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**FACTORS AFFECTING THE ADOPTION OF CLOUD  
COMPUTING FOR NON-CORE BUSINESS ACTIVITIES - A CASE  
STUDY OF THE BFI SECTOR IN SRI LANKA**

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**March 2014**

University of Moratuwa



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Thesis Submitted in Partial Fulfilment of the Requirements for the Degree of Master of  
Business Administration

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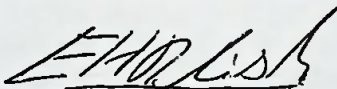
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## DECLARATION

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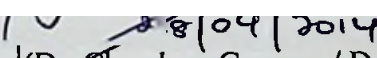
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Supervisor (Dr. Chandana Gamage / Dr. Shahani Weerawarana)

## ABSTRACT

From the dawn of the industrial revolution in the late 18<sup>th</sup> century organizations adopt technology to gain competitive advantage. The introduction of computers and information systems accelerated the momentum of technology acquisition, not only to gain competitive advantage but also as a bare necessity.

Information and communication technology has rapidly evolved from mainframes that was affordable to the large organizations to mini computers, personal computers networks, the internet and mobile computing that quenches the thirst of convenience that customers demand and support the employees who make it possible.

There are many proven models such as the Framework for Information Technology Adoption and Technology Organization Environment (TOE) Model that showcase the factors that come into play when an organization decides to invest or adopt a new technology.

Cloud computing solutions (specifically public clouds) entered this evolution of ICT changing the landscape of some of the basic norms organizations took for granted. Leapfrogging to today's cutting edge technology, rapid deployment, pay as you go are bold promises it makes. The risks of privacy, security, ownership, loss of control, territory restriction, regulatory and legal restriction that organizations were not familiar was introduced by this same technology.

Public cloud alone is predicted to be worth USD 131 billion in year 2013 by Gartner (Gartner Inc. 2013b), together with the industry's major players such as IBM, HP, Microsoft, Google and Amazon joining the cloud market (Fairlie 2011), (Forrester 2011) makes cloud computing an important technology, worthy of being researched into.

Does the proven models of technology adoption that worked for on premise ICT solutions also capable of factoring in these risks and benefits of cloud computing? Or does cloud computing call for the reengineering of these proven models to factor in these new evolutions?

While creating or reengineering these time tested models and frameworks demands much more resources than what is permitted, this research aims to begin the process using an Interpretive Qualitative study so as to bring to light the factors and theories that affect the adoption of cloud computing using Grounded Theory concepts.

The Banking, Finance and Insurance sector which is highly regulated, technology driven, highly confidential yet with large economic impact is selected so that the theories built will encompass a wide range of possibilities. In depth interviews with some of the country's top CIOs provide the valuable input of information to the theory building process.

A rich literature review on cloud computing, the monetary impact of cloud computing, the state of cloud computing in Sri Lanka, the Banking Finance and Insurance the technology adoption models provide the researcher and the audience a wealth of information. The research design justifies in detail the selection of a qualitative explorative research, the interpretive epistemology, the in depth interview process over other tools that can be used, the hermeneutic nature and steps taken to preserve the validity of the interpretive nature of the research.

Grounded Theory based analysis of this research brings forth ten theories that are within the scope of the organization of which two are of the CIO, and three theories that come from the operating environment. The research provides recommendations on what would leverage the adoption process of cloud computing as seen from the angle of CIOs of the BFI sector toward cloud service providers, communications solutions providers, the regulators and the legal system. Future research is another important section that this research prescribes in order to understand more on the adoption of cloud computing from a management perspective.

## ACKNOWLEDGEMENTS

This dissertation is made possible by the guidance and help extended by many individuals who contributed their valuable insight and assistance in preparing this final document.

I am very thankful to my co-supervisor Dr. Shahani Weerawarana for her guidance and help extended on cloud computing and during the initial stages of the research. My sincere thank you also goes out to Dr. Chandana Gamage my second co-supervisor who enlightened me on several important areas in the research and also for guiding me in finalizing this dissertation, whom without it would not be possible.

My sincere gratitude goes to the lecture panel of the Department of Computer Science and Engineering, University of Moratuwa, Sri Lanka for the encouragement and support extended throughout the study and during the progress review sessions. I also thank my dear friends and colleagues for their assistance and encouragement.

Last but not least I am very much thankful to my wife Deepika and my two sons Kevin and Jared for their support, understanding and continuous motivation and encouragement throughout my MBA studies and during the MBA Research.

Enrico Lisk

MBA-IT 2013-14

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# LIST OF ABBREVIATIONS

## A

- AOL
  - America Online, 6
- API
  - Application Programming Interface, 20

## B

- BFI
  - Banking Finance and Insurance, 23, 29, 30, 31, 33, 42, 51, 76

## C

- CapEx
  - Capital Expenditure, 23, 49
- CBSL
  - Central Bank of Sri Lanka, 24, 25
- CIMA
  - Chartered Institute of Management Accountants, 11
- CIO
  - Chief Information Officer, 29, 30, 33
- CSA
  - Cloud Security Alliance, 10

## D

- DR
  - Disaster Recovery, 10

## E

- EA
  - Enterprise Architecture, 17, 18, 19
- EC2
  - Amazon Elastic Compute Cloud, 12

## G

- GWP
  - Gross Written Premium, 26

## I

### IaaS

- Infrastructure as a Service, 8
- Infrastructure as a Service, 7
- Infrastructure as a Service, 11
- Infrastructure as a Service, 12

### IBM

- International Business Machines, 7, 11

### IBSL

- Insurance Board of Sri Lanka, 24
- Insurance Board of Sri Lanka, 27, 28

### ICT

- Information and Communication Technology, 11
- Information and Communication Technology, 6
- Information and Communication Technology, 28
- Information and Communication Technology, 29
- Information and Communication Technology, 38
- Information and Communication Technology, 38

### ICTA

- Information and Communication Technology Agency, 11

### IT

- Information Technology, 7, 11, 15, 16, 17, 19, 20, 23, 42, 48, 51, 56, 76

## L

### LGII

- Local Government Information Infrastructure, 11

## M

### MBA

- Master of Business Administration, 23, 48, 51

## O

### OpEx

- Operational Expenditure, 23, 49

## P

### PaaS

- Platform as a Service, 7, 8, 11, 12

## R

### RAS

- Reliability, Availability and Serviceability, 9, 10

### ROI

Return On Investment, 11  
Return On Investment, 21  
Return On Investment, 49

## S

### SaaS

Software as a Service, 6, 8, 11, 12

### SLA

Service Level Agreements, 10

### SME

Small and Medium Enterprises, 11, 20, 23

### SOA

Service Oriented Architecture, 11, 20

### STAR

Security and Trust Alliance, 10

## T

### TOE

Technology Organisation Environment, 23

**Technology Organization Environment, 22**

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### TOGAF

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## X

### XML

Extensible Markup Language, 20