Building trust is what matters most

Interview with Simone Frömming

Director Enterprise Customers, Microsoft Switzerland

Cloud technology is one of the biggest trends in data storage and data processing. It also involves uncertainties and risks that are significant to highly regulated sectors and public organizations. In an open conversation between Simone Frömming, Director Enterprise Customers at Microsoft Switzerland and Thomas Bolliger, Partner, Information Management & Compliance at KPMG Switzerland, we take a closer look at the importance of cloud solutions in the age of digital transformation. We also discuss whether Swiss firms are ready for the cloud, and compare Switzerland's position to other countries.

Thomas Bolliger We've identified cloud technology as a major digital trend – how much importance do you attach to this technology?

Thomas Bolliger
Partner, Information Management & Compliance

Simone Frömming As IT operating model of the future, the cloud is naturally of great importance to us. Cloud solutions are currently widely distributed across many business process models. The cloud offers a considerable agility and significant cost-saving potential, among other things, which is of crucial importance for the development of businesses.

What does this mean for Swiss firms?

Large Swiss companies – especially in the financial sector – are often very internationally oriented. But if we look at small and medium-sized businesses, the pandemic may provide an opportunity to review distribution structures, data management and, more generally, IT infrastructures. In this respect, we see great potential for the cloud-based management of corporate data.

How has the coronavirus pandemic impacted your business?

The pandemic has caused human suffering and economic damage, yet this unforeseen and extraordinary situation has also opened up opportunities. Firstly, businesses and public organizations alike have discovered that home office is a valid alternative, or a complement, to office-based working that we're used to. Secondly, the pandemic has boosted innovation and accelerated projects. Many businesses and public organizations had already acquired a license for our MS Teams video-conferencing application before the pandemic, with roll-outs planned over months and years. The pandemic meant that these projects sometimes happened within 48 hours, which is proof of how tangible pressure can speed up the implementation of IT projects.

"Swiss firms are ready for the cloud"

Do you feel it has also boosted usage of your Swiss cloud?

Yes, absolutely. In Switzerland, businesses, and to a certain extent public organizations, put great importance on data security and customer-owned data. Strongly regulated industries such as financial services or public bodies are subject to clear requirements as to where and how data must be stored. Naturally, our Swiss-based computer center is indispensable in this regard. In recent years and months, our clients have also worked very closely with FINMA to obtain the appropriate authorizations. Banks got involved early on and we now see an accelerating process among insurance companies. We really can say that Swiss businesses are ready for the cloud.

What does the cooperation between you and regulatory authorities such as FINMA or industry associations such as the Swiss Bankers Association look like?

Building trust is what matters most. We have made contact early on with FINMA and with the Swiss Bankers Association. Naturally, there was still a lot of skepticism and hesitation at the beginning, especially from individual businesses. This is understandable as client data is a highly sensitive subject for banks and is a basis of their core business. Several risk assessments were carried out and, little by little, we were able to come closer together and share the conviction that we can ensure data security even better in the cloud than in traditional server structures.

I can imagine the cloud onboarding process is key to a smooth transition and to generating trust and confidence with the client.

That's correct. The transition happens gradually, and not all data and processes are transferred in one go. It's important that all participants see the value that the transformation adds. IT infrastructure departments are losing an area of activity, and therefore responsibility. Because of this, we constantly strive to assign new tasks to internal employees through skilling initiatives. A change process can only be implemented successfully if all stakeholders fully support the project.

We know this from our own activities. Above all, we believe it's necessary to integrate mixed teams in the onboarding process. Cloud computing is a complex and interdisciplinary topic that must bring together all areas of Legal, Compliance, IT, HR and Procurement as well as the business.

Absolutely. But not all clouds are the same, and they have evolved. At first, everything revolved around infrastructures and platforms, which were offered in the form of service packs. Today, the cloud also includes what is called "Software as a Service". This constitutes a major paradigm shift in the area of corporate IT, which also raises cultural issues regarding collaboration. How do I include employees in collaborative processes, especially since a large number of young people in generation Z live alone and are suddenly isolated because of the pandemic, despite an efficient digital network? This is where HR specialists and managers must create a new social working environment.

Another trend is that IT services are increasingly procured and consumed directly from the business lines, and no longer coordinated through a central IT function. Do you see this happening?

As a matter of fact, we have a multi-track business relationship with many companies. While certain key topics are still managed by a central IT department, this means that business units increasingly purchase services directly from the market. As Software-as-a-Service products are now very easy to understand and use, the IT department is often bypassed. Business decisions are increasingly based on data analyses, which means that a company's actual decision-makers want to be able to examine and process this data first-hand.

For our work as auditors, it is essential that our clients use such new data analyses and we must be able to include the latter at best in the audit process. Moreover, we have tackled technology issues early on and will implement a wide transformation of our data and processes in the coming months. This provides us with the necessary basis to steer our complex business models into the future.

Naturally, such partners and intermediaries are extremely important for us, since they bring the possibilities and advantages of cloud technology nearer to a whole range of clients resp. whole industries.

Where does Switzerland stand in the international market? Just a few years ago, Switzerland and Swiss companies were rather cautious when it came to cloud technology.

Switzerland is still highly quality-oriented, which may be why it is perhaps slightly slower in terms of new developments. However, there is a huge willingness to innovate. The major Life Sciences and Financial Services clusters are innovation hubs that produce many start-ups and new technologies. Switzerland also has a longstanding culture of reliable trust and value. Take bank secrecy as an example. In a changing world, cloud computing provides an opportunity to live up to this trust and value culture. Switzerland is being deprived of this competence. Safes no longer contain gold bars, but rather sensitive data that are saved and reliably protected. In my opinion, Switzerland must not follow all of the EU's efforts to set new standards and rules, because these processes are often very long. Switzerland must use its independence and agility to find its own place in the market.

"In Switzerland,
 there is a huge willingness
 to innovate"

"Even Microsoft is not immune to the challenges of digitization"

The possibilities offered by so-called eco-systems and the option to go global immediately when a new product is brought to market are a tremendous opportunity for Switzerland. Small businesses in particular suddenly have opportunities they would not have had in the past at this cost or speed. In my view, this will further speed up the Swiss market in many ways.

At the same time, entirely new challenges arise. For instance, distribution channels and activities are increasingly digital and virtual. We see this in our business too. Our sales managers are now much more active on social media platforms where they observe their clients and potential targets, and deal with their needs. This means entirely new skills must be developed in-house. The way products and services are sold is changing; activities must be based on data analytics and be grouped and assessed centrally. Many companies are still too organized in silos and do not take full advantage of central data processing and analysis.

This turns the usual image of a company on its head …

Absolutely. We are about to experience a massive cultural transformation. Digitization is progressing and triggering a series of changes. This is a learning path that we too must take. Even Microsoft is not immune to the challenges of digitalization!

This affects us exactly in the same way. The audit of the future will no longer be the same. We are moving towards real-time audits, big data and artificial intelligence, even if we are still far away from such scenarios.

Appropriate interfaces between your business and your clients are of course necessary in these scenarios. Cloud computing is an important milestone in this vision.

Your business model is based on strategic partnerships with intermediaries and consulting companies. You have such a partnership with KPMG. What is important in this type of cooperation and what criteria must be met?

KPMG is a very important strategic partner for us. Not only because our cooperation allows us to build common client relationships, but also because we can develop new business models such as the auditability of client data. We benefit from the specific business competence of a strategic partner and develop new solutions together based on data analytics, artificial intelligence or risk analysis. In 2020, KPMG was designated as Microsoft's Partner of the Year. This means something. In my opinion, it is the combination of a global footprint and a local presence with large Swiss clients that makes cooperation so valuable to us.

What we greatly appreciate are the reports on cloud activities that you provide to clients almost in real time. This ensures comfort and transparency regarding the monitoring and quality assurance of your cloud solutions. Here, we believe that Microsoft is ahead, if not at the top.

However, the current coronavirus pandemic also shows us that we still have to address a number of issues regarding regulation and compliance. For instance, last year and this year, we were suddenly facing questions about virtual Board meetings, online general meetings, e-voting and other formats.

"Switzerland must use its independence and agility to find its place on the market autonomously"
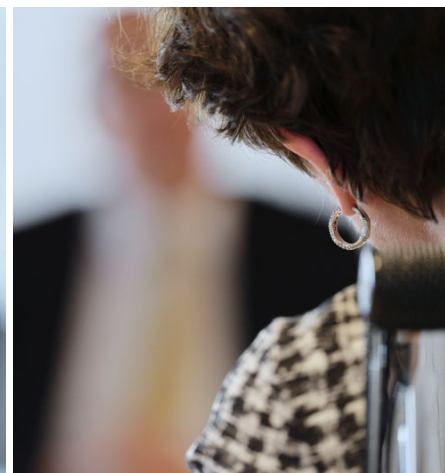
At the end of the day, it is always about security and data protection. Is the cloud also protected against cyber-attacks?

Yes, absolutely. Fighting cyber-attacks and protecting ourselves from hacker attacks are paramount to us. With the Azure Security Center, we have a defensive mechanism that is able to stifle such attacks early on, which should reinforce trust in the cloud. From a security perspective, this is a huge step forward in transitioning to the cloud.

We have a Microsoft Cyber Defense Operations Center in Redmond. Security experts from all over the company work in this center in order to prevent, identify and react to threats in real time. The center has direct access to thousands of security experts, data scientists and product engineers throughout Microsoft, to ensure a swift reaction to, and remediation of, security threats.

Microsoft invests over USD 1 billion a year in security, data protection and risk management.

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How does technology take into account sustainability requirements and what is your contribution to this?

For any company, deciding to switch to the cloud means deciding to drastically reduce electricity consumption compared to its own server structure, such as those found in Swiss companies' basements. Microsoft itself has several sustainability initiatives. In each country, we have one person responsible for sustainability. We have a clear objective to achieve climate neutrality by 2030. Microsoft was founded in 1975. By 2050, we intend to have made up carbon negatively for what we have brought into the world since the foundation of our company. This is an ambitious goal, but we must have such visions to follow.

How do you see the future of cloud solutions? Where is this journey taking us?

In the future, the cloud will be almost everywhere. This is what we see every day as consumers. Cars will be cloudified, banking will be cloudified, our kitchen appliances will communicate with the cloud. The question is no longer when and in which area the cloud will be implemented, but whether we can find enough employees who know how to use these technologies.