



Azure Essentials: Cost Efficiency Series

# A Cloud Migration Guide for Financial Leaders

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# Introduction

Digital transformation is a business initiative to incorporate digital technology and AI to modernize an organization's processes, products, operations, and customer experience to enable continual innovation and competitive advantage. It's become a business imperative that finance teams now must learn to adapt and manage.

What is the cost to implement? What is the potential payback and how fast will we see it? What are the risks? How does transforming impact the business model? How does it competitively position us? How does it change the way we operate, and will it make financial governance easier or more complex?



Migrating to the cloud brings up an additional set of considerations with new ways to maintain visibility of your costs and then budget for, allocate, and control those costs. The immediate visibility of cloud spending can enhance your ability to predict, measure, and report financial status and optimize your cloud investments to yield the highest return and support strategic initiatives.

## Migration motivations

Before you can answer any of these questions, first understand why your organization needs to transform. Below are the most common reasons organizations choose to migrate to the cloud:



**Innovation** – The cloud offers access to intelligent insights and advanced AI technologies, unlocking new opportunities for value creation and business growth. It enables the development of innovative solutions that enhance customer satisfaction and strengthen your competitive advantage.



**Scalability** – The cloud allows your organization to take advantage of its variable cost model to automatically increase or decrease capacity allocated to a workload based on demand. This ability enables agile iterative planning and enhances cost optimization by avoiding underutilized capacity during low-demand periods and poor performance during periods of high-demand.




**Availability** – The cloud allows your organization to achieve resiliency and high availability of your workloads to avoid disruptions and ensure business continuity. Lower the cost of site recovery and meet compliance and regulatory needs for critical workloads.



**Sustainability** – Migrating your IT infrastructure to the cloud can have an impact on your sustainability goals. Moving to the cloud presents the opportunity to reduce overall IT consumption of energy and related carbon emissions.



**Security** – Moving to the cloud allows you to safeguard your data, endpoints, and identities with industry-leading threat intelligence and advanced security tools. Simplify your security operations with seamless, end-to-end protection that reduces costs and boosts productivity.

A woman with dark hair and glasses is shown in profile, holding a tablet. She is standing in front of a server rack with glowing blue lights. The background is a dark, blue-toned environment, possibly a data center or server room.

### Understanding migration costs

The next step is to familiarize yourself with and understand the potential costs associated with migrating to the cloud. Below is an outline of some possible cost considerations:

- **Infrastructure costs** – Without the need for on-premises servers, your long-term infrastructure costs should lessen as you move resources to the cloud.
- **Moving data to the cloud** – Depending on your service provider(s), the amount of data and transfer speeds involved, you can incur data transfer costs. Some providers offer inbound data transfer for free.
- **Workload refactoring** – Existing applications may have to be redesigned or reimplemented to achieve optimal performance in the cloud. Some of those costs may be balanced by the ability to retire legacy applications.
- **Reskilling and new talent** – New technical skills and new processes may be needed to achieve optimal efficiency. But the skilling needed for cloud is simpler as much of the management on cloud becomes automatic. Budget for training on new systems and for managing the organizational changes that come with cloud migration.
- **Costs in the cloud** – While there will be ongoing costs for usage, monitoring, and optimization in the cloud, these expenses are typically lower than the upfront costs associated with infrastructure ownership, upgrades, and maintenance.

**Understanding cloud migration costs with Azure Migrate and Modernize.**



## Managing financial shifts

Cloud computing operates with resources and services available on-demand, and IT spend fluctuates based on consumption. A cloud migration shifts your expense structure away from capital expenditures (CAPEX) to operating expenses (OPEX).

Therefore, OPEX is a variable expense rather than a one-time expense. These expenditures are flexible, and on-going. Charges occur in real time, and you will need to learn how to gather usage data, define metrics for cost, utilization, and reporting.

When your IT spending becomes an operational cost, you can make quick adjustments to remain agile and responsive to seasonal fluctuations, changing market conditions, and customer demands.

With OPEX you're substituting upfront costs and cost-of-ownership for flexibility, scalability, and an immediate view of expenses. You can get a better breakdown of your costs, right down to individual customers, products, workloads, business teams, and employees, providing a more complete picture for budgeting, allocation, and future optimizations.

Your initial reaction might be, "How can I manage that kind of spending?" Don't worry—adopting best practices like FinOps can empower you to take a collaborative approach to cloud IT spending. By fostering financial accountability and transparency, your organization can ensure your cloud investments align with long-term business goals and operational efficiency.

## What is FinOps?

“FinOps is an operational framework and cultural practice which maximizes the business value of cloud, enables timely data-driven decision making, and creates financial accountability through collaboration between engineering, finance, and business teams.”

FinOps definition by FinOps Foundation  
Technical Advisory Council

### How FinOps supports an efficient cloud migration

- **Organizational and cultural alignment:** FinOps promotes a culture of financial accountability, ensuring your cloud migration aligns with long-term business value and efficiency.
- **Cross-functional alignment:** Collaboration between finance, engineering, and operations is fostered by FinOps, aligning cloud strategies with business objectives to balance innovation and financial responsibility.
- **Understanding costs and usage:** FinOps offers clarity on cloud service lifecycle costs, enabling informed decisions on scaling and resource allocation.
- **Governance, accountability, visibility:** FinOps helps ensure that cloud investments are tracked, optimized, and aligned with cost efficiency through governance and visibility into usage.
- **Rate optimization:** FinOps can help secure optimal rates for cloud services, minimizing costs while maintaining performance.
- **Quantify business value:** FinOps provides insights, helping businesses prioritize high-return cloud migration projects.
- **Continuous monitoring and optimization:** FinOps calls for the optimization of cloud services, ensuring efficient spending and alignment with evolving business needs.

[FinOps Framework](#) by [FinOps Foundation](#)

### FinOps Framework at a glance

FinOps is cloud agnostic and based on best practices identified and codified throughout the industry. The FinOps Framework by the FinOps Foundation encompasses a comprehensive set of ideas and best practices designed to maximize cloud value. The core components, of the FinOps Framework encompasses a comprehensive set of ideas and best practices designed to maximize cloud value. The core components, of the FinOps Framework are:

- **Principles:** FinOps principles act as a north star, guiding the activities of your FinOps practice.
- **Personas:** Personas represent broad stakeholder groups that must collaborate, not individual people. Each has an important part to play in supporting FinOps.
- **Phases:** FinOps is adopted by working iteratively on the Framework capabilities through three phases: Inform, Optimize, and Operate.

- **Maturity model:** A “Crawl, Walk, Run” approach to performing FinOps enables organizations to start small, and grow in scale, scope, and complexity as business value warrants maturing a functional activity.
- **Domains:** The domains of the FinOps Framework describe the fundamental business outcomes organizations should achieve from the FinOps practice.
- **Capabilities:** The capabilities of the FinOps Framework represent functional areas of activity in support of their corresponding FinOps domains.
- **Scopes:** A segment of technology-related spending that expands the capabilities to another scope of cost and usage data beyond the public cloud, such as SaaS or datacenter infrastructure.

Together, these components form a robust framework that helps organizations achieve financial accountability and efficiency when migrating to the cloud, ultimately driving business value and sustainable growth.

### Advance your FinOps practice on Azure

#### Solutions



Explore the range of Microsoft products and services designed to bolster your efforts in implementing FinOps best practices.

#### Review assessment



Use FinOps guidance to assess your organization’s capability gaps. Get recommendations for maximizing cloud business value using FinOps best practices.

#### Interactive guides



Gain hands-on experience with Microsoft solutions that enable various FinOps capabilities and best practices.

#### Training



Gain a fundamental understanding and develop practical skills for adopting FinOps on Azure with Microsoft Learn content.

#### Documentation



Find technical documentation and guidance to help make informed decisions and follow FinOps best practices.

#### E-book



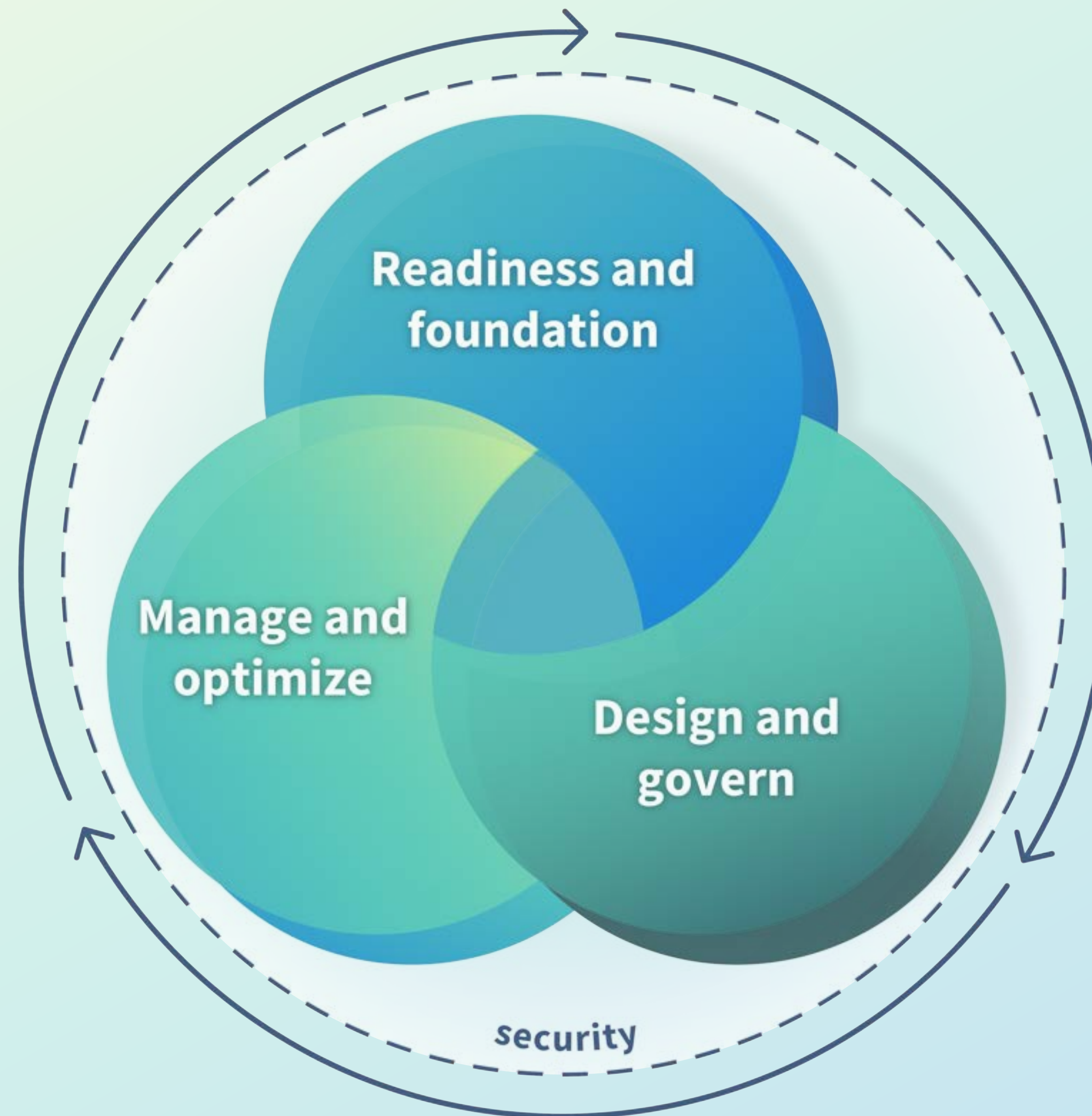
This e-book guides you through the FinOps principles to highlight Microsoft solutions that can support your cloud journey.

# The successful cloud migration journey



Finance teams play a crucial role in ensuring a cost-efficient migration by monitoring expenditures and aligning investments with the organization's financial goals.

However, cloud spending is a shared responsibility that involves multiple teams. To streamline the migration process, we have organized the journey into three critical phases, each requiring active finance involvement and oversight to ensure success.



In the next sections, we will cover the considerations, best practices and solutions available for each phase to help ensure a cost-effective cloud migration.

## Readiness and foundation

In this phase, it is essential to establish a strong foundation by gaining a thorough understanding of cloud costs and proactively preparing your team. This approach minimizes waste, maximizes return on investment, and sets the stage for a smooth and successful migration.

### Understand costs and plan migration

The first step in preparing the finance team is to gain a clear understanding of how cloud costs operate and to explore the **resources, tools, and solutions** available to support the migration journey.

Microsoft offers a range of pricing options that can significantly reduce your overall spending. To get started, it's important to understand the differences between pay-as-you-go and commitment-based discounts. Familiarizing yourself with these **pricing options** will enable your team to identify valuable savings opportunities down the road.

As your IT team develops the migration plan, introduce them to **Azure Migrate**. This is a valuable solution that can help easily identify and gather details about your infrastructure, map dependencies, and estimate costs for various scenarios. This solution will enhance accuracy

and improve efficiency throughout the migration process.

Another valuable resource for estimating and calculating cloud costs is the **Azure Pricing Calculator**. This tool enables you to project hourly or monthly costs across a variety of Azure solutions and scenarios, helping you plan more accurately.

### Prepare your team

As mentioned in the introduction, the shift from on-premises to the cloud brings a set of changes that require new processes and policies to ensure success. Therefore, it's essential to be proactive and prepare your team for this transition.

The first step is to assess gaps by completing the **FinOps Review Assessment**. This assessment, grounded in financial best practices, will help you identify areas that need improvement and provide recommendations for key capabilities to focus on.

Once you have identified the gaps, you can begin implementing best practices that foster better collaboration, accountability, visibility, and alignment with business objectives. Microsoft offers a range of enablement resources to help you either get **started or further advance your FinOps practice**.

The screenshot displays the Microsoft Learn interface for the 'FinOps Review' assessment. At the top, there are navigation links for 'Discover', 'Product documentation', 'Development languages', and 'Topics'. Below this, the page is titled 'Assessments' with a 'FAQ & Help' link. The main content area shows the 'FinOps Review' assessment with a 'View guidance' button and a progress indicator showing '2 of 13 pages complete'. The assessment is divided into sections: 'Section 1a: Introduction' (checked), 'Section 1b: Introduction' (checked), and 'Section 3: Understand cloud usage and cost' (unchecked). A sidebar on the right, titled 'Section 1b: Introduction FinOps domains', allows users to select domains to assess, with 'Understand cloud usage and cost' and 'Real-time decision making' selected. A 'Back' button is located at the bottom of the sidebar.

## Design and govern

In this phase, it is crucial to incorporate best practices into the design of your environment and establish processes and policies early. This proactive approach ensures your organization is positioned for long-term efficiency and sustainable success.

### Adopt best practices and tools

In this section, we will highlight two key best practices that can help your technical teams enhance efficiency, migrate effectively, and set the foundation for success.

The first is the [Cloud Adoption Framework](#). This comprehensive framework offers proven guidance and best practices to support a confident transition to the cloud while achieving your business objectives. By adhering to these practices, your technical teams can optimize processes, drive efficiency, and ultimately achieve significant cost savings.

The second involves incorporating essential FinOps capabilities into your migration strategy. A prime example is using [Azure Policy](#) to implement a robust tagging strategy and establishing governance policies early in the process. Cloud admins can create alerts that notify financial teams when usage will go over budget.

Home > Policy >

## Require a tag on resources

Policy definition

[Assign](#) [Edit definition](#) [Duplicate definition](#) [Delete definition](#) [Export definition](#)

^ Essentials

Name : Require a tag on resources

Description : Enforces existence of a tag. Does not apply to resource groups.

Available Effects : Deny

Category : Tags

Definition	Assignments (0)	Parameters
<pre> 1 { 2   "properties": { 3     "displayName": "Require a tag on resources", 4     "policyType": "BuiltIn", 5     "mode": "Indexed", 6     "description": "Enforces existence of a tag. Does not apply to resource groups.", 7     "metadata": { </pre>		

This proactive approach not only saves time but also ensures your environment is well-organized, enabling efficient cost allocation and tracking as your cloud adoption evolves.

### Explore additional resources

Now, let's explore additional resources that can support and streamline your cloud adoption journey during this phase.

The first resource is the [Azure Migrate and Modernize](#) program. This initiative provides qualified customers with access to Microsoft experts and top specialized partners who can guide and support every step of the migration journey. Their expertise ensures a smoother and more efficient transition to the cloud.

The second resource is the [Azure Landing Zones](#). These pre-configured environments are designed following key principles to enable seamless application migration, modernization, and innovation at scale. Your IT team can leverage Azure Landing Zones to accelerate the migration process, optimize workflows, and potentially reduce overall costs.

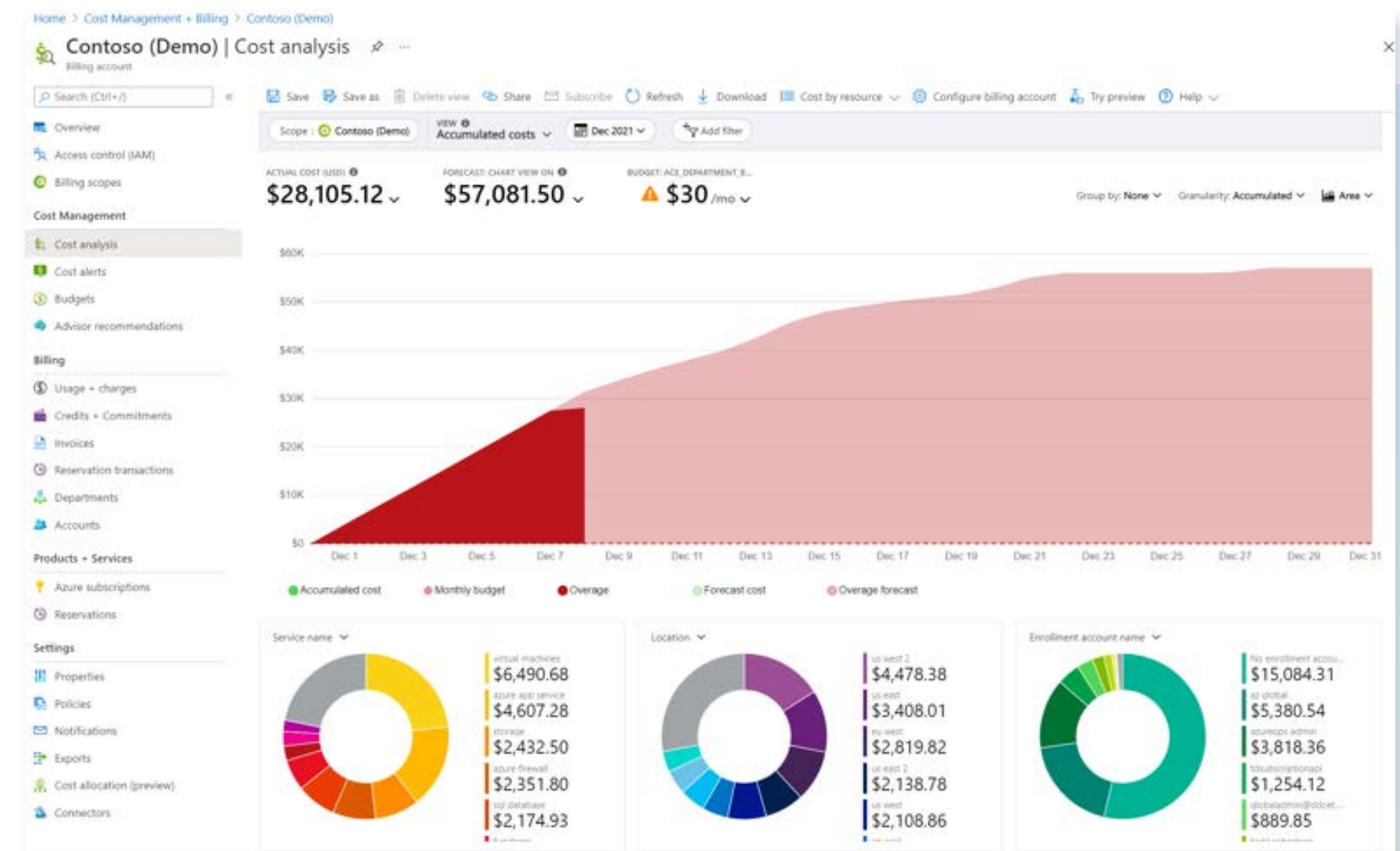
## Manage and optimize

In this phase, the focus shifts to actively monitoring and optimizing your investments to ensure spending aligns with your organization's strategic business goals. By continuously evaluating resource utilization, identifying inefficiencies, and implementing cost-saving measures, you can maximize the value of your cloud investments. This phase also involves leveraging analytics and reporting tools to track progress, maintain accountability, and support data-driven decision-making for sustained financial and operational success.

Once your workloads are migrated, it's essential to ensure they operate efficiently to maximize value. Microsoft offers two powerful, cloud-native solutions and different pricing offers to support this goal.

### Monitor and optimize

**Microsoft Cost Management** empowers your team to track usage, monitor expenses, identify cost anomalies, and forecast expenditures, enabling better investment management. With Cost Management, you can categorize and analyze cloud expenses by resource group, service, location, tag, or even custom filters, ensuring your team focuses on the most relevant data.





Beyond tracking costs, the platform helps drive accountability by assigning budgets, allocating costs, and providing detailed insights into Azure spending. It enables teams to understand their financial responsibilities, streamline budget adherence, and improve cost transparency across the organization.

#### **Access recommendations**

**Azure Advisor** offers personalized recommendations to optimize your Azure resources. It helps identify idle and underutilized resources, enabling you to reduce unnecessary expenses. By following these tailored recommendations, your team can achieve significant cost savings and ensure your resources are aligned with business priorities.

**Copilot in Azure** can provide personalized AI-powered insights and recommendations to increase efficiencies and reduce costs across hundreds of Azure services.

#### **Leverage pricing offers**

Some cloud workloads may have consistent usage patterns while others could be much more variable with peaks and valleys of demand. As such, you can adjust the way you pay for your subscriptions and likely lower the rate that you pay for specific cloud resources by negotiating discounts based on how you intend to consume cloud services with commitment-based pricing offers.

You also can optimize rates by agreeing to spend a fixed hourly amount on specific compute services or commit to use a specific resource for a fixed time.

Azure **reservations** is a billing mechanism that empowers you achieve cost savings on your cloud usage by committing to a specific resource and for a set time.

The **Azure savings plan for compute** allows you to apply savings across subscriptions, resource groups, management groups, or shared scope when you commit to spending an hourly amount for a one-year or three-year term.

To reduce expenses during your migration to the cloud, Microsoft's **Azure Hybrid Benefit** is a discount that allows you to apply your Windows Server, SQL Server or Linux licenses to an Azure resource to run those workloads in Azure at a reduced cost.

You can possibly further reduce waste and increase cost saving and return on investment when you combine Azure Hybrid Benefit with reservations and Azure savings plan for compute on select Azure resources.

# Get started

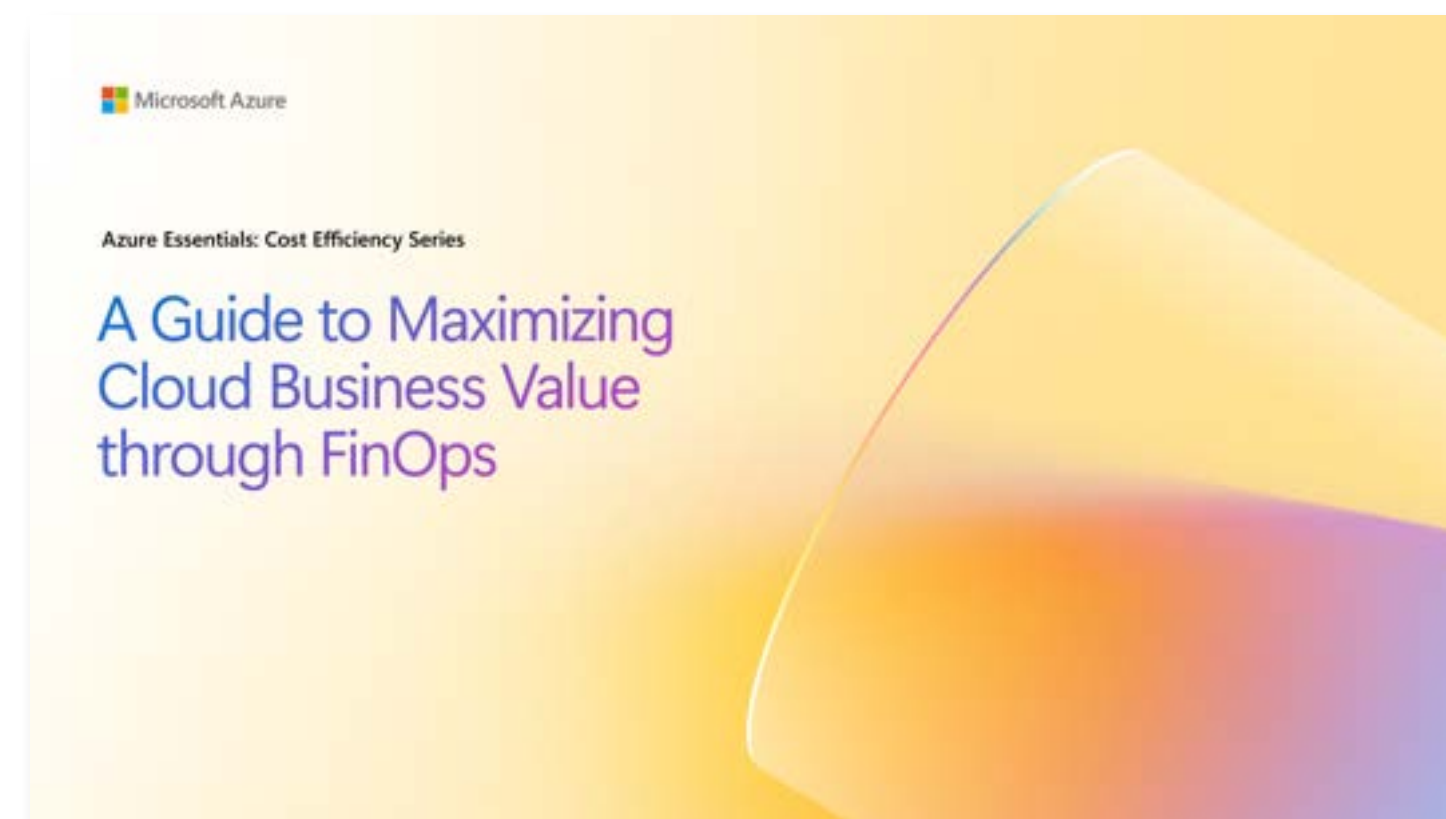
- Forecast and calculate costs with the **Azure pricing calculator**.
- Find guidance and resources to navigate **Azure pricing**.
- **Get started with your FinOps practice** to drive accountability and maximize cloud investments.
- Manage cloud spending by gaining valuable insights into the primary cost drivers with **Microsoft Cost Management**.
- Learn more about **Azure Innovate and Azure Migrate and Modernize**.

## Azure Essentials: Cost Efficiency Series

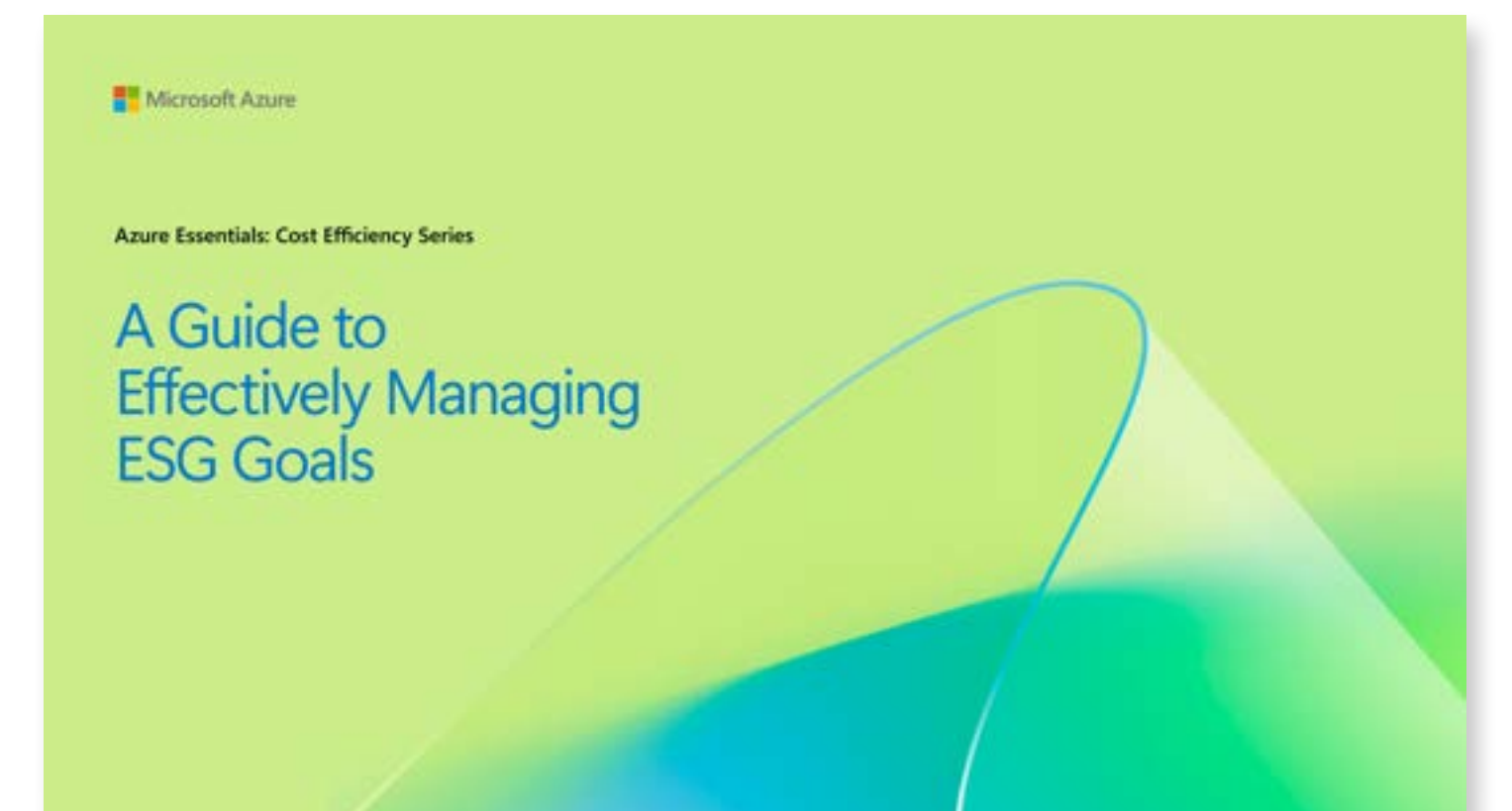
This series of e-books explores key financial topics to help organizations prepare for and enhance efficiency in their cloud journey. Each e-book provides actionable insights and guidance from a financial perspective to empower decision-making to optimize resources and maximize investments. Here are the e-books included in this series:



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# Azure Essentials



Learn more and get started at  
[aka.ms/AzureEssentials](https://aka.ms/AzureEssentials)

**Azure Essentials** helps elevate the reliability, security, and ongoing performance of your cloud and AI investments to enable you to maximize the value of your cloud and empower your digital transformation.

Azure Essentials brings together all Microsoft's best practices, guidance, training, products, and assessments in one place. It connects you to our suite of pricing offers to help you manage your investment effectively. It can also help you connect to experts to help you implement your business priorities across a range of scenarios for new or existing deployments.

Learn more about **Azure Innovate and Azure Migrate and Modernize and Azure Essentials** to understand how they can help you achieve secure migrations.

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