

IBM Institute for Business Value



Overview

Although cloud is widely recognized as a technology game changer, its potential for driving business innovation remains virtually untapped. Indeed, cloud has the power to fundamentally shift competitive landscapes by providing a new platform for creating and delivering business value. To take advantage of cloud's potential to transform internal operations, customer relationships and industry value chains, organizations need to determine how best to employ cloud-enabled business models that promote sustainable competitive advantage.

The power of cloud

Driving business model innovation

Cloud has already changed both business and everyday life – from consumers who perhaps unknowingly use it to access their favorite music to companies that purposely harness its powerful resources. While much activity and buzz relating to cloud involves its technological capabilities, the benefits of cloud adoption actually extend into the business realm.

To more clearly determine how organizations use cloud today and how they plan to employ its power in the future, we surveyed, in conjunction with the Economist Intelligence Unit, 572 business and technology executives across the globe. Our research suggests that while cloud is widely recognized as an important technology, relatively few organizations today actively embrace it to drive business model innovation.

Cloud's bright future

Through our survey of business and technology leaders, we discovered that organizations – both big and small, across geographies and in virtually every industry – are embracing cloud as a way to reduce the complexity and costs associated with traditional IT approaches. Almost three-fourths of the leaders in our survey indicated their companies had piloted, adopted or substantially implemented cloud in their organizations – and 90 percent expect to have done so in three years. And the number of respondents whose companies have substantially implemented cloud is expected to grow from 13 percent today to 41 percent in three years.



However, the world is experiencing a digital and mobile transformation, with more information available more quickly in more mediums than ever before. Our research illuminates that six key cloud attributes can be used to power business model innovation, which we've dubbed business enablers: Cost flexibility, business scalability, market adaptability, masked complexity, context-driven variability and ecosystem connectivity.

Cloud business enablers are already driving innovation across customer value propositions and company and industry value chains. Enterprises are applying cloud to generate additional revenue streams by enhancing, extending and inventing new customer value propositions. And cloud is being used to improve, transform and create new organization and industry value chains. This has resulted in shifts in who creates value, as well as how it is created, delivered and captured.

Cloud Enablement Framework

Using the extent to which an organization's use of cloud can affect value propositions and value chains as dimensions, we created a "Cloud Enablement Framework," which identifies three organizational archetypes: Optimizers, innovators and disruptors (see Figure 1). These archetypes characterize the impact of an organization's cloud-enabled business strategy. They are based on the extent to which an organization enhances, extends or invents customer value propositions – and improves, transforms or creates new value chains.

Optimizers. Use cloud to incrementally enhance their customer value propositions while improving organizational efficiency.

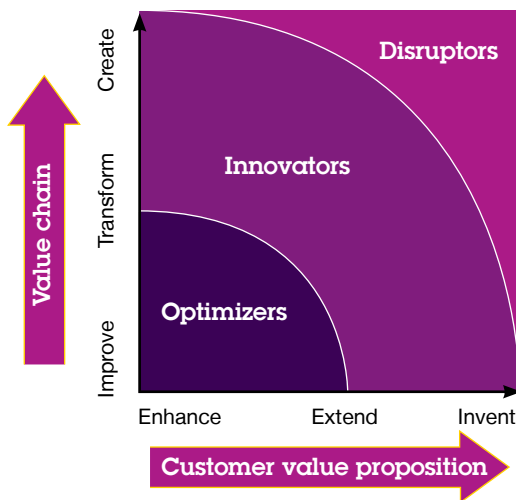
Innovators. Utilize cloud to significantly extend customer value propositions, resulting in new revenue streams, transforming their role within their industry or entering an adjacent market or industry space.

Disruptors. Invent radically different value propositions, generating new customer needs and capturing unique competitive advantage by creating a new or disrupting an existing industry or market.

The framework is not a maturity model. We don't expect or recommend that organizations first start as optimizers and then become innovators and disruptors. Instead, an organization should determine its place in the Cloud Enablement Framework based on the company's strategy, risk profile, competitive landscape, etc.

Organizations need to carefully evaluate the various opportunities available to harness the power of cloud as an optimizer, innovator or disruptor – and find the right opportunity for their particular circumstances or product/service line.

Cloud Enablement Framework



Source: IBM Institute for Business Value analysis, 2012.

Figure 1: The Cloud Enablement Framework helps organizations classify the extent to which their use of cloud impacts value propositions and value chains.

Authors

Dr. Saul J. Berman

saul.berman@us.ibm.com

Lynn Kesterson-Townes

LKT@us.ibm.com

Anthony Marshall

anthony2@us.ibm.com

Dr. Rohini Srivathsa

rohini.srivathsa@in.ibm.com

Key Contacts

Saul Berman

VP and Global Lead Partner
for Strategy Consulting and
Innovation and Growth
IBM Global Business Services
saul.berman@us.ibm.com

Matt Porta

VP and Partner
Global Technology Strategy
IBM Global Business Services
matt.porta@us.ibm.com

Rohini Srivathsa

Associate Partner
Strategy & Transformation Center
of Competency Globally
Integrated Capabilities Leader
IBM Global Business Services
rohini.srivathsa@in.ibm.com

Companies worldwide are beginning to recognize cloud's capabilities to generate new business models and promote sustainable competitive advantage. Whether they choose to become optimizers, innovators or disruptors, successful organizations will leverage cloud as a key point of differentiation in driving business value and success.

For more information about this study and to access the full report when it becomes available, visit: ibm.com/gbs/powerofcloud

Be among the first to receive the latest insights from the IBM Institute for Business Value. Subscribe to IdeaWatch, a monthly e-newsletter featuring executive reports that offer strategic insights and recommendations based on our research: ibm.com/gbs/ideawatch/subscribe

How can IBM help?

IBM has a unique position in the marketplace with consulting services and enterprise-grade cloud offerings. We are ideally positioned to engage clients in conversations to identify cloud adoption entry points that move beyond cost cutting to transforming business models through cloud capabilities that include:

- Business and technology strategy consulting services that help clients leverage cloud to develop executable strategies and transform their businesses, operations and organizations by delivering business value through technology.
- The next generation, enterprise cloud service delivery platform, IBM SmartCloud, that offers clients unprecedented service level control. This common IBM architecture for private, public and hybrid clouds is based on IBM hardware, software, services and best practices.
- A robust set of services delivered on top of IBM SmartCloud: desktop, computing, storage, backup, SAP, security and unified communications.
- Consulting, design, implementation and infrastructure component management services that create an IT environment dynamic enough to effectively support cloud computing deployment.

To learn more about how you can partner with IBM on your cloud journey, please visit ibm.com/cloud-computing.



© Copyright IBM Corporation 2012

IBM Global Services
Route 100
Somers, NY 10589
U.S.A.

Produced in the United States of America
January 2012
All Rights Reserved

IBM, the IBM logo and ibm.com are trademarks or registered trademarks of International Business Machines Corporation in the United States, other countries, or both. If these and other IBM trademarked terms are marked on their first occurrence in this information with a trademark symbol (® or ™), these symbols indicate U.S. registered or common law trademarks owned by IBM at the time this information was published. Such trademarks may also be registered or common law trademarks in other countries. A current list of IBM trademarks is available on the Web at “Copyright and trademark information” at ibm.com/legal/copytrade.shtml

Other company, product and service names may be trademarks or service marks of others.

References in this publication to IBM products and services do not imply that IBM intends to make them available in all countries in which IBM operates.



Please Recycle