

## Management Summary

Cloud computing is a disruptive technological innovation that is transforming the Information and Communication Technology (ICT) service industry to an unprecedented level. It has made, what used to be expensive and scarce computing resource abundant and cheap. Small and medium size organizations no longer have to worry about owning a large IT infrastructure and the resource to operate it. Even end users, with just a credit card can tap into computing resources, which in the past were only affordable to large companies.

On the flip side are the 'traditional' ICT service providers, who face the tide of commoditization of ICT services and disruption to their long-standing business model. Since the emergence of cloud computing, ICT service providers are facing challenges as more and more of their customers opt for cheaper substitute of cloud-based services. Consequently, some service providers have reacted by simply renaming their existing offerings as 'cloud' while others started building their own cloud based service. As this paradigm shift continues to unfold, the paper begun with aim of augmenting the understanding of decision makers of ICT focused organizations by exploring the effective ways of dealing with cloud based disruptive innovation for survival and beyond. The study was conducted by interacting with ICT industry experts from a range of stakeholders associated with ICT service provider value networks, which includes, customers, hardware and software suppliers and ICT service providers operating in the public, private and international organization environment. Moreover, this study covers extensive review of academic literature in disruptive innovation theory to analyse and discuss expert insights gathered.

The results from this study support that, cloud based services are transforming ICT service industry. For ICT service providers and hardware suppliers, cloud based services display the characteristics of both, low-end (targeting existing overshot customers) and new market (attracting new customers) disruptive innovation. Likewise, the findings also show that, the cloud-based transformation is a slow process rather than a single event. In addition, cloud based services are changing ICT service provider value network and in the process the traditional way of capturing value is becoming more difficult. On the other hand, the result shows, customers are taking advantage of this transformation in the form of improved efficiency, lower IT infrastructure cost and they are able to undertake new projects (such as Big Data) without having to worry about overprovisioning or under provisioning of computing resources. Although, customers' existing in-house IT investment, processes and resources will need to be adjusted to reflect this transformation.

Correspondingly, the findings show that there were various forms of response from ICT service providers and hardware suppliers to this transformation. Which includes, building own cloud based services, introducing a software-centric business model, adapt to a role of cloud integrator alongside offering additional service at no extra cost to their customers. Nonetheless, the findings suggest that these approaches were rather reactive approach by incumbent service providers and hardware suppliers to survive the disruption and it will only be effective to sustain for as long as the pace of disruption is gradual. However, in today's fast paced innovation, a more proactive approach is essential looking beyond survival. Hence, the paper concludes, companies need to give strategic importance to fostering disruptive innovation capabilities in an organization as it not only guarantees survival but also drives growth by exploring underserved markets as well as creating new ones. Disruptive

innovation is the type of innovation not only to be concerned about as a threat but it can also serve as a viable competitive strategy.

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