HFS

Welcome to OneEcosystem™, where connected Customer, Employee, and Partner Experiences create new thresholds of value

Enterprise Innovation must Transcend the Walls of Your Organization

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The Situation: We'll struggle to find new sources of value looking inwards. OneEcosystem™ is where we venture beyond the walls of our organizations to collaborate with like-minded partners with shared common objectives of anticipating customer needs

Ecosystems are created by multiple organizations collaborating to drive new sources of value. Organizations increasingly need to collaborate across these ecosystems to pinpoint where disruption is coming from, where to disrupt, and how to keep reinventing themselves in an unforgiving world where we no longer have time to rest on our laurels.
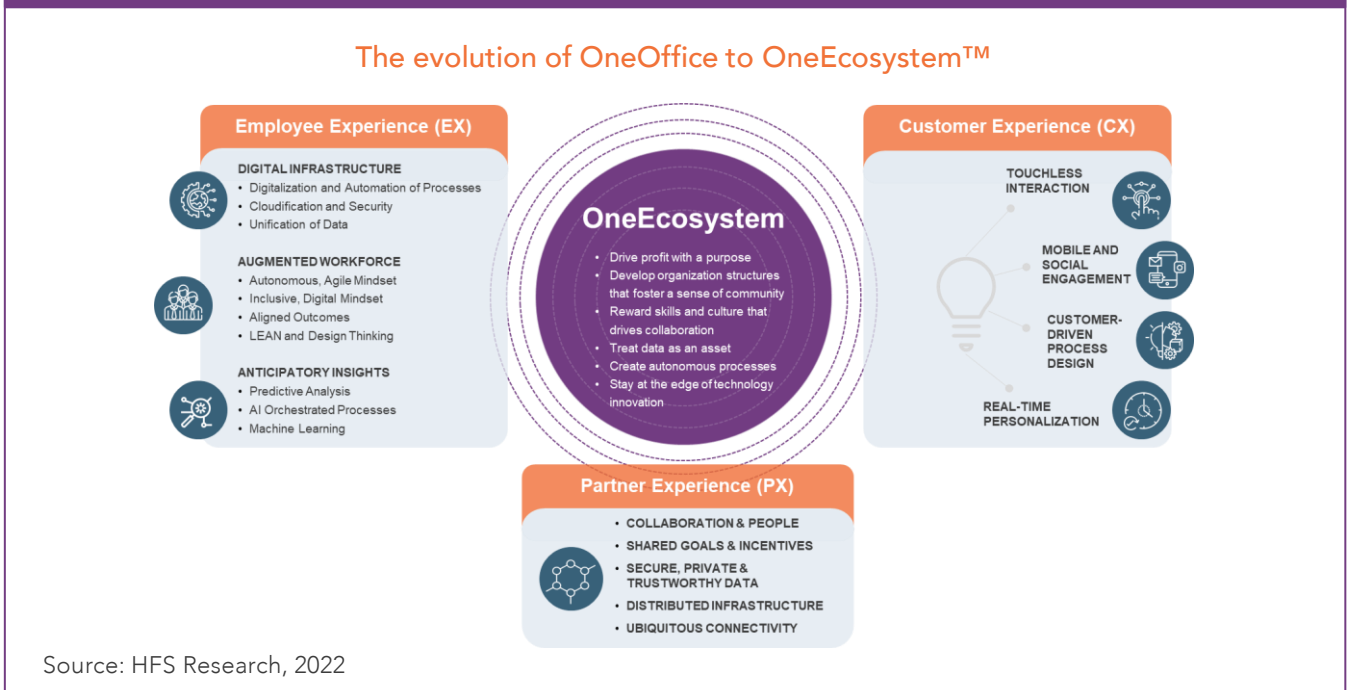
We are in a world with no boundaries – even industry lines are blurring. As we lurch from one uncertain world to whatever is coming next, there is one constant: effective virtual and physical organizations must have seamless collaboration and connection points across their ecosystem of partners if they want to remain relevant to their present and future customers.

Real "end-to-end" does not reside *within* **an organization: no single organization can own the customer's life-cycle end-to-end.**

For example, suppose you buy a car. Your experience is determined not only by the car manufacturer, but also by the distributor, the bank (if you took out a loan), the insurer, the leaseholder, government policy, etc. Or suppose you buy a healthcare service. Beyond merely the medical staff and facilities, you are most likely relying on payors, pharmaceutical firms, pharmacies, and data science to receive the most effective and satisfactory healthcare outcome.

And so, the potential value generated by the whole customer-employee-partner ecosystem will be exponentially higher than what can be achieved as a single organization (Exhibit 1).

Exhibit 1: The evolution from OneOffice to OneEcosystem™, adding the new dimension of partner experience to employee experience and customer experience

The evolution of OneOffice to OneEcosystem™

Employee Experience (EX)

DIGITAL INFRASTRUCTURE
- Digitalization and Automation of Processes
- Cloudification and Security
- Unification of Data

AUGMENTED WORKFORCE
- Autonomous, Agile Mindset
- Inclusive, Digital Mindset
- Aligned Outcomes
- LEAN and Design Thinking

ANTICIPATORY INSIGHTS
- Predictive Analysis
- AI Orchestrated Processes
- Machine Learning

OneEcosystem
- Drive profit with a purpose
- Develop organization structures that foster a sense of community
- Reward skills and culture that drives collaboration
- Treat data as an asset
- Create autonomous processes
- Stay at the edge of technology innovation

Customer Experience (CX)

TOUCHLESS INTERACTION

MOBILE AND SOCIAL ENGAGEMENT

CUSTOMER-DRIVEN PROCESS DESIGN

REAL-TIME PERSONALIZATION

Partner Experience (PX)
- COLLABORATION & PEOPLE
- SHARED GOALS & INCENTIVES
- SECURE, PRIVATE & TRUSTWORTHY DATA
- DISTRIBUTED INFRASTRUCTURE
- UBIQUITOUS CONNECTIVITY

Source: HFS Research, 2022

The HFS Enterprise Innovation Framework:
From Digital to OneOffice to OneEcosystem

Over the past few decades, we have been on a journey to operate faster, more digitally, to move data up and down process chains more effectively. However, most enterprises failed to change the fundamental nature of processes as they sought to deliver products and services in the same way they always had. The Pandemic has changed this mindset as all organizations have had no choice but to make rapid changes to their business models simply to function in a virtual business environment.
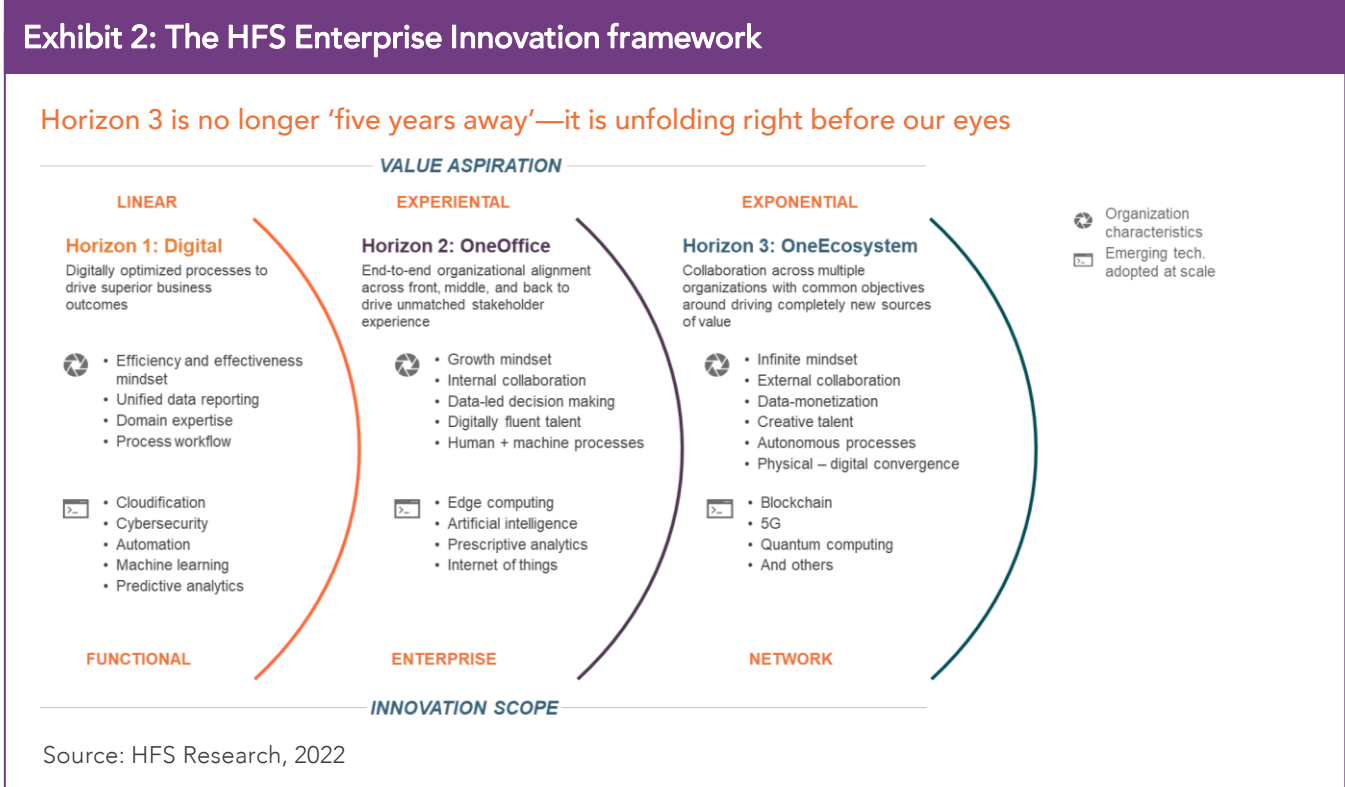
In the space of barely a couple of years, most organizations have evolved across three horizons of operations: Digital, to OneOffice, now to OneEcosystem (Exhibit 2). It is important to recognize that these horizons are rarely a linear progression but occur concurrently. The linear placement reflects how quickly each stage will be achieved and reflects a certain order of operations. You have to progress through digital first, then OneOffice horizons, all while enabling OneEcosystem™. These horizons genuinely overlap.

Digital is Horizon 1. Digitally optimized processes to drive superior business outcomes across our business functions are necessary for survival. But despite significant progress in functional transformation, value continues to be leaked at the intersections of our functional organizations. We need to look at our enterprise as a whole—not in silos.

OneOffice is Horizon 2. Post the Pandemic Shock, the OneOffice mindset (end-to-end organizational alignment across the front, middle, and back to drive unmatched stakeholder experience) has emerged as the next frontier. While "digital transformation" focuses on resolving the technology debt, the OneOffice allows enterprise leaders to manage the ballooning talent and process debt that continues to be overlooked.

OneEcosystem is Horizon 3. In order to find entirely new sources of value across the customer life cycle, we need to look beyond the walls of our organization. OneEcosytem initiatives are designed to drive collaboration across multiple like-minded organizations with common objectives.

Net-net, Digital (Horizon 1) can help you drive your processes and functions better, faster, and/or cheaper. Adopting the OneOffice (Horizon 2) is a "have-to-have" to drive better EX and CX. But Horizon 3 initiatives (OneEcosystem) go beyond the walls of our organization to collaborate across multiple like-minded organizations with common objectives.

Exhibit 2: The HFS Enterprise Innovation framework

Horizon 3 is no longer 'five years away'—it is unfolding right before our eyes

VALUE ASPIRATION

LINEAR	EXPERIENTAL	EXPONENTIAL

Horizon 1: Digital
Digitally optimized processes to drive superior business outcomes

- Efficiency and effectiveness mindset
- Unified data reporting
- Domain expertise
- Process workflow

- Cloudification
- Cybersecurity
- Automation
- Machine learning
- Predictive analytics

Horizon 2: OneOffice
End-to-end organizational alignment across front, middle, and back to drive unmatched stakeholder experience

- Growth mindset
- Internal collaboration
- Data-led decision making
- Digitally fluent talent
- Human + machine processes

- Edge computing
- Artificial intelligence
- Prescriptive analytics
- Internet of things

Horizon 3: OneEcosystem
Collaboration across multiple organizations with common objectives around driving completely new sources of value

- Infinite mindset
- External collaboration
- Data-monetization
- Creative talent
- Autonomous processes
- Physical – digital convergence

- Blockchain
- 5G
- Quantum computing
- And others

Organization characteristics
Emerging tech. adopted at scale

FUNCTIONAL	ENTERPRISE	NETWORK

INNOVATION SCOPE

Source: HFS Research, 2022

The Pandemic Shock has further exacerbated the need for Ecosystems

The escalating global crisis requires us to cooperate and develop new models to succeed as a society. Post the Pandemic Shock, the individualistic capitalist economy (where shareholder value supersedes stakeholder value) is also starting to get questioned. And the corporate theme of driving "profits with a purpose" resonates with employees, customers, and shareholders. It is not surprising then that 9 out of 10 C-level respondents predict that ecosystems will be even more critical in the post-COVID-19 world (Exhibit 3).

In our obsession to deliver the best CX, we ignored EX. Hopefully, the "Great Resignation" will become the burning platform in 2022 to resolve our talent equation with a OneOffice mindset. But we are still missing an important stakeholder – the PX (Partner Experience). No-one-can-be-everything-to-anyone and the OneEcosystem bring our partners to the forefront, along with customers and employees.

But remember that partners are not just your suppliers. Suppliers are essential partners to deliver your goods/services. Still, the OneEcosystem looks at partners more holistically – partners in the ecosystem involved in providing the customer experience across the entire customer lifecycle. As such, we believe three potential ecosystems will evolve:

1. **The Supply chain ecosystem.** An ecosystem that is part of another organization's value chain. E.g., driving efficient supply chains leveraging an ecosystem with suppliers, distributors, or financers (most prevalent currently). How do you merge with the entire value chain?

2. **The Industry ecosystem.** An ecosystem within the same industry. E.g., multiple banks collaborating to improve trading (emerging focus), or mobile phone brands collaborating to share components and manufacturing processes to improve time-to-market.

3. **Cross-industry ecosystem.** An ecosystem across industries with regulators. E.g., regulatory approval in the airline industry between the airline, original equipment manufacturer [OEM], and authorities. Or stakeholders across the healthcare / pharma / retail / regulatory ecosystems to improve efficacy of vaccines in the Pandemic.

Exhibit 3: The OneOffice mindset – connecting the front, middle, and back offices to create touchless Ecosystems – will be even more critical in the post-COVID-19 world

Ecosystems will be even more important in the post-COVID-19 world

How has the COVID-19 pandemic changed the relative importance of ecosystems for your organization?
Percentage of respondents

- 3%
- 7%
- 90%

- ■ Ecosystems will be even more important in the post-COVID-19 world
- ■ COVID-19 does not impact our approach to ecosystems
- ■ Ecosystems will be less important in the post-COVID-19 world
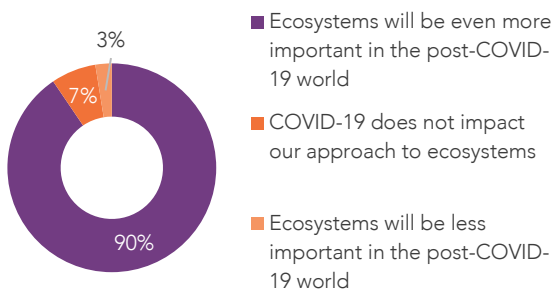
Top 10 reasons to invest to ecosystems

(Percentage of respondents that consider ecosystems to be a high/strategic priority who rank the following reasons as their top 5 reasons for an ecosystem approach)

1. Creating a positive brand perception (38%)
2. Unearthing new sources of value by developing new business models (Address an underserved market or unmet needs) (38%)
3. Developing new products or services collaboratively (38%)
4. Creating autonomous supply chain driven transparency and efficiency (36%)
5. Understanding emergent needs faster (34%)
6. Diversifying risk among ecosystem players (34%)
7. Removing bottlenecks and inefficiencies created by intermediaries (32%)
8. Addressing a societal challenge (e.g., economic inclusion, climate change, UN sustainable development) (32%)
9. Cooperating with competitors rather than competing (32%)
10. Empowering and enabling a community (31%)

Sample: 158 C-level executives across Global 2000 enterprises
Source: HFS Research, 2021

Delivering the partner experience first and foremost relies on shared goals and incentives

Without a sense of common purpose, partnerships don't work. To succeed, ecosystems also require emerging and established technologies and processes that promote and enforce the security, privacy, integrity, and trustworthiness of both data and information among participating entities. Exhibit 4 illustrates how enterprise leaders are prioritizing investments based on immediate needs (Digital and OneOffice Horizons) versus future anticipated needs as the OneEcosystem Horizons comes into play.

Distributed ledger technologies (DLTs), also known as blockchains, are helping make trustworthy and secure ecosystems a reality. However, blockchain alone cannot solve all the ecosystem challenges. Ecosystems will use machine learning (ML)

algorithm-based smart analytics to make sense of the vast amounts of data on the ecosystem network. Internet of Things (IoT) sensors powered by edge computing will need to be leveraged to write accurate data on distributed data infrastructure autonomously. Faster networks and real-time data access promised by 5G make it an attractive ecosystem technology.

The last 12 months were the most significant change in our lifetimes, but we are still standing. Change does not sound so scary anymore. Embracing change has also made us more ambitious as business leaders. Are we satisfied with slightly cheaper, slightly better, or somewhat faster, or are we searching for fundamental new sources of value?

Exhibit 4: Prioritization of emerging technologies. Staying at the edge of innovation requires a 3-horizon investment strategy

Rank the following emerging technologies based on your current investments

	Horizon 1 (Digital): Scale and Grow (based on rank #1)	Horizon 2 (OneOffice): Pilot and Prove (based on rank #2 and #3)	Horizon 3 (OneEcosystem): Watch and Learn (based on rank #4 and #5)
Process automation	32%	36%	31%
Process mining and discovery	38%	37%	25%
AI	34%	35%	31%
Hybrid-cloud or multi-cloud	24%	39%	37%
Blockchain	15%	47%	37%
Cybersecurity	17%	49%	33%
Augmented or virtual reality	10%	45%	45%
Internet of things (IoT)	7%	42%	51%
5G	7%	29%	64%
Quantum computing	5%	24%	71%

Sample: 600 decision makers across Global 2000 organizations
Source: HFS OneOffice Pulse Study, H2 2021

There is no such thing as a digital strategy anymore; it is all just a good strategy

Digital is not some sci-fi waiting to happen in 3-5 years. Digital is required NOW to survive. It is horizon 1. The innovation narrative over the last decade was powered by the need to "go digital", but it took a Pandemic to make it real. Over 85% of the Global 2000 enterprises believe that "digital" was a good idea before the Pandemic, but now it is imperative for survival (Exhibit 4). Covid-19 created the burning platform to accelerate our digital transformation initiatives. Cloudification of our infrastructure, applications, and processes is now inevitable. Enabling technologies like process automation and machine learning are now proven, and the focus should be on scaling them to realise the promise of "digital transformation."


Exhibit 5: Digital is imperative for survival post the Pandemic Shock

Digital is imperative for survival

What extent do you agree with the following statement: Digital' was a 'good idea' before the shock. Now it's an imperative for survival
Percentage of respondents

Strongly disagree 1%
Disagree 12%
Agree 46%
Strongly agree 41%
87%
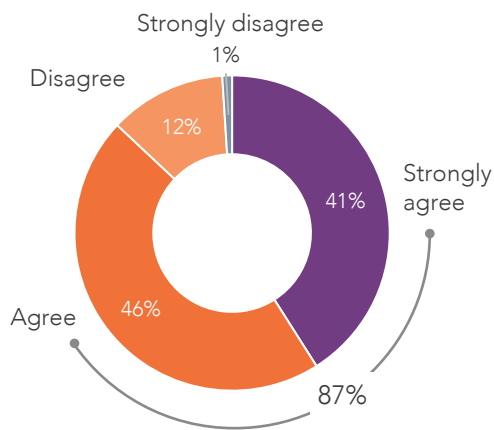
What extent do you agree with the following statement: Covid-19 has created the burning platform to accelerate our digital transformation initiative(s)
Percentage of respondents

Strongly disagree 2%
Disagree 14%
Agree 46%
Strongly agree 39%
85%
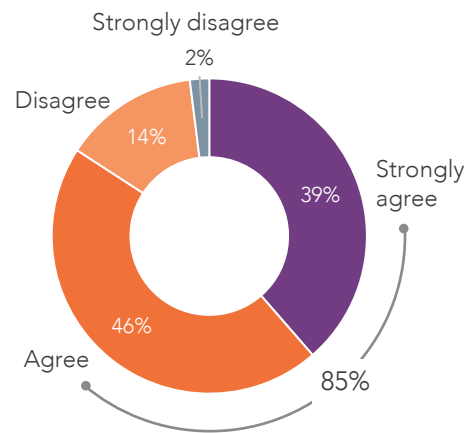
Sample: 500 Global 2000 enterprises
Source: HFS Research, 2021

Digital aims to solve the technology debt. But what about the ballooning people and process debt?

The scope of "digital transformation" is very often functional – let's transform our finance or our cards processing (if you are a bank) or claims processing (if you are an insurer). But value continues to be leaked at the edges. While the digital narrative helps you drive better processes more efficiently and potentially more cost-effectively, it misses fundamental organizational transformation. We need an end-to-end organizational alignment across the front, middle, and back to drive unmatched stakeholder experience – for our customers and our employees. But technology alone cannot solve that. We need to find ways to erase the process debt (the wasteful activities that we continue to do slightly cheaper and somewhat faster) accumulated in every global 2000 organization. And a technology band-aid is not going to erase your process debt. The talent equation also continues to be unresolved. The great resignation manifests decades of ignoring employee experience at the expense of potentially generating a better customer experience. The OneOffice mindset aims to bring the equilibrium to

the people, process, and technology competency framework. Our 2021 OneOffice vision outlined the five fundamentals of a OneOffice mindset:

1. Connect the front, middle, and back offices to deliver the "OneOffice Organization."

2. Align employees to customers with experience and skills

3. Slay your legacy dragons to go "straight-to-digital" with an integrated enterprise technology platform

4. Expand the traditional "people, process, and technology" paradigm to include data and change management

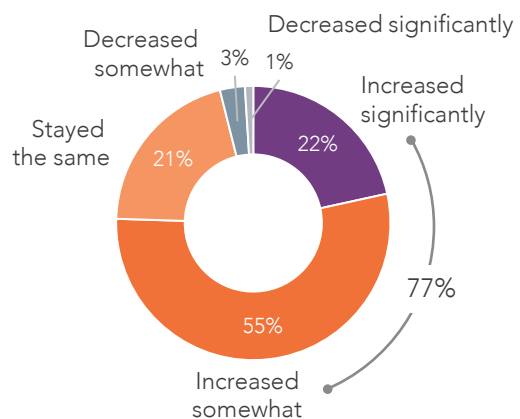5. Collaborate not just internally but also externally to achieve OneOffice value

The OneOffice resonates with practically every Global 2000 enterprise (See Exhibit 6).

Exhibit 6. The OneOffice mindset (connecting the front, middle, and back offices to create a touchless and frictionless digital experience) takes centerstage

How important is it to drive a OneOffice mindset for your company's overall operation and strategy?
Percentage of respondents

- Not important: 1%
- Moderately important: 16%
- Mission critical: 24%
- Very important: 58%
- 82%
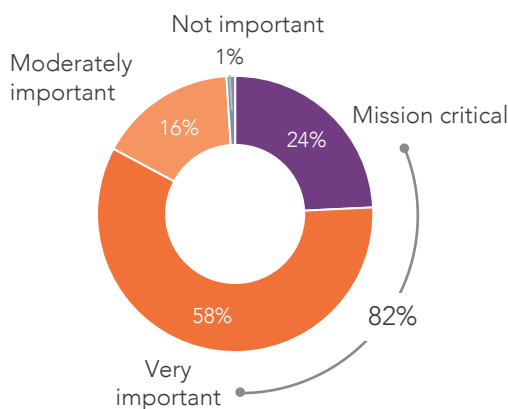
Has the importance of a OneOffice mindset increased or decreased since Q2 2020 (after the pandemic shock)?
Percentage of respondents

- Decreased somewhat: 3%
- Decreased significantly: 1%
- Stayed the same: 21%
- Increased significantly: 22%
- Increased somewhat: 55%
- 77%

Sample: 800 Global 2000 enterprises
Source: HFS Research, 2021

The Bottom Line: Digital (horizon 1) helps you survive, OneOffice (horizon 2) allows you to thrive, and OneEcosystem (horizon 3) helps you lead

Enterprises that will succeed in creating the OneEcosystem will display the following six organizational characteristics:

1. **Drive profit with a purpose.** Stakeholder value is more important than shareholder value, and creating a *value identity* is increasingly critical in today's war for talent. People want to partner with (or work for) organizations that have a purpose beyond profit, whether it's aligned to philanthropic goals and/or highly invested in sustainability or diversity or other purposes.

2. **Develop organization structures that foster a sense of community.** Our research shows that less than 20% of the 500 global 200 enterprises feel confident to continue with current hierarchical structures. Organizations will need to be networked (decentralized and flexible where managers coordinate both internal and external relationships), matrixed (where people with similar skills are pooled together, resulting in more than one manager), and flatter (eliminating many levels of middle management).

3. **Reward skills and culture that drives collaboration with digital fluency.** (Ability to drive interplay between business and technology), problem-solving (The thinking and processes behind finding solutions to difficult or complex or ambiguous objectives), Appetite for change (Readiness and ability to embrace change), Initiative (Readiness and ability to self-direct, self-motivated, and turn ideas into action), communication (The ability to constructively navigate feelings and approaches with oneself and others), and Social influence (Having an impact on others in the organization, and displaying energy and leadership)

4. **Treat data as an asset by understanding the value of internal and external data.** This is necessary to improve cash flow, increase margins, and accelerate strategic decisions versus treating data primarily as an "IT/technically-owned item." We need to make our data ubiquitously available, accessible, and mineable - embedding a mindset into our leadership to inspire our people to work together to create an organization that can flip our business models to exploit these seismic market changes. But we can't get the data we need if our critical data is not in the cloud and we don't have the people, partners, processes, technology - and desire to change - to make this possible.

5. **Create autonomous processes.** The more routine processes can be automated and managed with minimal supervision enables humans to focus on judgment and empathy versus fire-fighting. Automation is not our "strategy", it is the necessary discipline to ensure our processes provide the data - at speed - to achieve our business outcomes. We have to approach all future automation in the cloud if we want our processes to run effectively end-to-end, which means we need effective, scalable technology to make this all possible.

6. **Stay at the edge of technology innovation by embracing enabling technologies, not resiting them.** Thriving ecosystems will need to scale proven technologies (e.g., hybrid/multi-cloud, process automation, process intelligence, machine learning), embrace the value of emerging technologies (e.g., blockchain, edge computing), and learn new technologies (e.g., 5G, Quantum computing). This means considerable effort needs to be put into training people on understanding how to deploy new technologies into your organization and partner value chain. It can take two to three years to become effective using certain platforms and tools, so these decisions require patience and real investment.

The problem statement is multi-variate, fast-changing, uncertain, and ambiguous in front of us. But it is exciting and abundant with opportunities if you are willing to get out of your comfort zone! *Our 2022 research agenda is designed to help our clients anticipate these changes, not merely react to them when it's too late.*

HFS Research authors

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CEO and Chief Analyst

Phil Fersht is widely recognized as the world's leading independent analyst focused on the alignment of business operations and technology spanning over two decades. He has a global reputation for calling out the big trends, unafraid to share his honest views, driving a narrative on the technology and business services industries that shape many leadership decisions. His reputation drove him to establish HFS Research in 2010, which has today grown into one of the leading industry analyst firms and the undisputed leader in IT business services and process technologies.

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President - Research and Advisory Services

Saurabh Gupta is President, Research and Advisory Services at HFS. He oversees HFS' global research function managing the global team of analysts and operations across US, Europe, and Asia-Pac. He works closely with the CEO to set the strategic research focus and agenda for HFS Research, understanding and predicting the needs of the industry and ensuring that HFS maintains its position as the strongest impact thought leader for business operations and services research.

About HFS

Insight. Inspiration. Impact.

HFS is a unique analyst organization that combines deep visionary expertise with rapid demand side analysis of the Global 2000. Its outlook for the future is admired across the global technology and business operations industries. Its analysts are respected for their no-nonsense insights based on demand side data and engagements with industry practitioners.

HFS Research introduced the world to terms such as "RPA" (Robotic Process Automation) in 2012 and more recently, the HFS OneOffice™. The HFS mission is to provide visionary insight into the major innovations impacting business operations such as Automation, Artificial Intelligence, Blockchain, Internet of Things, Digital Business Models and Smart Analytics.

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