

Bayer HealthCare Delivers a Dose of Reality for Cloud Payoff Mantras in Multinationals¹

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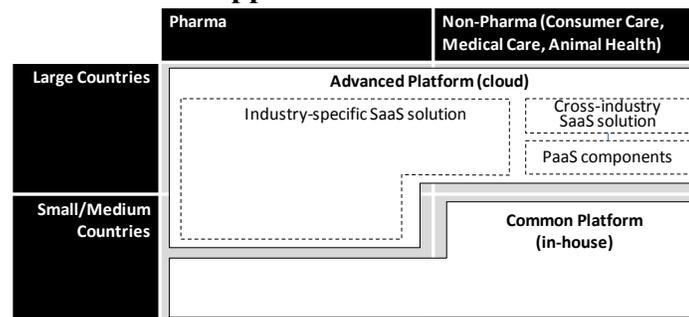
Executive Summary

There are six often-quoted assertions, or mantras, about the payoffs from cloud computing:

1. High cost advantages can be achieved
2. Implementation times are short
3. Customization is limited, but meets most needs
4. Compliance and security risks have to be accepted
5. Business units can focus on their core competencies
6. Companies become less dependent on internal IT units.

These mantras, however, have their origins in the cloud experiences of small and mid-size companies, and as the case of Bayer HealthCare's (BHC's) cloud-based CRM rollout program shows they may not always be true for large multinational companies. BHC's experience provides both supporting and refuting examples (described in the full article) for each of the mantras. Because of this, BHC decided to implement a two-platform strategy. An "advanced cloud-based platform" is used for the larger countries with more complex requirements, and an in-house system is used as a "common platform" for the smaller countries. Both platforms are operated concurrently.

Two-Platform Approach for Global CRM at BHC



Inhibiting Factors

There were seven inhibitors that influenced whether the six cloud payoff mantras were true or false at BHC: business process complexity, regulatory differences, distribution of IT ownership, implementation scope, legacy systems, business specificity of the cloud solution and the solution's lack of industry focus. These inhibitors had significant impacts on the program's timeline and budget. This forced BHC to halt all

¹ The full article is published in the December 2014 issue of *MIS Quarterly Executive*, available online at www.misqe.org.

implementation activities for several months and initiate an intermediate learning and reflection phase, during which BHC managers identified strategies for dealing with the inhibitors and designed actions to move forward with the cloud program.

Lessons Learned (Coping Strategies)

The lessons learned are presented as the nine coping strategies that BHC developed before and during the reflection phase to help tackle the inhibiting factors and achieve payoffs from the CRM cloud implementation.

1. Consider Multi-Platform Cloud Strategies. Large multinational companies with complex and heterogeneous legacy IT landscapes may find it more valuable and cost-efficient to consider a multi-platform strategy that combines in-house systems with the more sophisticated cloud solutions.

2. Perform a Competitive Vendor Review and Negotiate Contract Terms. Enterprise-wide cloud-based projects in large companies are very different from the commonly heralded stereotype of “one-mouse-click” cloud subscriptions, and typically require intense and complex price negotiations as well as customized and detailed contract terms.

3. Design a Global Template Approach for Rollouts. Companies should choose a template-based rollout approach where a global template for the target processes and systems is developed during one or very few concurrent pilots, before rollouts to other entities can proceed in at a more accelerated rate.

4. Manage Strategic Benefits and Costs Expectations. IT units responsible for managing firm-wide cloud initiatives need to manage business managers’ expectations of the potential benefits, including emphasizing that the often-repeated cloud payoff mantras may not always be true.

5. Use Platform-as-a-Service to Complement Standard Software-as-a-Service Customization Options. Cloud platform-based component development (PaaS) can be used as a complementary approach to customize a cloud solution when the existing SaaS solutions cannot meet the unique and/or complex requirements of large enterprises.

6. Partner with Cloud Vendors and Third Parties for Functional and Technical Needs. Large enterprises should partner with cloud vendors and use the services of third parties in the cloud ecosystem to tap into and complement needed expertise in the earlier phases of implementation.

7. Ensure Regulatory Compliance and Data Security to Mitigate Risks. Before implementing cloud solutions, large multinational companies should make compliance and security requirements a priority and take proactive measures to address them. They should subject all cloud vendors to detailed risk and security assessments during the vendor evaluation phase.

8. Establish a Global Business Governance and Change Management Process. To achieve payoffs from cloud services that involve the harmonization of business processes, corporations must define a business-driven program governance structure that includes senior managers and networks of business process owners nominated from across all levels of the organization. Global change management procedures should also be defined.

9. Strengthen IT Units’ Involvement and Expertise. When implementing cloud-based solutions, IT units in multinationals should act as expert buyers and intermediaries between business units, corporate management, cloud providers and consultants. The units should be empowered with central IT-governance and supplier-steering functions.

In conclusion, the lessons learned from BHC help to debunk the often-quoted cloud payoff mantras and will help other large organizations to derive effective coping strategies to maximize their own cloud payoffs. While it is tempting for IT and business leaders at big corporations to accept the cloud payoff mantras as true and follow the well-trodden paths of smaller companies, this approach is likely doomed to failure because it overlooks essential distinctions. Large multinational companies face unique corporate- and system-level complexities that mean the mantras may not be true in their particular contexts. To ensure payoffs from the cloud, multinationals must adopt strategies for coping with the seven inhibitors. To help managers assess potential inhibiting factors in their own organizations, the full article describes a tool that helps to identify the most prevalent cloud payoff inhibitors and points to the potential coping strategies that can be used to mitigate them.