

Foursight

Cognizant Case Study: Entering the Consulting Space

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Executive Summary

Cognizant stands at strategic crossroads. As a middle level player in the IT value chain, Cognizant has made a name for itself. However, its present strategic positioning limits its growth potential.

Cognizant, therefore, has essentially two options. One is to shore-up its capabilities and play a much larger role in transforming the business of the client. The other is to perceive the business from a narrow technology angle, thereby limiting opportunities.

Having said that, to suggest Cognizant's course of action, the team had to dig deeper than scratching the surface. The team has used the case facts as a stepping stone to understand Cognizant's present standing. To determine the various parameters of option evaluation, a Customer Research survey followed. The research threw at us some interesting angles to evaluate the competence and competitors of Cognizant.

We clarified in our minds the present image of Cognizant in terms of relative competence and competitor mapping. As a next logical step, we took recourse in the IT value chain so as to identify where Cognizant should aim to reach. A clear positioning statement with a supporting model then provided to bridge the gap.

The feasibility of the suggested model has been reinforced with a firm implementation roadmap. The roadmap involves a slight modification to the existing organizational hierarchy. The hierarchy thereby, brings with it, its own set of issues. The same has also been enumerated with recommended solutions.

The Team's Thought Process

Flow of Thoughts

- *Analyzing Cognizant's Business Model*
- *Research - Customer Survey*
 - *Why?*
 - *How?*
 - *Research Findings*
 - *Competency Mapping*
 - *Competitive Analysis*
- *Path to Growth - Moving up the Value Chain*
 - *Changing Business Dynamics*
 - *Image and Perception*
 - *Consulting Opportunities for Cognizant*
- *Positioning*
- *Suggested Consultancy Model*
- *Roadmap for Implementation*
 - *'Foot in the Door'*
 - *'Consolidate Gains'*
 - *'Drive Home the Advantage'*
 - *'Internal Synergy'*
 - *'The Final Punch'*
- *Implementation Structure*
- *Implementation Issues*
 - *Building Organizational Culture*
 - *Knowledge Transfer*
 - *Resource Optimization*

Case Facts

Analyzing Cognizant's Business Model

- Technology Solution Focus
- Project Management Expertise
- Hybrid Organizational Structure (Vertical and Horizontal)
- Physical proximity to clientele

- Competency less in providing high-end business solutions
- Understanding 'Client-Business' from a narrow point of view of Technology Solution Implementation
- Differentiation a challenge

The Customer Perspective

Research - Customer Survey

Why?

To understand how and why clients choose a particular consultancy service

How?

Telephonic interviews of senior level executives of companies across the spectrum of industries

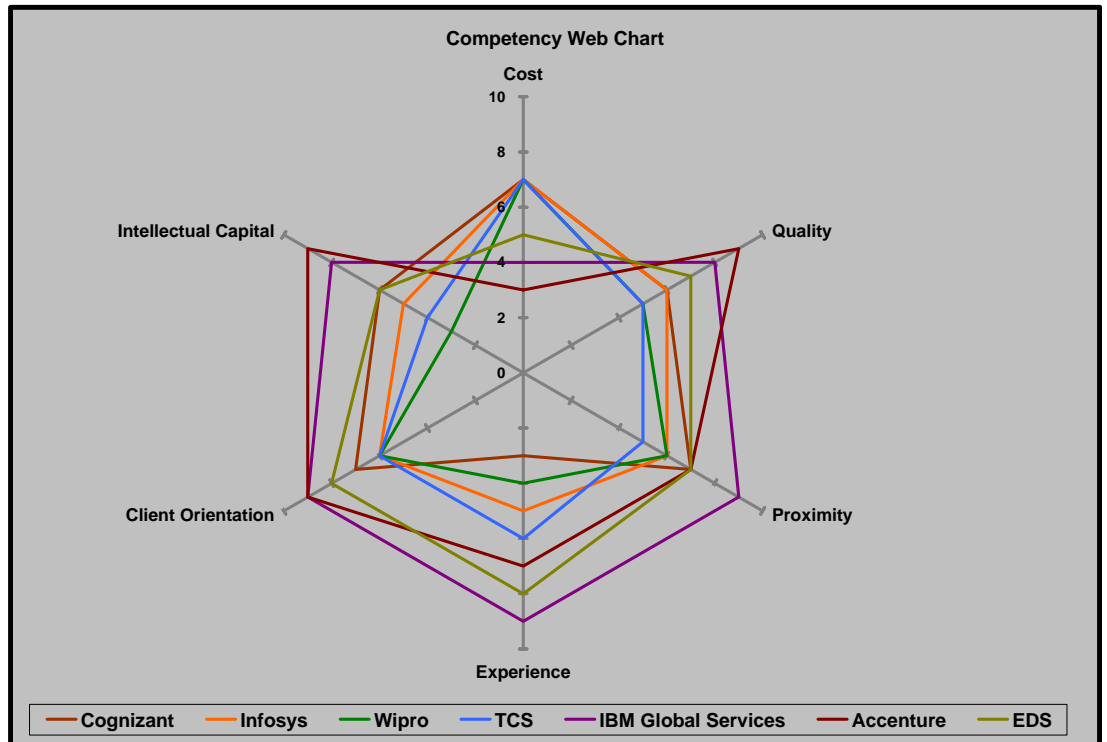
Research Findings

- The size and nature of the client's problem decides the choice of consultancy service provider
- For a problem of a very large nature, the consultancy firm should understand the organization up to the grass root level
- The consideration set of the consultancy firms follows from the financial strength of the client
- The perception of a consultancy firm is a major factor
- In this age where geographical locations are coming closer due to the Internet, client orientation is more important than the proximity to the customers
- A consultancy firm with a gamut of experience across various functional units

(global consultancy firm) are preferred for a project with a long gestation period and which encompasses various functional units of an organization

Competence Analysis

- **Competency Mapping**



Source: Customer Survey carried out by team

Not all factors outlined above exert equal influence. *Intellectual Capital, Client Orientation and Experience* factors impact decisions regarding strategic consultancy more. On the other hand, *Cost, Quality and Proximity* factors have more impact on decisions regarding technology consultancy and implementation.

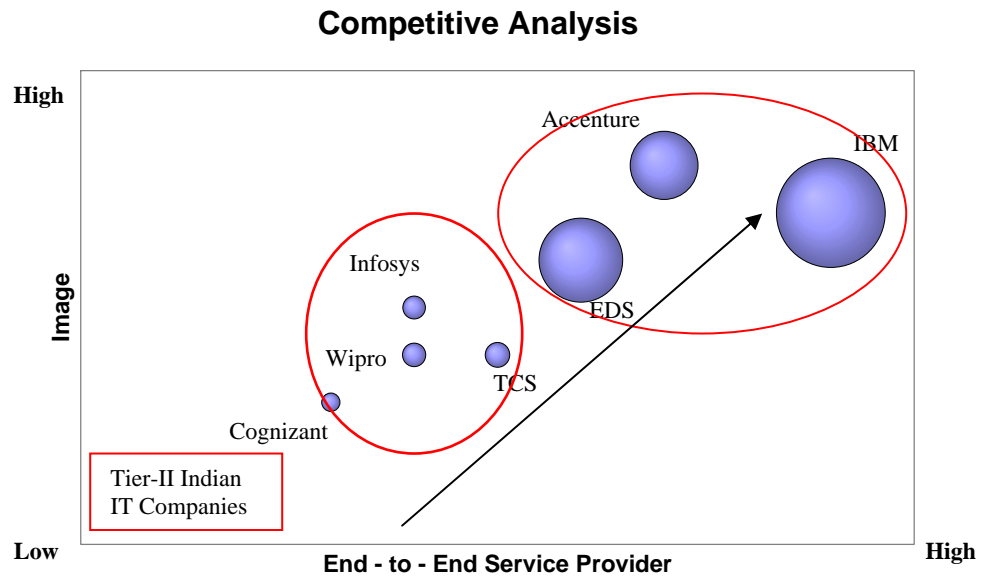
Here, the respondents felt that a wide gap exists between the global IT companies and the Indian Tier-I companies. However, the impact of this gap needs to be understood in the perspective of company and project requirements.

From Cognizant's perspective: The customer survey opines that Cognizant has been able to build substantial competencies in the technology related factors comparable to other Tier-I IT companies. It is also rated higher than some of its Indian peers in terms

of quality and intellectual capital. However, we believe that certain improvements are needed before it can start competing in the strategic consultancy space.

- **Competitive Analysis**

Where is Cognizant placed?



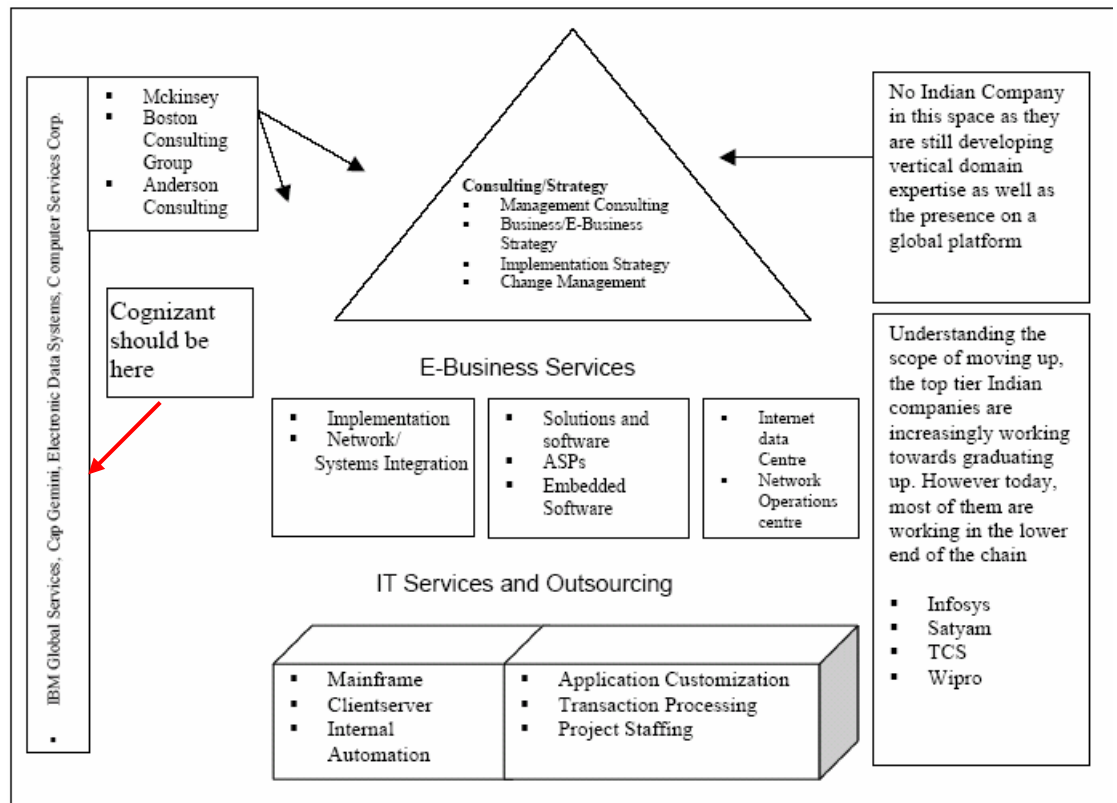
Source: Customer Survey carried out by team

A clear distinction exists between the Global IT Giants, the Indian Tier-I IT companies and the Tier-II Dwarfs in terms of size, perceived image and service portfolio breadth.

From Cognizant's perspective: Cognizant, which has been able to break into the Tier-I group needs to widen its service portfolio to compete successfully with the increasingly aggressive competition.

Where does Cognizant want to be?

Path to Growth - Moving up the Value Chain



Source: indiainfoline.com

Changing Business Dynamics

- Lines are blurring in terms of Business and Technology Solutions
- Big strategy firms such as McKinsey and Booz Allen Hamilton have been beefing up their technology capabilities
- IT firms looking to make a name in management consulting (EDS acquired A.T. Kearney, IBM acquired PWC)
- A major reason for this is inherent to the sort of work consultants do
 - A lot of engagements don't fit neatly into one category or the other
 - Revamping a company's business strategy might very well involve nuts-and-bolts changes to the infrastructure

- Similarly, a "simple" technology implementation might spark a client to change its organization to take full advantage of the new technology resources

- **Image and Perception**

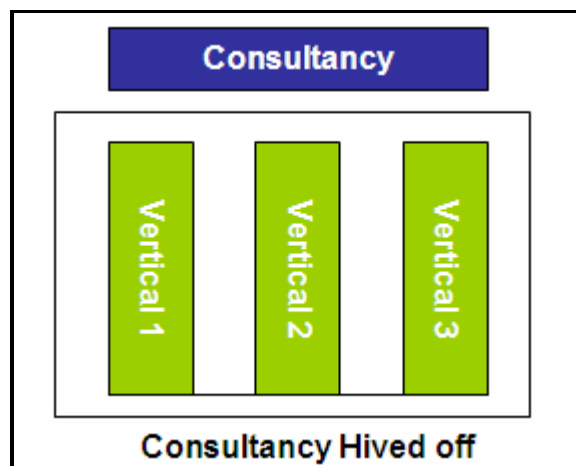
- Consultants are problem solvers by nature and profession
- To succeed, a firm must either own a niche or have a reputation for being able to do it all
- Though most firms have specialties, competition makes niche ownership difficult to achieve
- So a full-service image is often the solution
- ‘Strategy consultants don't deliver anything that the company's own personnel couldn't come up with in time’
- Management firms have always had to overcome that prejudice, whereas technology specialists tend to work with deliverables a client can see and touch - hardware, software and personnel
- Therefore, combining the two is perceived as more ‘beneficial’

- **Consulting Opportunities for Cognizant**

- **Scaling the Value Chain:** Higher the value delivered to clients, higher is the margin
- **Growth Opportunities unlimited:** Depends on Business Competence, Intellectual Capital and Experience. These factors are ‘Automatic Differentiators’ *unlike* Cost and Deployment Benefits in the implementation rungs of the Value-Chain
- **Research and Development:** For e.g. Raytheon in the Military space
- **Moving from implementation to consulting in:**
 - System Integration: For e.g. Mergers and Acquisitions
 - Process Outsourcing
 - Web Services

'Integrated Business Innovator'

- In the business of providing innovative solutions for businesses
- End to End services, complete ownership of client's non-core activities
- Business Solutions, Technology Solutions as well as the Technology Implementation all under one roof

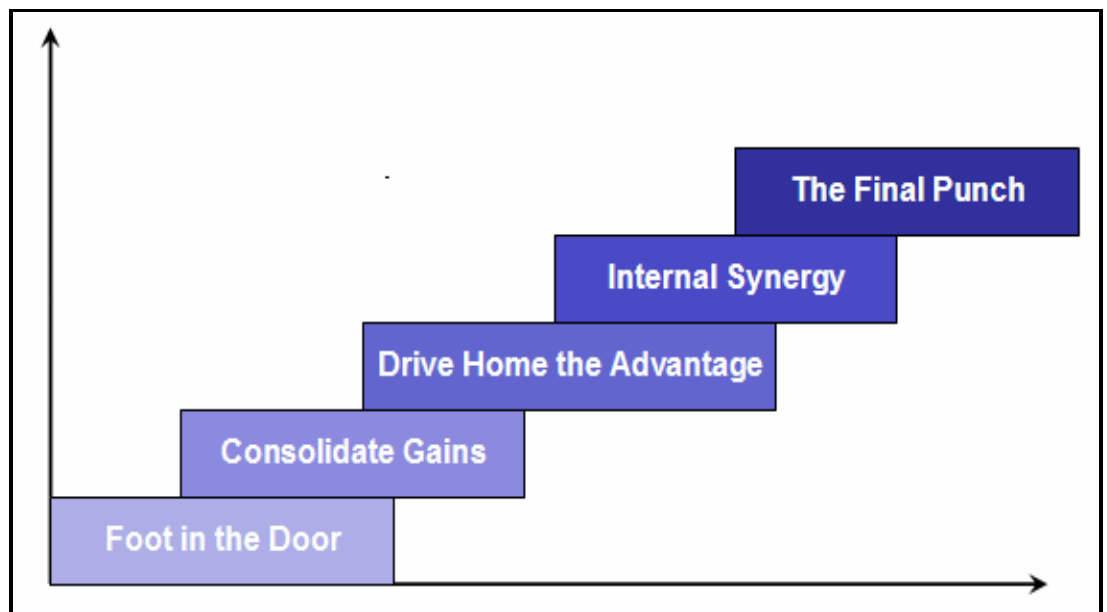


Source: Team Analysis

- With the current model the client-base is curtailed, but by having a hived-off model we will be servicing a larger clientele
- With the former, only technology-tinted business problems would reach Cognizant because of being tightly-coupled with the parent IT firm
- With the latter, Cognizant has an opportunity to open up to a wider range of business issues
- By considering problems of a larger range the knowledge base is bound to grow and so is the experience

- In due course, the added expertise of the consultancy wing will aid the parent company
- It will help to build an image of a player who provides optimal solutions and does not force the client to accept the parent company's services. Recommendations, however, can be provided for the client's independent verification

The Way to the Top *Roadmap for Implementation*



Source: Team Analysis

- **‘Foot in the Door’**
 - Segment potential clientele as per business value
 - Target smaller companies keeping in mind consulting capabilities
 - Utilize existing ‘implementation client-base’ to get a consulting sneak-peak like Accenture did
 - Also target low-value consulting work for high-value clients
 - Build relationship and goodwill-buzz based on Intellectual Capital and quality
 - Focus on Business Transformation

- **‘Consolidate Gains’**
 - Target SME segment
 - Indulge in value-for-money consultancy as they are cost sensitive
 - *Be proactive* by approaching customers with solutions to observed problems
 - Focus on Growth Driver Solutions

- **‘Drive Home the Advantage’**
 - By now, the hived-off consultancy unit would have taken root in terms of distinct focus and capabilities
 - Experiences from earlier stages to aide growth
 - Proactively approach higher-value clients by showcasing previous experience and tested capabilities
 - *Highlight physical proximity* and presence in the same business environment
 - Attack business problems with a technology tinge initially
 - Graduate to purely Business Problems, if on offer

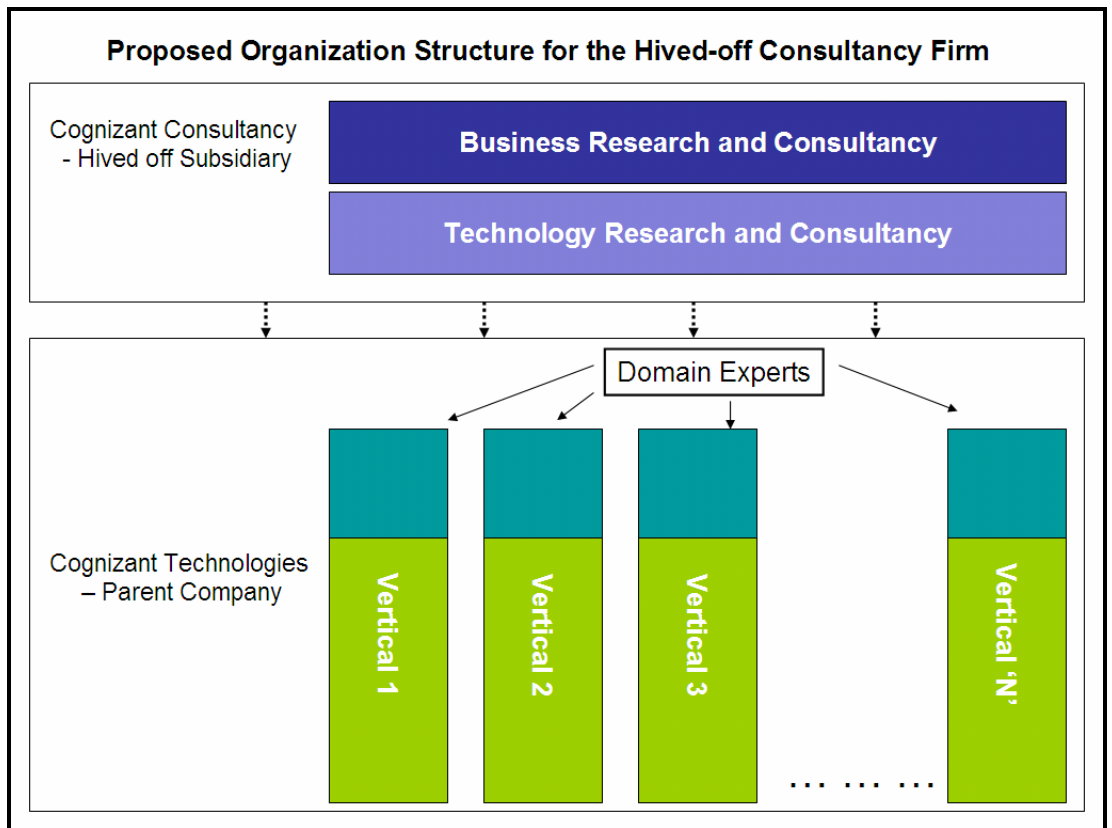
- **‘Internal Synergy’**
 - *Ensure maximum synergy between the technology unit and the consultancy unit.* Goal should be to work towards positioning promise
 - *Knowledge Transfer:* Experiences from both should be made to flow freely adding value independently to each other
 - Adapt to latest vertical dynamics
 - Adapt to latest business issues
 - Flexibility and agility to cater to market-shifts

- **‘The Final Punch’**
 - Go for the jugular

- Catch clients at the high-end business
- Push down end to end work capturing entire value chain
- Fulfill positioning message

Implementation Imperatives

Implementation Structure



Source: Team Analysis

In consultancy, it is pertinent that continuous research is carried out at nothing short of ‘cutting edge’. For this purpose, we propose that business and technology research divisions be the crest of the organisation structure. *However, these divisions must be hived off into an independent subsidiary. This is to ensure that:*

- Business Solutions’ space to be seen as deserving of special focus
- Its needs for dedicated resources and management is met
- It is largely de-linked from the ‘technical solutions and implementation’

angle

- To prevent ‘Looking for Nails because I have a Hammer’ syndrome

Domain expertise is the ability to understand a client’s problems thoroughly. Whereas, consultancy is the ability to be in a position to suggest concrete solutions to the client’s problems.

The Roles Explained:

Cognizant Consulting

- Business Research and Consulting: Industry experts to devise and make available cutting-edge business solutions to clients
- Technology Research and Consulting: Devise and provide state-of-the-art technology solutions to cater to the devised business solutions

Cognizant Technologies

- Domain Experts: Field specialists to translate client-requirements into implementable solutions
- Vertical Teams: Implementation

Implementation
Imperatives

Implementation Issues

Building Organizational Culture

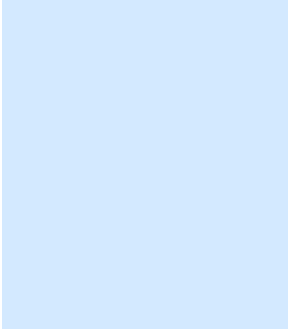
- Maintain strong focus on Human Resources: They are business earners as well as the differentiators
- Encourage ‘Business Thinking Culture’ throughout the organization
- Motivate work-force to scrutinize and learn from business they are serving
- Invite and document business insights, opportunities and other inputs
- Heavy impetus on relationship building attitude

Knowledge Transfer

- Independence to maintain distinct identities by separate units
- Interdependence in terms of Knowledge Sharing

Resource Optimization

- Vertical team-members should see the ‘Domain Expert’ position as their



next career growth stage

- Domain Experts would get an opportunity to progress to Cognizant Consulting. They can therefore augment their skills by providing solutions to clients rather than just being an interface
- Initially, expertise would need to be imported. As the company matures, organic talent flow would have to be harnessed



Our Readings

References

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- ISI Emerging Markets Database
- Respondents to the telephonic survey