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CIO Compass Series

West – Redefine how IT department is assessed

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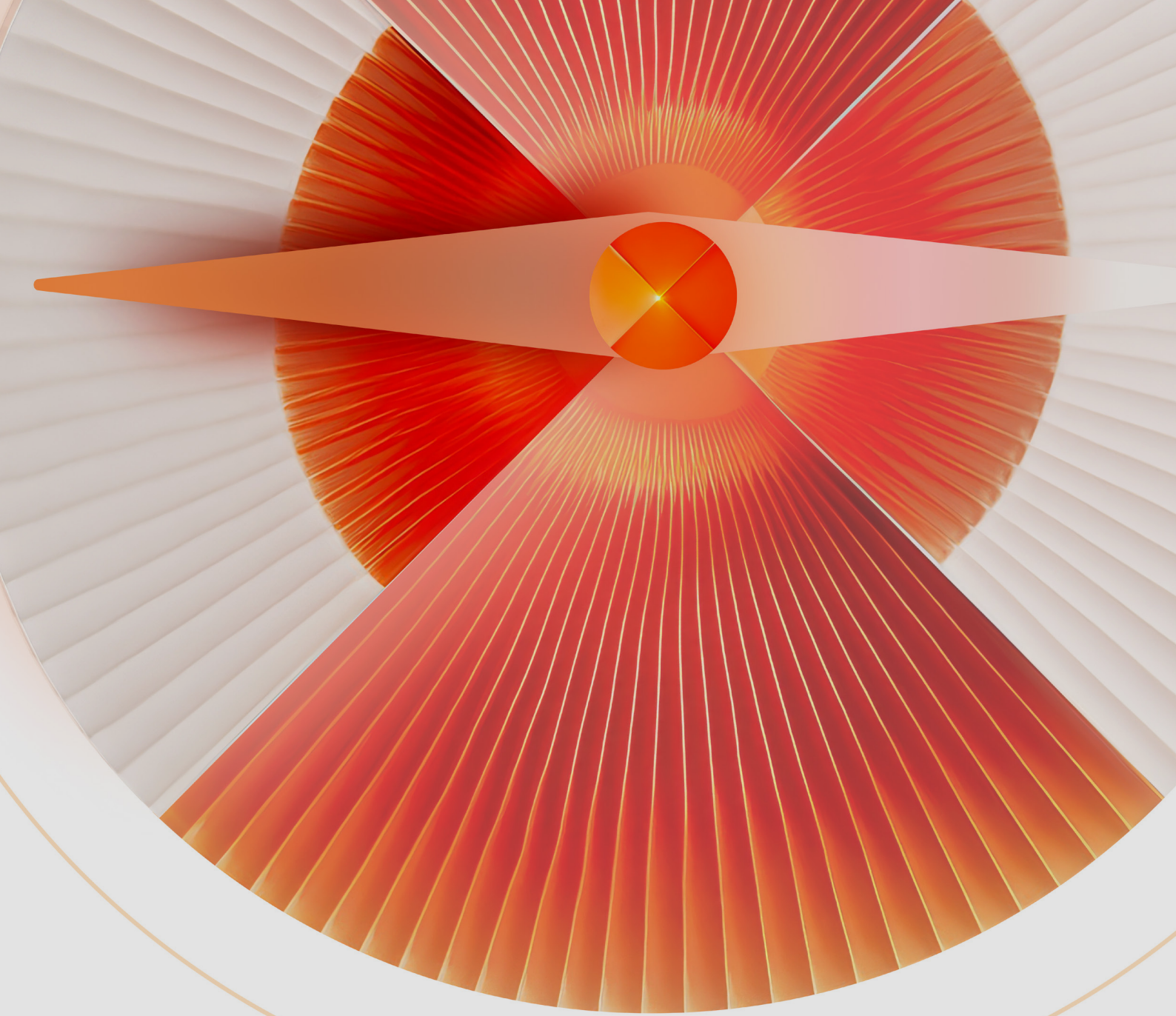
Entering the Post-*CAPEX Age*

Master New Performance and Cost Control Paradigm



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For decades, IT investment meant heavy assets: datacenters, servers, and multiyear CAPEX programs.
The bigger the budget, the stronger the illusion of control. That world is fading.

Running CAPEX-first governance today is like managing Netflix with a DVD rental model. In the digital economy, agility often matters more than ownership, and flexibility can be worth more than predictability.

In the Post-CAPEX Age, value increasingly comes from adaptive, service-based consumption.
The annual budget cycle is losing relevance — and CIOs who rely on it may lose competitiveness by 2030.

We are now entering a new financial reality: welcome to the Post-CAPEX Age.

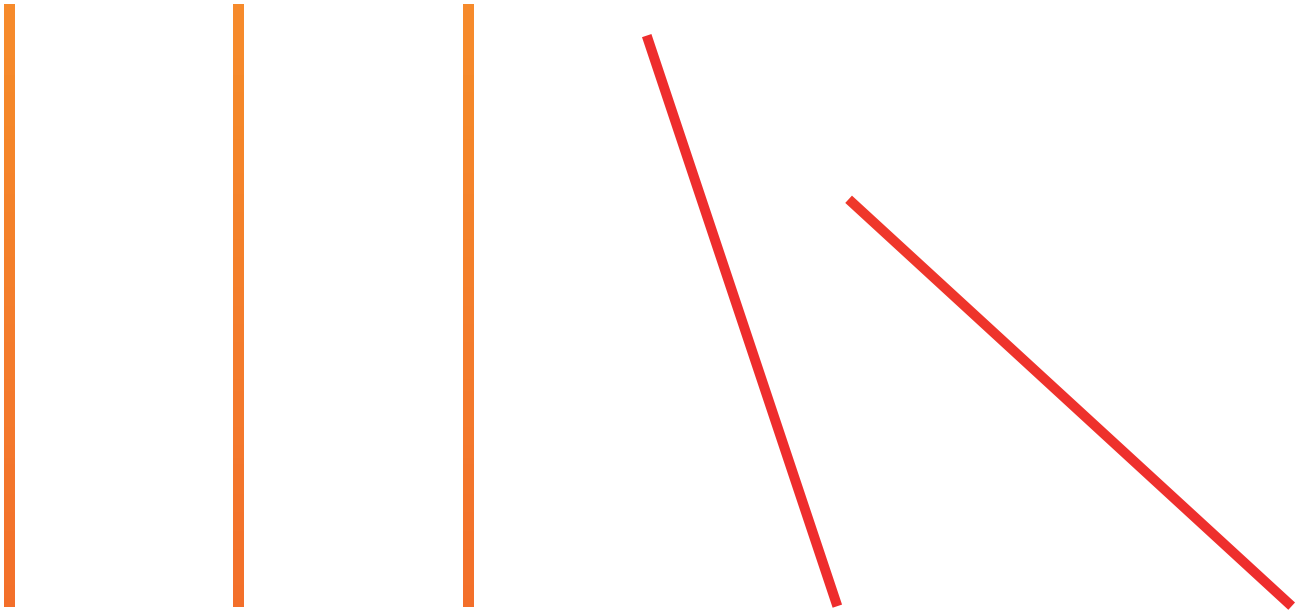
Why CAPEX Is Evolving *— Not Disappearing*

Cloud, SaaS, and XaaS have rewritten the IT balance sheet. By 2026, over 75% of IT spending is expected to be OPEXdriven (Gartner). In 2023, many companies experienced unexpected "bill shocks," with overruns averaging around 23% above forecast (FinOps Foundation).

Traditional CAPEX models often struggle with this volatility. They can lock organisations into depreciating assets while the business races ahead.

OPEX, by contrast, enables elasticity and speed — the ability to launch, test, and scale without lengthy approval cycles.

But CAPEX still has its place.
In industries like telecom, energy, or defense, CAPEX remains essential for sovereignty, regulatory compliance, and amortization. The goal is not to abolish CAPEX, but to abandon it as the default model.



Client case

Major Insurance Company

Fortune 500 insurer; 40k+ employees; ~$35B revenue — Repatriation to cut OPEX

Context.
Cloud Migration ($300M+) led to 2.5x budget overrun (~$40M/month), latency issues, and security concerns.

Results.
~65% infra cost reduction; 14-month ROI; lower system; complexity; restored data sovereignty.

Actions.
Targeted repatriation of stable/high-throughput workloads; private cloud on OpenStack; microservice simplification; revived continuous FinOps guardrails.

Takeaways.
Hybrid, not dogma: model full TCO, repatriate predictable/latency-sensitive workloads, minimize lock-in, keep architecture choices reversible, and run FinOps continuously.

The Promise — and the Price — of *OPEX Flexibility*

OPEX is attractive. A retailer launches a new customer journey in weeks, a manufacturer reconfigures a supply chain with digital twins, a bank experiments with AI copilots without waiting for board approval.

Yet flexibility introduces new disciplines. Cloud bills can spike, GPUs cost more than CPUs, and egress fees quietly eat into margins. Forecasting cloud spend beyond three months is challenging for many organisations. Without FinOps, agility can become disorder at scale.

Client case

Global travel platform

Cloud spend brought under control

Context.
Pre-IPO, company's hosting costs were a major line item.

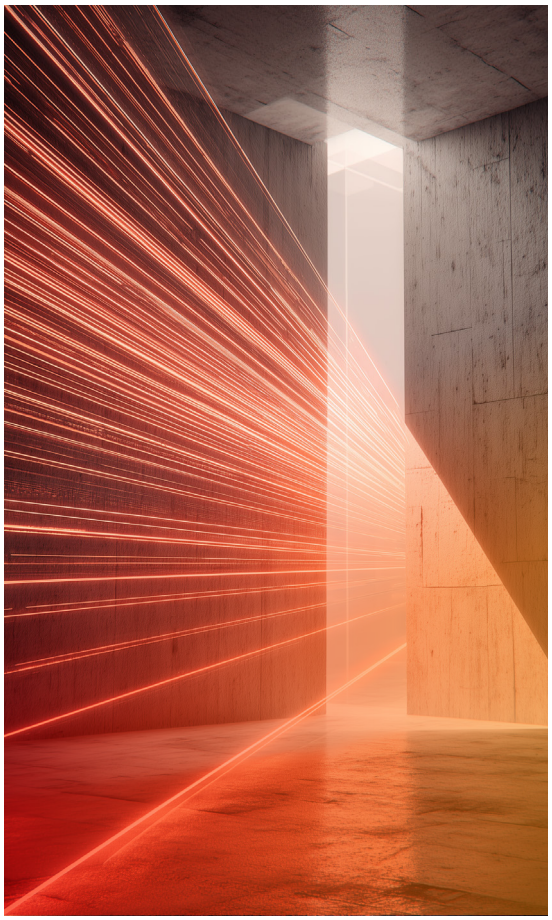
Actions.
Tight FinOps governance, re-engineering (incl. Kubernetes), and vendor negotiations.

Results.
Cloud costs ↓27% in one year and cost of revenue ↓26%; filings also note $63.5M hosting cost reduction.

Takeaways.
Treat cost as a product KPI; pair engineering changes (rightsizing, arch shifts) with commercial levers (contracts, commitments).

Innovation and *Risk Appetite*

OPEX lowers barriers to innovation — and to waste. A new AI model can be tested in minutes with a corporate card, but scaling without governance quickly destroys value. The most effective organisations treat innovation like a disciplined portfolio: place small bets, scale what works, and discontinue the rest promptly.



Client case

Leading social media platform

Rising cloud bill → large multi-year cloud provider commit

Context.
Rapid growth sent cloud provider spend soaring.

Actions.
Renegotiated with cloud provider for discounts in exchange for a minimum spend commitment.

Results.
$750M minimum through 2023 disclosed pre-IPO; illustrates the price-flexibility trade-off of big commits.

Takeaways.
Commitments unlock price but reduce option value; govern with rolling coverage targets and re-opener clauses.

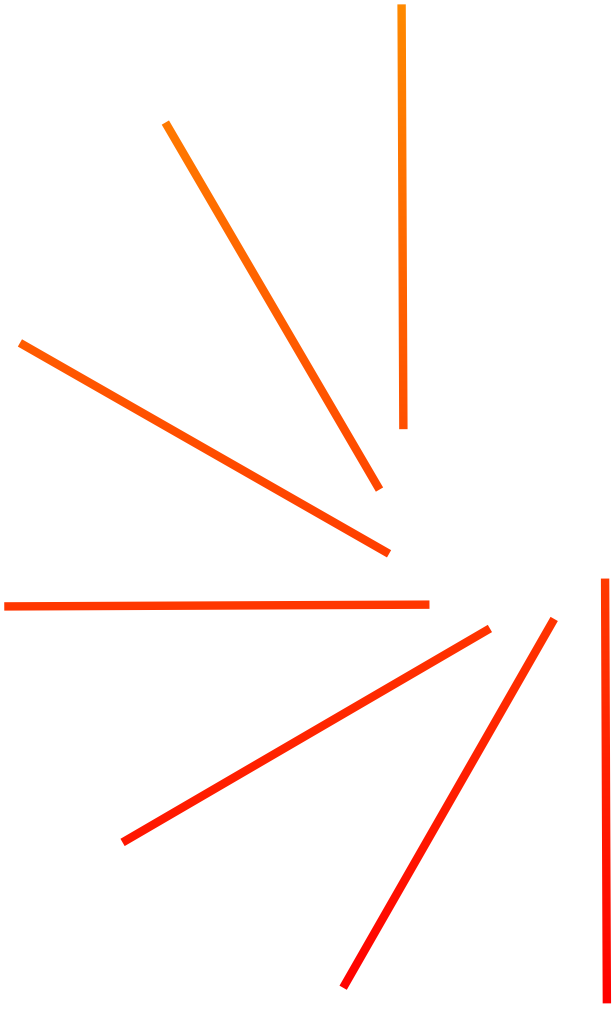
A New *Governance Paradigm*

Annual budgets approved once a year are increasingly less effective. In the Post-CAPEX world, governance shifts to continuous allocation and realtime steering.

Leaders are adopting Lean Portfolio Management, treating IT like a financial portfolio: doubling down on initiatives that deliver and sunsetting those that don't.

Moving from projects to products creates stable, crossfunctional teams accountable for outcomes, not just deliverables.

This is more than finetuning — it represents a material cultural shift. A budget cycle longer than a product cycle can become a cause for investor concern.



Moving from projects to products creates *stable, crossfunctional teams accountable for outcomes*, not just deliverables.

Accounting and Investor Relations

IOs and CFOs need a clear narrative: "We are not spending more — we are investing faster, with clearer links to outcomes."

The shift to OPEX reshapes the balance sheet. CAPEX smooths costs through depreciation; OPEX hits the P&L immediately, introducing margin variability.
For listed companies, this can unsettle investors [Financial Agility].

Variability does not imply inefficiency — it can also signal responsiveness. CIOs and CFOs can reframe the conversation around velocity, transparency, and return on investment.

Client case

Global social platform

Big cloud commitments, then cost-down via restructuring

Context.
PO disclosures: $2B/5y Cloud (min $400M/yr, with limited roll-over) plus ~$1B another cloud provider.

Actions.
Company communicates ongoing cloud cost reductions via renegotiations rather than on-prem moves.

Results.
From 2023, they said it restructured the cloud providers agreements to lower prices and pursued unit-cost efficiency.

Takeaways.
When you're locked into big commits, drive savings through contract restructuring + unit economics (e.g., cost/DAU (Daily Active user)) and engineering efficiency.

The Skills of the Post-CAPEX CIO

Success now requires new literacies. The CIO must read hyperscaler invoices like financial reports, decode billing metrics (compute hours, storage tiers, AI tokens), and link them to architectural choices.

They must forecast consumption scenarios, negotiate strategically with providers, and translate costs into business impact. They must also embed ESG awareness into decisions, building a culture where sustainability is part of governance, not a separate topic.

The Post-CAPEX CIO is not only a technology leader — but also a cost architect, an investment strategist, and a sustainability guardian.

Observability & Unit Economics — *Making Value Measurable*

Beyond cost awareness, true maturity in the Post-CAPEX Age comes from the ability to link every euro — and every kilogram of CO_2 — to a unit of business value [Cost Intelligence].

Tracking spend at an aggregate level is not enough. Leading organisations calculate the cost per transaction, per customer journey, per API call, or per AI prompt — and increasingly, the carbon footprint of each workload.

This granular observability turns IT into a value engine: teams can see not just what they spend, but what they generate in return.

Without this visibility, CIOs are flying blind. With it, they can decide whether to optimize, scale, or retire products with precision.

Running on Outcomes: *The Metrics That Matter*

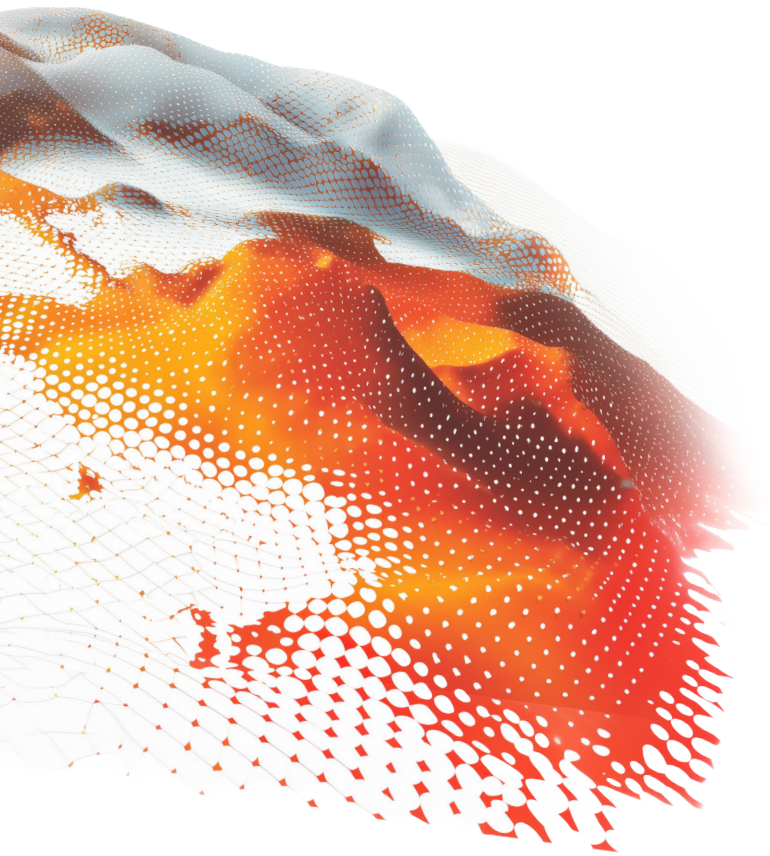
Unit Cost per Outcome:
Shows how much it costs to serve one transaction/ user/1,000 prompts, so teams can boost efficiency without hurting the product.

Spend Forecast Accuracy:
Tells you if your cost forecasts are reliable, avoiding bill shock and enabling confident budgeting.

Commitment Realization Index:
Confirms you're actually capturing savings from commitments (RIs/ SPs/CUDs) instead of paying for unused capacity.

Cloud Waste Rate:
Exposes money burned on idle or orphaned resources, pointing to quick, low-risk savings.

Carbon Intensity per Outcome:
Links digital activity to emissions, aligning cost optimization with ESG goals.



The Geopolitics of OPEX

CAPEX anchored companies in assets; OPEX can anchor them in ecosystems. Much OPEX flows to non-European hyperscalers, with contracts governed by foreign jurisdictions. Initiatives like GaiaX, SecNumCloud, and sovereign clouds offer alternatives, but adoption is gradual. Funding models increasingly intersect with sovereignty models.

The Hidden Traps of the Post-CAPEX Age

Bill Shock:
spikes in AI/cloud usage destroy forecasts.

Vendor Lock-In:
OPEX turning into hidden CAPEX through prohibitive exit costs.

Sustainability Blind Spots:
Blind Spots: unchecked usage driving up carbon footprints.

Sovereignty Risks:
hyperscaler dependence, contracts shaped by foreign law.

Business Model Impact

The Post-CAPEX Age is not only an IT issue — it is a corporate strategy issue.

➔ **Servitisation:** shifting from products to "as-a-service" business models mirrors IT's OPEX transition [Operating Model for Value].

➔ **M&A Agility:** with fewer fixed assets, acquisitions and carveouts become faster and cleaner [Financial Agility].

➔ **Risk Distribution:** OPEX spreads risk across time and providers, while raising dependency risks that boards must actively govern [Sovereignty & Resilience].

Financial models are no longer backoffice mechanics — they are business model drivers.

> **The Post-CAPEX Age is not only an IT issue — it is *a corporate strategy issue.***

Striking *the Right Balance*

The Post-CAPEX Age is not about abandoning longterm vision. It means coupling agility with discipline, and flexibility with sovereignty. TCO now evolves into TCO + CO_2.

The winning formula: financial agility plus strategic durability. Organisations that master both will not only control costs; they will strengthen resilience, trust, and investor confidence.

Looking *Ahead*

The Next *Five Years*

If today's debate centers on CAPEX vs OPEX, tomorrow's focus will be managing AI-driven consumption [Cost Intelligence]. Generative-AI workloads already consume GPU hours and tokens at unprecedented scale. By 2030, AI could represent up to 15% of enterprise IT OPEX.

At the same time, GreenOps will become mandatory under CSRD: CIOs will track not only euros per workload but kilograms of CO_2 per workload [Sustainable Performance]. Europe is likely to lead this transformation.

By the end of the decade, companies without industrialised FinOps and GreenOps may struggle to meet investor expectations.

By 2030, AI could represent *up to 15%* of enterprise IT OPEX.

Call to Action for CIOs and Leaders

- → **Evolve beyond the annual budget cycle** — move to continuous value tracking
  - Stand up a rolling 12-month forecast, updated monthly; target predictability < 8% on run costs.
  - Run a monthly Portfolio Value Review: Unit Cost per Outcomve (€/tx, €/DAU, €/1,000 prompts), value delivered, and variance vs. forecast.
- → **Embed FinOps + GreenOps** as core governance practices, not side projects
  - Create a FinOps CoE (FinOps lead, cloud economist, data engineer, sustainability analyst).
  - Drive Idle/Waste < 5% in prod and < 15% in non-prod (scheduled shutdowns, rightsizing).
- → **Upskill leaders** in cost literacy, architecture-finance translation, and sustainability metrics
  - Architecture and Application Design must state unit-cost impact and CO_2 impact for each design choice.
- → **Build product-mode teams** with clear guardrails for innovation and AI
  - AI guardrails: per-team GPU quotas, utilisation ≥ 65–75%, cost per 1,000 tokens budget caps, context-length limits, mandatory embedding/ prompt caching, and RAG cost controls.
- → **Reinvest efficiencies** into adaptive, sovereign, and sustainable systems
  - Ring-fence 50% of verified savings to fund modernisation and sovereign/regulated capabilities as needed.

The 5 Dimensions of Post-CAPEX Leadership

01 FinOps Mastery

Real-time control of consumption, costs, and ROI [Cost Intelligence]

02 GreenOps Discipline

Extending TCO to include CO_2, measuring euros and emissions [Sustainable Performance]

03 Dynamic Allocation

Funding value streams continuously, not annually [Financial Agility]

04 Sovereignty by Design

Building resilience against hyperscaler lock-in and extraterritorial risk [Sovereignty & Resilience]

05 Operating Model for Value

Moving from projects to products, embedding guardrails for innovation and AI [Operating Model for Value]

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