How to Build Successful Cloud Computing Relationships

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ABSTRACT

A company has to operate with flexibility and cost-efficiency due to the continuously competitive business environment. Nowadays, cloud computing (CC) plays an essential part in flexibility and cost-efficiency of IT infrastructure. Companies using CC have to know how different types of contracts and their terms, modes of relationships, contract quality, and relationship management influence their CC activities. This article discusses how to build successful relationships in CC. The field of this study is CC from a service buyer perspective. The applied research strategy was survey research and the data was collected through interviews with IT managers in different medium-sized companies in Sweden. To identify and analyse the influencing factors of relationships in CC this research has used Transaction Cost Theory. The findings of this research are the identified influential factors to improve a cloud computing relationship like asset specificity, fee-for-service contracts, contract length, provider/buyer organisation sizes and the number of providers including guidelines for decision makers to strengthen this CC relationship.

KEYWORDS

Cloud Computing, Contracts, Governance, Guidelines, IT Outsourcing, Relationships, Service Buyer Organization, Sweden, Transaction Cost Theory

INTRODUCTION

According to Kushida, Breznitz, & Zysman, (2010, p. 2): "Cloud Computing provides on-demand network access to a computing environment and computing resources delivered as services. There is the elasticity in the resource provision for users, which is allocated dynamically within providers' datacenters. Payment schemes are typically pay-as-you-go models." Furthermore, Yang and Tate (2012, p. 39) have observed in their descriptive literature review that cloud computing (CC) can deliver "considerable economies of scale" and that there is some evidence that CC delivers better performance, reliability, and scalability than traditional IT Outsourcing (ITO). Similar observations have been done by Stieninger & Nedbal (2014, p. 1), that have noticed that "Cloud Computing services have become more cost effective and technically flexible than traditional solutions". Nowadays, the modern successful companies develop their flexibility, cost structure, or access

to technological advancement on behalf to gain a competitive advantage over their market rival. In the past years, outsourcing has been an essential instrument to boost these business factors as market advantages. The research literature describes outsourcing as a collaboration, strategic alliance and partnership that creates a unique value to the buyer of outsourcing services (Quinn et al., 1990; Quinn, 1992). Moreover, it supports the efforts of an organisation to reduce cost, to enhance business efficiency, or to increase technical expertise (Antonopoulos & Gillam, 2010). On the other hand, relationships in IT outsourcing (ITO) are crucial to the success of outsourcing initiatives and according to Beimborn and Blumenberg (2007) a weak quality leads in 25% of all cases to a disruption or termination of cooperation. In opinion of Lee and Kim (1999), Schneider and Sunyaev (2016) and Branco et al. (2017) there is a correlation between relationship quality and successful IT outsourcing and they refer to a lack of self-interest as an essential need to improve partnerships. A free and trustful share of information, communication, and cooperation requires a high quality in the relationship and vendor management between contract parties as Han et al. (2007) has explained. Great relationships demand almost equalisation in power between all partners. According to Lacity & Willcocks (1998) and Gulati (1995) composing a contract in outsourcing activities, well considered and designed, reduces risks and self-interest behaviours. A contractual agreement is a basis for equal cooperation, in the sense of the actions of being helpful by doing required work for a successful ITO. According to Schneider & Sunyaev (2016) CC is an IT management paradigm evolved from ITO, which is why ITO research supports CC studies with its extensive gathered knowledge. The governance of the provider is managed either, through a contract, or with a working relationship, preferably with both. In the opinion of Hoberg et al. (2012, p. 9), "Without effective cloud governance shadow IT will become an even greater issue, the risk of getting locked-in to a vendor will rise, and the uncontrolled adoption of different cloud services might lead to costly redundancies and incompatibilities". In fact, a cloud computing service buyer can face risks and look for benefits that are similar to IT outsourcing in their dealings with a service provider. Most of the influencer of sourcing decisions in the ITO outlives their transfer into a CC context, but some have differences in CC (Schneider & Sunyaev, 2016). The research literature has deeply studied issues in ITO relationship regards to advantages and risks, types of relation, or the way of managing the relationships. It has led to a clear picture regarding contracting and relationship management inside IT outsourcing. But the previous studies in ITO have left a gap to discuss the CC contractual and relationship management. In the past, CC studies, for instance, Chebrolu (2011) and Dey (2010), have regularly discuss economic, scalability, agility or ubiquity benefits inside CC. The selection of the studies on risks in CC, like Antonopoulos and Gillam (2010), Rusu and Hodosi (2011), Onwubiko (2010) and Aubert, Patry and Rivard (1998) is even more extensive and usually reviews security, compliance, and reliability risks. Surprisingly although that the coherency between contractual and relationship management is crucial to the success, it is tiny considered and do not focus on service buyer. Therefore, the research problem we have identified is concerning the lack of understanding of what factors influence the success of relationships in CC from the service buyer perspective, where these factors differ than ITO ones, and how the service buyer decision-maker can benefit from the knowledge about them. As we mention above a bad relationship will jeopardise the success of CC quality and this could lead to the termination of CC contracts. To address the research problem mentioned above we have defined the following research question: "What are the influential factors to improve a CC relationship with the "service buyer" organisation?" In the next sections of the paper are presented the research background, research methodology; findings, analyses and guidelines; and finally, the conclusion section.

RESEARCH BACKGROUND

In this section, are presented the theory, concepts and also the defined propositions used in this research study.

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