CHAPTER 13 / 3 MINUTE BRIEF

Measuring Value

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The main idea

One recurring part of this job is being shown an attractive savings number and then making myself less popular by asking how it was calculated. I usually start with staffing, licensing, and the prices used for the alternative: were they list prices or our negotiated rates, and would the supplier recognize them? Those questions are often where an enthusiastic conversation becomes a little more restrained.[1]

I understand the frustration. Someone has found a worthwhile improvement and wants to proceed, and my questions can easily become a referendum on whether I support the team, when I only want to know whether we can rely on the estimate. Often the staffing is covered and the alternative really is more expensive, and saying so strengthens the proposal. The capacity team's own proposals get the same questions.

A savings number is a claim about two states of an organization, and it is only as good as what it counts: a unit that means something, the cost of the route as well as the destination, the kind of benefit and the date it reaches the bill, and the people who will run the result. The comparisons that go most wrong usually leave out the people.

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Choose a unit that means something

The FinOps Foundation describes unit economics as bringing together what an organization spends on technology and the value that spending creates, and it separates resource-efficiency metrics, such as cost per gigabyte stored or per token, from business metrics such

[1] Tim O'Brien, "What's the Secret to FinOps? I'll Tell You Mine—Now Share Yours!", May 11, 2025. The source of the opening's questions about staffing, licensing, and list versus negotiated prices. It describes a recurring experience, not a particular proposal or realized saving.

as cost per transaction or cost to serve.[2] That connection is worth building. The difficulty comes when a view of the whole system becomes the only view permitted in a decision about a particular customer, migration, or recovery obligation.

We need to say when a unit of work is complete and what quality it must meet. A completed customer order, a gigabyte of data kept recoverable for a month, and an accepted AI task are possible starting points, each needing its own definition. Requests, retries, copied records, and generated tokens explain activity within those services, but more activity doesn't mean the business received more value.

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Name the benefit that actually occurred

I keep the names of benefits specific, as the FinOps Foundation does in asking practitioners to separate avoidance, savings, and cost reduction.[3] **Reduced expenditure** means an actual obligation or charge fell within the stated boundary; it is the only one of these that lowers a bill already in the baseline, so it is the only one I would call a saving without qualification. An **avoided purchase**, often reported as cost avoidance, needs an identifiable plan and a credible reason the purchase would otherwise have happened; it changes a forecast rather than a bill. **Released capacity** is available for another use, **shifted cost** is carried by another workload or organization, and **improved service** is a useful change in quality, capability, or timing even where no bill fell.

One action may produce several of these effects; they are not separate savings to add together. Reducing an allocation inside an unchanged commitment can create headroom without lowering expenditure.

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A number worth carrying forward

A useful value estimate states the expected outcome, the costs included, today's spend, and the proposed system's cost during and after the transition. It names who supplied

[2] FinOps Foundation, "Unit Economics", FinOps Framework capability, checked October 4, 2026. Relates technology spending to the value it creates and divides unit metrics into resource-efficiency and business categories, with the examples quoted here. The website and migration examples are hypothetical.

[3] FinOps Foundation, "Unit Economics", checked October 4, 2026. Lists "Separate avoidance, savings, and cost reduction measurements" among the FinOps practitioner's activities. The five benefit names and their definitions here are the author's.

the inputs and keeps uncertain conditions, especially future volume, visible enough to test. For the website migration:

Item	Website migration (hypothetical)
Outcome and unit	Completed transactions, counted once: 25 million a month
Spend today	$2.5 million a month for computing, amortized view
Proposed steady state	$2 million a month for the same outcomes and obligations
Cost of getting there	(4 × $2 million) + $1 million = $9 million in cash; Finance confirms any capitalized share
Benefit	Reduced expenditure of $0.5 million a month at run rate from cutover, realized as old charges and commitments end
Payback	18 months after cutover, 22 from the start; each month of slip moves breakeven five months
Assumptions to test	Constant demand, the replacement's cost at production volume, and the length of the overlap
Owners and reviews	Application, platform, data, and Finance owners; review at cutover and six months later

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