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# Leveraging FinOps Principles for Optimizing SaaS Spend

## A FinOps Framework for Driving Financial Efficiency

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# Executive Summary

As organizations continue adopting a SaaS-first approach to drive agility and scalability, managing the cost and value of these services becomes critical. The trend will continue with the increasing integration of AI into SaaS software. This whitepaper explores the intersection of SaaS management and FinOps principles outlined by FinOps.org, the leading organization dedicated to advancing the practice of cloud financial management offering a practical framework for organizations to optimize their cloud costs and achieve financial accountability. Licensing and Software-as-a-Service (SaaS) models play a critical role in how FinOps.org delivers its value proposition to its members and platform providers aligning with its principles.
This paper explores the intricacies of FinOps.org licensing, the benefits of SaaS, and how platform providers such as CoreStack can drive value through their platforms. Platforms aligning with FinOps.org principles can provide deeper strategic insights for CFOs, IT leaders, and FinOps practitioner on the following areas:

- **Improved Financial Accountability**
  Organizations can leverage FinOps.org frameworks to ensure better tracking and management of SaaS expenses.

- **Cost Optimization**
  By following best practices and guidelines, organizations can identify areas for cost reduction and optimize their SaaS tool spending.

- **Increased Collaboration**
  The standardized approach promotes collaboration between finance, operations, and technology teams, ensuring cohesive SaaS financial management.

# SaaS and the Need for FinOps

The adoption of SaaS (Software-as-a-Service) has revolutionized how organizations approach software delivery, fostering agility, scalability, and innovation. However, this shift also brings new financial challenges. Unlike traditional IT procurement, SaaS costs are often decentralized, subscription-based, and directly linked to usage metrics. This creates a complex environment where costs can escalate without proper governance.

Enter FinOps (Financial Operations), a discipline focused on managing cloud and SaaS financials. FinOps provides a strategic framework to align technology investments with business objectives, ensuring that every dollar spent on SaaS delivers measurable value.

# Challenges in Managing SaaS

### Financials at Scale

Managing SaaS financials at scale presents unique challenges that organizations must address to realize the full value of their SaaS investments. The challenges can be classified broadly in the following areas:

#### Decentralized Purchasing

Individual teams or departments often acquire SaaS subscriptions, leading to fragmented visibility and potential redundancies.

#### Unpredictable Costs

Usage-based pricing models can lead to unexpected cost surges, making budget forecasting challenging.

## Shadow IT

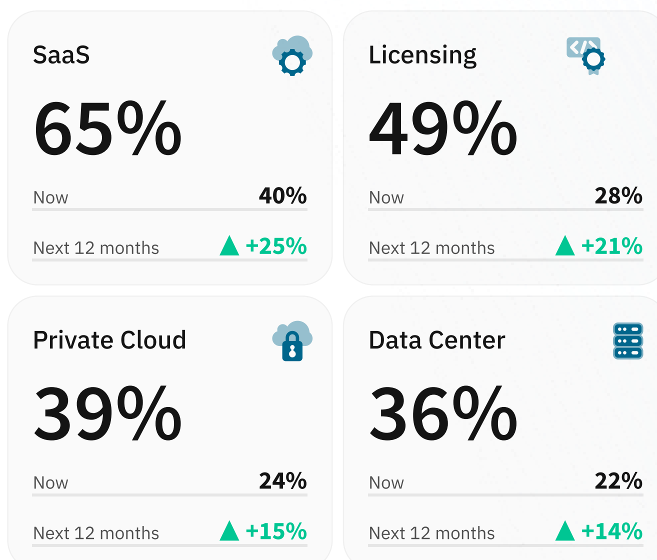
Unauthorized SaaS usage can circumvent IT governance, introducing security risks and unplanned expenses.

## Lack of Accountability

SaaS costs can misalign with business priorities without clear ownership, leading to waste.

The above challenges are very rightly captured in the recently release state of the FinOps report with the following statistics justifying the need to expand the scope of the FinOps Framework beyond cloud to SaaS and Licensing domain as well.

65% of the practitioners responded SaaS cost management as the next frontier to manage, followed by 49% of respondents indicating the license cost as a critical focus area.




**State of the FinOps report (https://data.finops.org/)**

# The Role of FinOps in SaaS Optimization

FinOps introduces a comprehensive framework for managing SaaS financials effectively, emphasizing its three core principles:

### Inform

Establishing a centralized repository for SaaS usage and costs is critical to ensuring transparency across the organization. This involves leveraging automated data collection tools to provide real-time insights into spending patterns, subscription renewals, and usage metrics. By maintaining a single source of truth, organizations can better monitor their SaaS investments, identify trends, and address inefficiencies proactively.

### Optimize

Through detailed analysis of spending patterns, organizations can identify underutilized resources, overlapping functionalities, and opportunities for cost consolidation. Optimization also includes negotiating better pricing terms with vendors, exploring alternative tools with similar capabilities, and minimizing redundancies. By prioritizing efficiency and aligning SaaS expenditures with operational needs, organizations can maximize their return on investment while ensuring scalability.

### Operate

Assigning ownership and accountability for SaaS spending to specific teams or departments fosters a culture of financial discipline. Setting clear Key Performance Indicators (KPIs) and measurable goals for SaaS expenses ensures alignment with broader business objectives. Additionally, ongoing evaluation and the establishment of structured governance policies ensure that SaaS investments are consistently delivering value to the organization.

By integrating FinOps principles into SaaS management practices, organizations can achieve a harmonious balance between financial control and operational agility. This approach is not only instrumental in preventing unchecked expenditures but also pivotal in enabling strategic decision-making that supports business growth and innovation.

# Building a SaaS FinOps Playbook

A SaaS FinOps playbook provides a structured way for implementing effective financial management practices. Key steps include:

### Inventory and Categorization

In order to ensure effective management and budgeting, it is essential to create a comprehensive inventory of all Software-as-a-Service (SaaS) subscription utilized across the organization. This inventory should be meticulously categorized by various parameters such as department, function, and cost center, enabling clear visibility and accountability. Furthermore, it is advisable to leverage automated tools that can gather real-time data on both usage and expenditure. This approach not only facilitates informed decision-making but also helps in identifying opportunities for cost savings and optimizing resource allocation.

SaaS vendors adopting FOCUS™ will help in standardizing the inventory or data ingestion process with proper categorization.

## Cost Allocation

Implement comprehensive Cost Allocation models that clearly tie Software as a Service (SaaS) expense to specific business units within the organization. Existing FinOps techniques for Cost Allocations are broadly applicable for SaaS services as well. By doing so, we can foster a sense of accountability among the teams, as they will directly see how their usage of SaaS tools impacts financial decisions. Moreover, such a structured approach will inform budget decisions more effectively, enabling decision-makers to allocate resources wisely based on the actual consumption and benefits derived from SaaS platforms across different departments. This transparency will not only enhance financial management but also encourage more strategic use of SaaS resources across the organization.

## Usage Optimization

Conduct regular audits to identify underutilized licenses, overlapping tools, and opportunities for consolidation. These audits can provide valuable insights into current software usage, highlighting areas where resources may be wasted or duplicated. Once such tools and licenses have been identified, not only should organizations seek to negotiate better pricing terms with vendors, but they can also explore alternatives that offer similar functionalities at a lower cost. By analyzing usage patterns through monitoring and telemetry data, businesses have the leverage needed to secure more favorable contract terms, thereby optimizing their overall technology spend and boosting operational efficiency. Furthermore, consolidating tools reduces complexity within the organization and streamlines workflows, allowing for a more focused approach to technology management.

## Governance Framework

Establish clear and comprehensive policies and guidelines for the procurement, usage, and renewal of Software-as-a-Service (SaaS) solution within the organization. These policies should outline best practices, acceptable usage, and responsibilities associated with SaaS applications. Additionally, implement structured approval workflows to ensure that all purchases are authorized and to prevent unauthorized acquisitions. These workflows should involve necessary stakeholders and provide a systematic approach to evaluate and approve new SaaS subscriptions, thereby aligning purchases with organizational needs and budget constraints.

Implementing a RACI matrix as described by this section FinOps Framework will surely help. SaaS governance platform should look at applying governance guardrails to ensure each phases of SaaS usage life cycle is tracked for any organization.

## Continuous Monitoring

To optimize the management of Software-as-a-Service (SaaS) subscription, it is essential to deploy monitoring tools that enable tracking of usage and costs in real time. These tools allow businesses to gain insights into how their SaaS products are being utilized, providing a clearer picture of expenditure and usage patterns. Additionally, setting up alerts will help identify any unusual spending patterns that may arise, ensuring that organizations can react swiftly to potential overspending or inefficiencies. Furthermore, conducting periodic reviews of the SaaS usage will play a critical role in ensuring that these services align with the overall business objectives and strategies. This proactive approach not only helps in cost management but also supports the organization's goals by ensuring that resources are being allocated effectively and efficiently.

# KPIs for SaaS Spend Efficiency

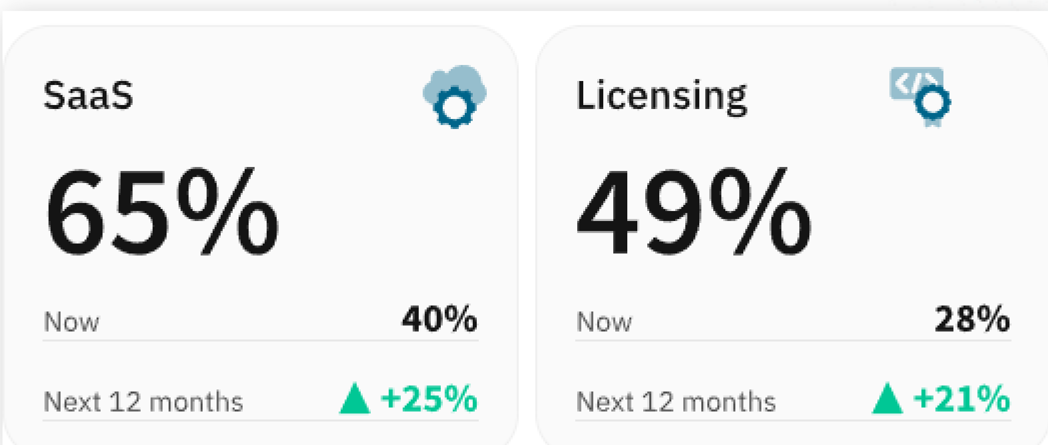
Defining and tracking key performance indicators (KPIs) is essential for measuring the success of SaaS FinOps initiatives. Examples of effective KPIs include:

- **Cost Per User**
  Calculated as the total SaaS spend divided by the number of active users, this KPI helps organizations understand the per-user cost of their SaaS investments, enabling comparisons across departments or platforms and identifying opportunities to reduce costs.
- **License Utilization Rate**
  This metric measures the percentage of purchased licenses actively in use. A high utilization rate signifies efficient resource management, while a low rate may indicate opportunities to reclaim unused licenses and renegotiate contracts with vendors.
- **Redundancy Reduction**
  By tracking the number of overlapping tools eliminated through consolidation, this KPI provides insights into the effectiveness of streamlining processes and reducing unnecessary expenditures, which in turn fosters greater operational simplicity.
- **Budget Variance**
  The difference between forecasted SaaS expenses and actual spending serves as an indicator of financial planning accuracy. Analyzing variances helps identify areas of overspend or savings, facilitating adjustments for future budgeting.

Additionally, businesses can incorporate KPIs like Return on Investment (ROI) to evaluate the tangible benefits derived from SaaS tools, and Feature Adoption Rate to understand how effectively teams are utilizing critical functionalities. These expanded indicators provide a holistic view of SaaS performance, supporting informed decision-making and proactive adjustments in subscription and usage strategies.

# Industry Benchmarks and Case Studies

Several organizations have successfully implemented SaaS FinOps practices to drive financial efficiency FinOps.org State of FinOps Report indicated the areas of focus for FinOps teams to manage today and planning for the next 12 months saw an the highest as managing SaaS spend with a total of 65% of responses this is the highest predicated increase in the next 12 months of 25%. Licensing increase in another top concern identified by most organizations accounting for 28% and increasing to 49% in the next 12 months.




***FinOps Org State of FinOps 2025 report The State of FinOps****

Following are the few selected success stories that we have realized by adhering to proper SaaS financial management:

### Case Study 1: Unlocking value within a single platform

A large North American Health Insurer leveraging traditional IaaS-based services created complex and resource intensive cost management insights dashboard. Individual application teams leveraging individual processes and applications. Spend was out of control with no visibility. Kyndryl identified the data sources and consolidated in a single platform to monitor daily task and trends resulting in $3-5 Million estimated saving to be realized YoY

### Case Study 2: Reducing costs and providing financial transparency

A mid-sized tech company discovered it was paying for three separate project management tools. By consolidating onto a single platform, they reduced costs by 30% and improved team collaboration.

### Case Study 3: Optimizing license usage

A large financial services firm identified 1,000 inactive licenses across its SaaS portfolio. By reclaiming these licenses, they achieved annual savings of $250,000.

# The Future of SaaS FinOps: Automation and AI

Looking ahead, automation and AI are poised to transform SaaS FinOps practices:

### Automated Cost Governance

AI-driven tools have revolutionized the way organizations manage their finances by providing advanced analytical capabilities that delve deep into spending patterns. These sophisticated systems not only analyze historical expenditure data to identify trends and forecasts but also detect anomalies that may signal potential fraud or inefficiencies.

By employing machine learning algorithms, these tools can continuously learn from new data, thereby enhancing their ability to spot discrepancies in real-time. Furthermore, they play a crucial role in ensuring that organizations adhere to governance policies by automatically enforcing compliance measures. This means that any expenditure outside the established guidelines can be flagged for review instantaneously, helping organizations maintain financial integrity and accountability. In summary, AI-driven tools not only offer insights into spending behaviors but also serve as essential guardians of organizational governance and financial responsibility.

### Predictive Analytics

Machine learning models possess the capability to effectively forecast future expenses associated with Software-as-a-Service (SaaS) by analyzing historical data trends. This advanced analytical approach enables businesses to engage in proactive budget planning, allowing them to anticipate potential costs and allocate resources more efficiently. By leveraging past expenditure patterns, organizations can optimize their financial strategies and make informed decisions that ultimately contribute to better financial management and operational efficiency.

### Intelligent Recommendations

AI can deliver customized strategies for cost optimization by thoroughly analyzing usage patterns and pricing structures. For instance, it can identify the most beneficial pricing tiers based on the specific needs and consumption habits of users. Additionally, AI can recommend optimal license reassignments to ensure that resources are utilized effectively, maximizing value while minimizing unnecessary expenses. This approach enhances cost efficiency and contributes to more informed decision-making processes within organizations.

# Conclusion

As organizations continue to embrace SaaS-first architectures, implementing FinOps practices will be essential to managing costs and maximizing value. By adopting a strategic FinOps Framework, businesses can gain financial control, optimize usage, and drive accountability across teams. The future of SaaS FinOps lies in leveraging automation and AI to deliver greater efficiency and scalability, ensuring that every SaaS investment aligns with business goals.

### Sources


FinOps Foundation:
https://www.finops.org/

State Of the FinOps Report 2025:
https://data.finops.org/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CoreStack is an AI-powered NextGen Cloud Governance platform that enables enterprises to embrace cloud with confidence, rapidly achieving continuous and autonomous cloud governance at scale. CoreStack helps 750+ global enterprises govern more than $2B in annual cloud consumption. The company is a Microsoft Azure (Legacy), Gold Partner, Amazon AWS Technology Partner with Cloud Operations Competency, Oracle Cloud Build Partner, and Google Cloud Build Partner.