

Strategies for Entering New Business Areas by Leveraging Cloud Computing Technologies

Research Objective:

How does a large corporation successfully build a new business by leveraging a new technology?

Case Study:

British Telecom entering the Infrastructure-as-a-Service (IaaS) cloud computing business.

Research Timeline:



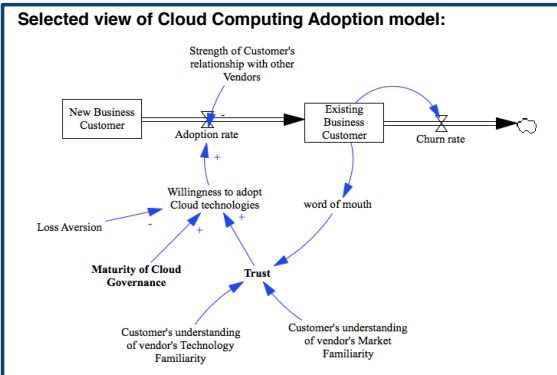
Methodology:

- Market research survey including interviews with market analysts and industry thought leaders in the cloud computing domain
- Interviews with typical customers (Fortune 100 enterprise IT executives)
- Competitive Analysis: market entry strategy of a leading telecom provider in the US
- Populate "Familiarity Matrix" [Roberts] with BT's current cloud computing technology capabilities and existing Enterprise market positions
- Build a System Dynamics model of the key dynamics and to test potential strategies, and to identify typical success and failure scenarios
- Identify critical success factors for new BT business models that are built on new technology platforms

Preliminary Findings

Barriers to adoption for large enterprise for public cloud customers include:

- Inherent Technology Architecture:** Utilization of cloud computing requires matured Technology Architecture (ex SOA) which only 15% of large enterprise have in-house
- Immaturity of cloud:** fear of security, lack of support, threat to existing IT organization
- Regulation Concerns :** Many companies requires regulation compliance such as HIPAA, SAS 70, SOX. It is not clear how large enterprise can maintain their regulation compliance in public cloud
- Cost uncertainty:**
 - No standard measure to allow for fair comparison. Pricing models are still evolving to meet the customers needs
 - Creating a private cloud is costly ~ \$500M for an enterprise
 - Economics of public cloud savings does not work for large enterprise
- Large enterprise to adopt **private** cloud then consider a **hybrid** solution for non-critical applications



"The rapid emergence of the cloud is presenting threats and challenges, but also opportunities for those with the agility and vision to transform"

Joe Weinman, Strategy and Business Development VP for AT&T Business Solutions

Cloud Computing is an attractive new business are for Telecom:

- Telecom industry is characterized by pricing competition, government regulation, falling margins, and slowing revenue growth
- Cloud computing is strongly aligned with existing resources, values and processes of network operators
- Cloud is a disruptive model that is transforming the IT delivery model

In 2009, all major global Telecoms have announced IaaS Cloud Services

