eBook

Ready to run: A guide to assessing AI readiness for FinOps

CLOUDBOLT
The cloud ROI company ™

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Overview

For any modern technology leader, it's easy to get caught up in the glitz and glamour of generative AI tools that have taken business by storm. With their transformative capabilities at everyone's fingertips, it's no wonder AI is the talk of the town (and your LinkedIn feed). Yet, as any seasoned FinOps leader knows, not all that glitters is gold.

A recent McKinsey Global Survey on AI reveals a sobering truth: only about 10% of companies struck real value in their 2024 profit and loss from their gen AI efforts. This finding highlights an often-overlooked reality that the most impactful AI applications tend to work quietly behind the scenes, strategically targeting key challenges to deliver substantial business value.

Not as flashy, but far more useful. For FinOps leaders, this is where the real treasure lies.

AI's true role in FinOps efficiency

At its core, FinOps is a big data problem: managing large volumes of information to derive actionable insights and ultimately reduce waste. As a result, the best use of AI in FinOps is in addressing these fundamental issues and optimizing complex, data-driven decision-making.

Take the challenge of determining which cloud environment offers the best economic value for a new application. This process often involves analyzing numerous variables—from pricing models to performance metrics—and can consume significant time and effort from FinOps teams.

Now, imagine a future where AI handles 80% of this analysis, leveraging real-time telemetry and context-aware decision-making to align with business priorities. How much more could this free your FinOps team to work on high-impact initiatives?

Unfortunately, as it currently stands, FinOps teams are bogged down with too much toilsome and manual activity to even begin focusing on high-value activities that drive innovation and efficiency. AI presents an opportunity to break free from this cycle and unlock true ROI in the cloud.

In this guide, we'll explore the four pillars of AI application, provide guidance on assessing your organization's AI readiness, and help you navigate the decision to build or buy AI solutions. By the end of this journey, you'll be well-equipped to harness the power of AI in FinOps and drive meaningful change in your organization.

The four pillars of AI application

AI solutions can be categorized into four key pillars of application: Descriptive, Diagnostic, Predictive, and Prescriptive. Below is an overview of each and their unique roles and contributions.

1. Descriptive

What happened?

Description

These AI solutions offer intuitive interfaces for querying complex data, context-aware search capabilities, and proactive notifications, enabling teams to quickly understand "what happened" in cloud environments.

Benefits

Improves data accessibility, offers better visibility into cloud spending, and accelerates the understanding of cost patterns.

Real-life example

Chatbot instantly answers "Which department increased cloud spend the most this quarter?" through natural language queries, eliminating manual report creation.

2. Diagnostic

Why did it happen?

Description

By leveraging AI for anomaly detection, pattern recognition, and dynamic data visualization, these tools delve deep into cloud cost and performance data to uncover the reasons behind specific events or trends.

Benefits

Reduces false-positive alerts, speeds up problem resolution, and supports data-driven decision-making for stakeholders.

Real-life example

AI identifies unnecessary Kubernetes cluster auto-scaling during off-hours as the root cause of a 25% cost spike, pinpointing misconfigured scaling policies.

3. Predictive

What is likely to happen?

Description

Analysis of historical data and current trends to forecast future cloud costs, resource needs, and potential issues, offering multi-variable scenario planning and resource optimization pathways.

Benefits

Enhances budget planning and cost management, accurately models potential cost impacts from architectural changes, and improves capacity planning.

Real-life example

AI forecasts 38.6% increase in Kafka costs based on historical holiday season patterns, and notifies all owners of the service with retail applications.

4. Prescriptive

What should be done?

Description

Leverage contextual data, including proprietary pricing and utilization information, to drive intelligent decision-making in cloud environments, such as actionable recommendations for optimizing cloud costs or workload placement resource allocation.

Benefits

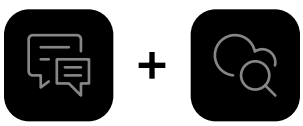
Provides automated cost optimization recommendations, infrastructure adjustments, and helps establish organization-wide FinOps best practices.

Real-life example

AI designs an off-hours downsizing plan for underutilized instances based on usage patterns, implementing cost guardrails without manual intervention.

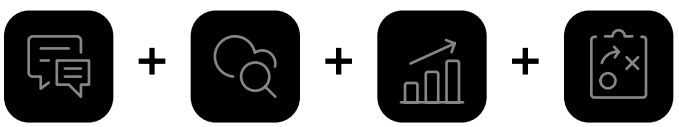
Combining AI applications

Each AI pillar brings unique advantages, but their real transformative power emerges when used in tandem. When descriptive insights lead to diagnostic clarity, followed by predictive foresight and prescriptive actions, FinOps teams gain a complete, strategic toolkit to make impactful, cost-saving decisions. Here's how combining different pillars can elevate operations:



Descriptive + Diagnostic: Imagine receiving an AI-generated summary email that highlights resources in an anomalous state during a recent cost spike. This pairing combines Descriptive AI (what happened) with Diagnostic AI (why it happened), providing essential context around an incident.

Descriptive + Diagnostic + Prescriptive: Now, take it a step further. An AI-generated summary identifies resources in an anomalous state and suggests potential actions to resolve the issue. Here, Prescriptive AI (what should be done) is added, guiding FinOps teams toward actionable next steps.



Descriptive + Diagnostic + Prescriptive + Predictive: At the highest level, AI not only identifies the anomaly and suggests a solution but also predicts the potential cost implications of implementing these changes. With this level of insight, FinOps can proactively manage costs, leveraging AI's full suite of capabilities to make strategic, cost-saving decisions before issues escalate.

Getting started: Assessing AI readiness

Before diving into AI adoption, assess your FinOps practice's readiness across several key areas. This process helps solidify foundational elements, minimize risks, and set the stage for a successful AI journey.

The following readiness categories—**Value, Data, and Operational**—should be addressed in sequence to provide a complete picture of your organization's AI capabilities.

1. Value readiness: Establishing the "why"

This category ensures that AI implementation aligns with strategic goals and delivers meaningful value. It's about understanding why AI is the right choice and the specific problems it will solve.

Assessment questions

Problem definition and impact

- Do we have a clearly defined problem statement with measurable impact? (Y/N)
- Can we articulate the specific business outcomes we aim to achieve? (Y/N)
- Is the impact (financial or non-financial) significant enough to justify AI investment? (Y/N)

Alignment and evaluation

- Does this align with our broader strategic objectives? (Y/N)
- Have simpler solutions (e.g. automation, statistical analysis) been evaluated? (Y/N)
- Does AI provide significantly better outcomes than simpler solutions? (Y/N)

ROI considerations

- Is the projected ROI timeline realistic (e.g., less than 24 months)? (Y/N)
- Are clear success metrics and KPIs defined? (Y/N)

CloudBolt considerations

Partnering with Product, DevOps, and Procurement teams can streamline this process, as they may already have frameworks in place. By leveraging existing internal processes and aligning them with FinOps goals, you can avoid redundancy and directly connect AI solutions to business outcomes. This cross-functional collaboration helps clarify organizational goals and aligns AI initiatives with strategic objectives.

2. Data readiness: Assessing your data

Once clear on AI's value, the next step is to assess whether your data is ready to support AI initiatives.

Assessment questions

Data availability and quality

- Have all required data sources been identified and are they accessible? (Y/N)
- Is the data quality adequate, and is it properly normalized across sources? (Y/N)
- Do we have sufficient historical data for training purposes? (Y/N)

Data operations and infrastructure

- Are data pipelines automated and reliable? (Y/N)
- Is there a clear plan for data maintenance and governance? (Y/N)
- Do we have appropriate data security controls and architecture? (Y/N)

CloudBolt considerations

To ensure data readiness, leverage the FOCUS specification to normalize cost and usage billing data across clouds. Standardizing multi-cloud billing data with FOCUS enhances data quality, creating a reliable foundation for AI-driven FinOps operations.

3. Operational readiness: Preparing your organization

After establishing value and ensuring data readiness, it's time to evaluate whether your organization is operationally prepared for AI.

Assessment questions

Organizational and technical support

- Do we have the required AI/ML expertise? (Y/N)
- Is our infrastructure ready for AI deployment, including development environments? (Y/N)

Terms and change management

- Is there a clear plan for maintenance, support, and change management? (Y/N)
- What training or skills development is needed for the team? (Y/N)

CloudBolt considerations

Establishing an AI Center of Excellence (CoE) can be a powerful step toward operational readiness. A dedicated CoE centralizes AI expertise, fosters team collaboration, and streamlines best practices. This approach builds essential infrastructure, aligns AI initiatives with strategic goals, and equips your FinOps team with the support needed for successful AI deployment.

From readiness to action: What's next for your FinOps AI journey

If you've answered "yes" to all the questions above, congratulations—your FinOps practice is ready for AI adoption! You can confidently make your business case to stakeholders.

For those not fully ready, don't be discouraged—there is still a way forward. Depending on factors like risk tolerance, innovation goals, and adaptability, you may consider partnering with third-party vendors to fill in any gaps. This essentially accelerates your journey by leapfrogging over all the technical hurdles to AI implementation.

That said, buying alone won't guarantee success. You still need clear goals, robust data governance, and the capacity to effectively integrate and manage the solution. The key is identifying where vendor solutions can address gaps and where internal capabilities remain essential. For instance, while a vendor might manage the technical aspects, your team will still need to set business goals, define success metrics, and oversee the partnership.

Build vs buy framework

Of course, the option of building your own AI capability is always there. If you're weighing whether to build or buy, here's a quick framework to gain clarity:

Choose build when:

- The problem is unique to your business and offers a competitive advantage.
- Your team has strong data science capabilities and a desire for full control.
- You need significant customization that vendors can't offer.
- You anticipate long-term scalability needs that justify the investment.

Choose buy when:

- The problem is common across industries (e.g., forecasting, anomaly detection).
- You need to move quickly and show results.
- Your team lacks specialized AI expertise.
- Vendors provide proven solutions that meet most of your requirements (80% or more).

Regardless of your choice, ensure the following essentials are in place:

- **Clear success metrics and KPIs** to gauge effectiveness.
- **Basic data governance and quality standards** to maintain integrity.
- **A sufficient budget** to cover the full solution lifecycle.
- **Executive sponsorship and stakeholder support** to drive adoption.

In many cases, purchasing an AI solution can be the more efficient and effective path, especially when time-to-value is critical. Off-the-shelf solutions provide immediate benefits, enabling FinOps teams to quickly optimize processes and focus on high-value strategic initiatives.

Conclusion

Many organizations feel tempted to adopt AI for AI's sake, chasing trends without evaluating whether it aligns with their strategic goals or adds genuine value. This approach risks wasted resources and incurs environmental and operational costs. Instead, AI should be applied thoughtfully and pragmatically—targeted at areas where it can truly deliver outcomes beyond what traditional methods could achieve.

By taking a strategic approach to AI adoption, FinOps teams can move beyond maintenance mode to focus on initiatives that drive lasting impact. The future is here, and it's ready for those prepared to run with it.

Ready to take your FinOps to the next level?

CloudBolt's Augmented FinOps platform is designed to help you harness the full potential of AI in your cloud cost management strategy. Discover our solutions and see how we can support your journey.

Explore Augmented FinOps **Schedule a demo**

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