money



Leverage tools like Azure Advisor and Azure Cost Management to continuously optimize costs and establish processes for monitoring resource usage patterns



Take advantage of existing licenses and Azure Hybrid Benefit to avoid incremental costs and maximize previous investments

Starting the conversation

By understanding and explaining how cloud migration can help improve, simplify, and support financial operations, you can drive strategic alignment between IT and finance teams and position your organization for success in the cloud.

Here are some resources you can adopt today to help kickoff the conversation with your CFO and finance stakeholders and loop them into the cloud migration discussion



Explore the [Microsoft Cloud Adoption Framework](#), which provides a proven methodology around aligning your organization to a common vision and approach



Leverage cost-saving offers and calculators like the [Azure pricing calculator](#) and [Azure TCO calculator](#), to help you better plan and prepare for migration



Join the [Azure Migration Program](#) to get the guidance and expert help you need at every stage of the cloud migration journey. Migrate infrastructure, databases, and apps—and move forward with confidence