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HOW HfS DEFINES "DIGITAL"

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These days, it seems that everything you read in the business and technology press or marketing materials from vendors of one type or another references the term "digital" in some way. Yet, there isn't much consistency in how digital is being defined from one place to the next. In fact, in most instances, it isn't defined at all and the writer simply assumes the reader understands what it means. In this PoV, we outline our view of what constitutes the digital universe across 6 different layers of enterprise operations, as we launch an enhanced and expanded digital research practice.

The Digital Consumer Demands the Digital Enterprise

In a nutshell, "digital" describes the technologies that enable enterprises brands to exist electronically with their customers, employees, partners and suppliers. Digital describes the electronification of manual processes to create a seamless cyber persona and brand for an organization. Although modern consumers have already created their own "digital" personas via the use of social media and mobility, modern enterprises have lagged behind. They now face the task of catching up as they evolve into what HfS calls the "As-a-Service Economy."

Digital transformation is such a central element of the evolution of IT and business processes that HfS is enhancing and expanding our coverage of all things digital in 2015 and beyond. In recent months, we have introduced research coverage on digital trust and security as well as the Internet of Things (IoT) and design thinking. To bring together all of these new research topics and to define the overall approach that HfS is taking on digital, we are introducing The HfS Digital Enterprise Framework.

The six layers of the HfS Digital Enterprise Framework (see Exhibit 1) define what is included in the digital domain as well as provide an aggregated structure for our individual research efforts. The Framework highlights the complete digital ecosystem, from back office functions to client-facing front office operations, that an enterprise needs to drive a deep and continuous state of interaction between clients and customers. It also demonstrates the need for enterprises to evolve from merely having siloed skills to developing talent with cross-functional capabilities, and from focusing on maintaining resources to focusing on value creation. Rather than enterprises investing in creating huge repositories of data, the focus has to move to interpreting and acting on that data to create value.
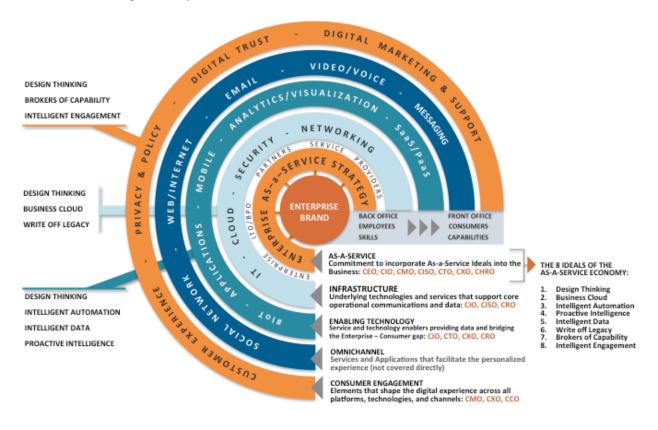
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The HfS Digital Enterprise Framework

LAYER ONE: The Enterprise Brand

The first layer in our HfS Digital Enterprise Framework is the **Enterprise Brand**, which recognizes that digital is primarily about the way that enterprises and their brands utilize technology to interact with their customers, employees, partners and suppliers. All additional layers of the Digital Framework flow outward and are defined by how they shape, promote, and interact with the Enterprise Brand.

Exhibit 1. The HfS Digital Enterprise Framework

LAYER TWO: As-a-Service

Moving out from the Enterprise Brand, the **"As-a-Service"** layer embodies the core Ideals of how the enterprise can bring about comprehensive digital delivery across its products and services. As-a-Service is the embodiment of eight individual Ideals: Design thinking, business cloud, intelligent automation, proactive intelligence, intelligent data, write-off legacy, brokers of capability and intelligent engagement. Implementing these eight Ideals across an enterprise requires the leadership of the entire executive and management team (e.g., CEO, CIO, CMO, CISO, CTO, CXO and CHRO), as well as the financial and political support necessary to overcome established views and

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structures ("the legacy" or "silo" approach). For HfS, design thinking is the most fundamental ideal in the movement to a digital enterprise—it's not just looking at the process but "beyond the process." It is about understanding the wider context, environment, and business intent that digital and business processes support, and defining what a consumer-centric approach or solution should look like. Ultimately, it is about creating a socially intelligent workforce that blends digital capabilities more effectively to add measurable business value to an enterprise. The more an enterprise evolves to As-a-Service maturity, the greater the focus shifts to a forward-thinking culture. It's less about *creating* the data and more about *acting* on that data. It's less about *improving* a process for the sake of it and more about *re-imaging* that process to align better with a desired business outcome. It's like the fuel gauge in your car that tells you how many miles there are to empty: better quality data will help your business gauge more accurately when it's time to refuel. Most cars can only act on two data points—your current speed and fuel consumption, but cannot accurately predict how conditions that could affect either of those will change down the road. It is the same scenario for enterprises, as they have access to many more variables and capabilities to change course.

LAYER THREE: Infrastructure

The third layer of our Framework, **Infrastructure,** includes all the underlying technologies that support core operational communications and data, including IT, the cloud, and security and networking services. The Infrastructure Layer requires its architects, including the CIO, CISO (chief information security officer) and CRO (chief risk officer) to be committed to looking beyond processes and to leveraging design thinking as they embed digital throughout their business.

LAYER FOUR: Enabling Technology

Building on Infrastructure, the fourth layer, **Enabling Technology**, provides the lifeblood of data to the digital environment, including IoT, enterprise applications, software as-a-service, mobility platforms, and analytics collection and visualization tools. For HfS, this layer is owned by business unit leaders as well as the CIO, CTO and other C-suite executives who are all trying to bridge the gap of communication and understanding between clients/consumers and the enterprise itself.

LAYER FIVE: Omnichannel

Surrounding the Enabling Technology Layer is the **Omnichannel** layer, which acts as the point of interaction and personalization that brings digital across services and applications through the front and middle office and into an interface with clients and consumers. The apps and services include social networks, web/internet, email, video/voice and messaging platforms. Omnichannel is a secondary research focus for HfS; we address this layer through the digital interactions that flow between adjacent framework layers.

LEVEL SIX: Digital Engagement

The final layer, **Consumer Engagement**, is where the elements that shape the consumer experience across all channels, infrastructure, and technologies meld together and the value of digital comes to life. Elements of the Consumer Engagement layer include customer experience, personal privacy and policies, digital trust & security, and digital marketing and customer support. Like the other layers, Consumer Engagement is shaped by design thinking, which enables the digital realization of the Enterprise Brand at the core.

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What to Watch

HfS has no doubt that enterprises will become more and more digitally oriented each year. Some will be born in the cloud and others will transform their legacy or siloed operations, products and services into digitally centric offerings. To get there, we believe that enterprises need a structured way to think about what being "digital" really means and what it must include at specific layers of capability and investment.

We intend the HfS Digital Enterprise Framework to serve as a consistent guide for enterprises to look at the digital world and understand how the breadth of digital-related analysis and research coming from HfS fits into this broad and strategic picture.

Stay tuned as we ramp up our coverage in this space beginning with HfS Blueprints on Digital Trust and IoT Services in the coming weeks.

About the Authors

Charles Sutherland

Charles Sutherland is the Chief Research Officer at HfS. Charles is responsible for the overall research agenda for HfS across the "as a service" economy. He personally covers the areas of automation, business platforms, supply chain, procurement and various vertical processes. Since joining HfS in 2013, Charles has had the opportunity to speak at various industry forums including NASSCOM and has had his research covered widely in the business and outsourcing press as well.

Charles has been in the business services market for 20 years including previous roles as the Chief Strategy Officer for a BPO service provider and the Managing Director, Growth & Strategy for Accenture's Operations Growth Platform. In these roles he has had a breadth of experience in thought leadership, strategy development, acquisitions, business development and long-term investment planning in both BPO and ITO.

Charles has also had Growth & Strategy roles for Accenture in Infrastructure Outsourcing and for the Communications, Media and High Tech Operating Group. Prior to that he was a Strategy Consultant in London for Accenture serving clients in the Media, Communications and Consumer Goods industries. If you go even further back in time he was also a Marketing Director for Olivetti in Canada and Europe.

Charles has an MBA from INSEAD in Fontainebleau, France and an Honors BA in Economics and Political Science from the University of Toronto.

He now resides in Southlake, Texas but still keeps the Boston Red Sox bumper stickers on his Prius so clearly he hasn't become a proper Texan just yet.

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Fred McClimans

As EVP of Strategy & Research Managing Director, Fred McClimans helps lead the strategic direction of the firm as well as leads our research coverage in the area of digital trust and security.

Fred is a seasoned technology and analyst veteran, having founded two analyst firms, including Current Analysis, a global competitive intelligence and market advisory firm that pioneered the use of real-time market analysis coupled with social SaaS tools to help business and brands monetize changes in global markets. Current Analysis was acquired by Progressive Digital Media (UK) in 2014.

Previously, Fred co-founded Decisys, an analytical consultancy, which was acquired by the Burton Group, and later by Gartner (in 2009). In addition to his years as an analyst at Gartner, Fred's experience includes helping Newbridge Networks (now Alcatel) stand up their Advanced Technology Group, serving as the Chief Information Officer at DTECH LABS (a secure mobile communications provider, now part of Cubic Corporation), and Ernst & Young, were he was a Manager in the Technology Consulting Practice.

Fred lives outside of Washington, DC with his wife and family. An avid competitor, Fred has logged his time as an amateur hockey coach, a martial arts instructor and, currently, an assistant to his son's basketball team.

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Phil Fersht

Phil Fersht is Founder and Chief Executive Officer of leading global analyst authority for the services industry, HfS Research. He is an acclaimed author, analyst and visionary in Global Business Services and Outsourcing, the Digital Transformation of enterprise operations and talent strategies. Fersht coined the term "The As-a-Service Economy" which is HfS Research's vision for the future of the global services and outsourcing industry and has become widely adopted by the global services industry.

Fersht founded HfS Research in 2010 and has masterminded the development of the HfS organization as a leading analyst for the firm, in addition to steering the business operations. He is also author and creator of the most widely-read and acclaimed blog in the global services industry, entitled "Horses for Sources" and now entering its ninth year, attracting over a million visits per year across the globe. At HfS, he directs the firm's research, advisory and global knowledge community, which today totals over 100,000 professionals and is served by a respected global analyst team.

Under Fersht's stewardship, HfS Research has become the leading industry analyst firm for growing influence and value, based on the results of 1093 industry participants in the 2014 Analyst Value Survey. He was named "Analyst of the Year 2011" by the Institute of Industry Analyst Relations (IIAR), winning the premier analyst award for a second successive year - the most coveted global award for industry analysts in technology and services industry. In 2012, the International Institute of Analyst Relations (IIAR) awarded HfS research as Most Innovative Analyst Firm.

Over the past 20 years, Fersht has lived and worked in Europe, North America and Asia, where he has advised on hundreds of operations strategy, outsourcing, and global business services engagements. During his career, Phil Fersht has worked at Gartner Inc. (AMR Research), directing the firm's BPO and IT Services practices and served as market leader for Deloitte Consulting's BPO Advisory Services, where he led numerous outsourcing and offshoring advisory engagements with Fortune 500 enterprises. He began his career with IT analyst IDC.

Fersht contributes regularly to media such as Wall St Journal, Business Week, Economist, The Times of India and CIO Magazine and is a regular keynote speaker at major industry events, such as NASSCOM, Sourcing Interests Group and the HfS Blueprint Sessions.

He received a Bachelor of Science, with Honors, in European Business & Technology from Coventry University, United Kingdom and a Diplôme Universitaire de Technologie in Business & Technology from the University of Grenoble, France. He also has a diploma from the Market Research Society in the United Kingdom.

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About HfS Research

HfS Research serves the research, governance, and services strategy needs of business operations and IT leaders across finance, supply chain, human resources, marketing, and core industry functions. The firm provides insightful and meaningful analyst coverage of best business practices and innovations that impact successful business outcomes, such as the Digital Transformation of operations, cloud-based business platforms, services talent development strategies, process automation and outsourcing, mobility, analytics, and social collaboration. HfS applies its acclaimed Blueprint Methodology to evaluate the performance of service and technology in terms of innovating and executing against those business outcomes.

HfS educates and facilitates discussions among the world's largest knowledge community of enterprise services professionals, currently comprised of 150,000 subscribers and members. HfS Research facilitates the HfS Sourcing Executive Council, an acclaimed elite group of sourcing practitioners from leading organizations that meets bi-annually to discuss the future direction of the global services industry and the future enterprise operations framework. HfS provides Sourcing Executive Council members with the HfS Governance Academy and Certification Program to help its clients improve the governance of their global business services and vendor relationships.

In 2010 and 2011, HfS Research's founder and CEO, Phil Fersht, was named "Analyst of the Year" by the International Institute of Analyst Relations (IIAR), the premier body of analyst-facing professionals, and achieved the distinction of being voted the research analyst industry's Most Innovative Analyst Firm in 2012.

In 2013, HfS was named first in increasing influence among leading analyst firms according to the 2013 Analyst Value Survey and second out of the 44 leading industry analyst firms in the 2013 Analyst Value Index.

Now in its seventh year of publication, HfS Research's acclaimed blog "Horses for Sources" is widely recognized as the most widely-read and revered destination for unfettered collective insight, research, and open debate about sourcing industry issues and developments. Horses for Sources now receives over a million web visits a year.

To learn more about HfS Research, please email research@HfSResearch.com.

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