

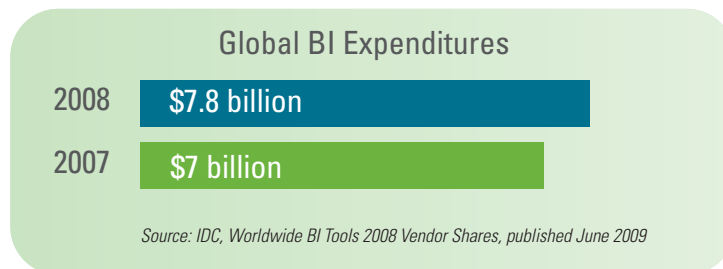
Global Services Insights *and* Trends

No matter your geographic or vertical market orientation, IT and BPO services are likely playing a greater role in your business. To help you better understand the trends shaping global services delivery, we present a deep drill-down into the latest industry developments.

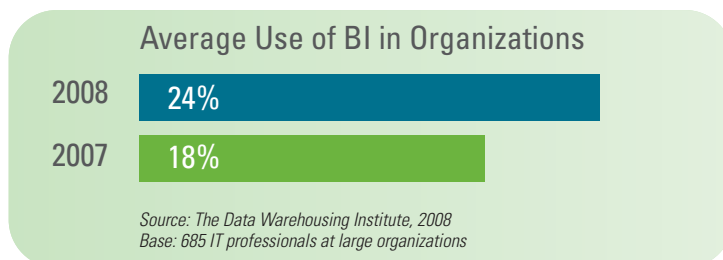
BI by the Numbers

You've made an investment in business intelligence, but you're not getting the returns you expected. With the insights below, gleaned from industry reports, you can get a leg up on ensuring better ROI.

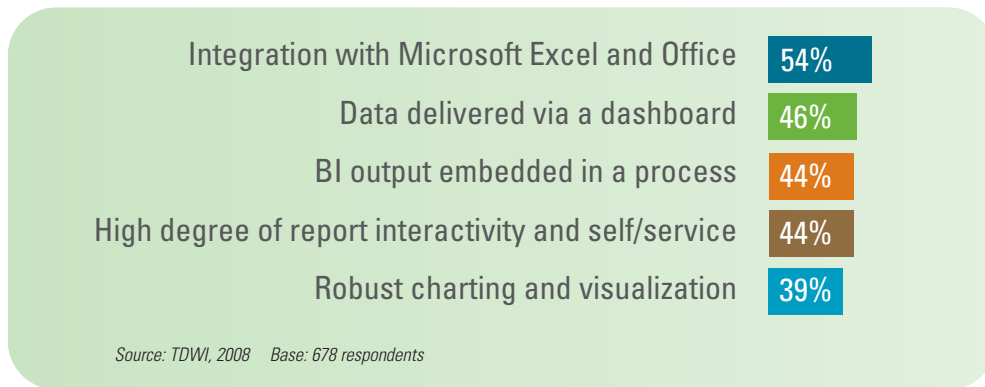
Global spending on business intelligence tools was higher than expected last year, growing 10.6% from the year before.



However, companies struggle with getting people to use the tools, with the average use of BI in organizations improving but still low:

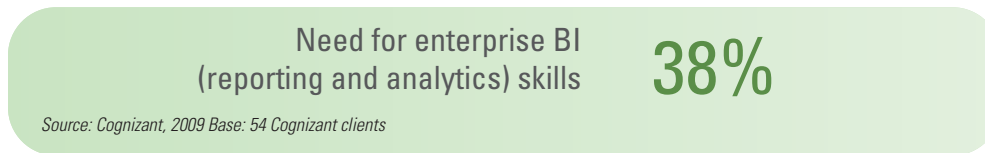


Technology can help encourage further BI adoption...



...as can “soft” approaches, such as sponsorship, marketing, training, support, monitoring and prototyping, as well as strong design, architecture, and project management and scoping skills.

But while BI skills are in high demand in 2009...

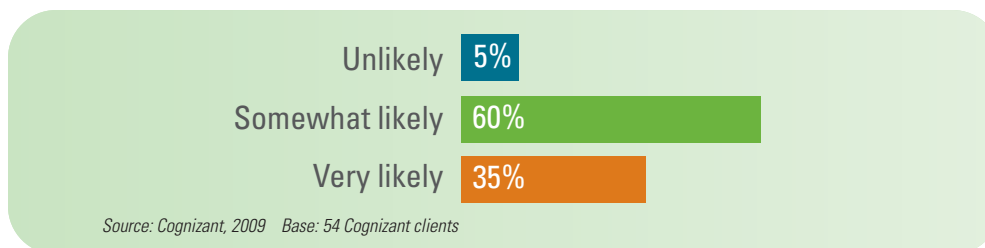


...users also say it's difficult to hire and retain key personnel in this area.



It's no wonder users say they are likely to outsource BI in 2009.

(For insight on how to get better leverage from your investment in BI tools, please turn to page 15.)



Two additional factors will drive BI outsourcing:

- **Cost-cutting**, driving organizations toward SaaS and outsourced BI and analytics solutions that have a pricing model, enabling better allocation of direct costs to current profitability.
- The adoption of **advanced analytics processes**, especially with the need to create and easily modify predictive models in the face of an uncertain economy.

Source: IDC, Worldwide BI Tools 2008 Vendor Shares, published June 2009

Going Green Tip Sheet

Environmentalism is clearly more than a passing fad; however, it's all too easy for preliminary steps such as hardware consolidation or lowering energy consumption to falter due to "green fatigue." When that happens, it's not just Mother Nature that suffers; CIOs themselves stand to miss out on a rare opportunity to contribute to something bigger than just automating another process, according to Mark Greenlaw, CIO at Cognizant.

Greenlaw has personally invested not only in Cognizant's sustainability goals but also his own, championing green IT initiatives both at work and at home. He has calculated his family's carbon footprint and works to reduce it, and he serves on the advisory board for Cognizant's green program, integrates environmental goals into the IT strategic plan and documents his journey on his Go Green blog.

Here are Greenlaw's tips for other CIOs to take their company's programs to the next level of environmentalism.

TIP 1: Make a personal commitment.

Greening a company can be one of the most personally rewarding things in a CIO's career. If your company has a chief sustainability officer or a VP of environmental affairs, do whatever you can to help them, or step up and take on the job yourself.

The IT organization can also take a leadership role, for instance, by working with other functional areas on change efforts. It can sponsor workshops, events, mailers, blogs and posters on topics such as climate change and carbon accounting basics.

TIP 2: Educate yourself and your staff on environmental basics.

You really can't move forward without understanding the World Resources Institute's Green House Gas Protocol, the most widely used international accounting tool for government and business leaders. The GHG Protocol describes how an organization's carbon footprint is calculated. This is essential to knowing what you're trying to reduce, whether it's Scope 1 diesel consumption in generators, Scope 1 emissions from refrigerants, Scope 2 reduction of purchased electricity, etc.

TIP 3: Lead workshops to brainstorm with your staff on areas to reduce impact.

Work with your infrastructure and applications teams to examine both the IT stack and the IT lifecycle for areas to reduce the carbon footprint. On the IT stack side, this can include applications, hardware, networks and the data center. On the lifecycle side, look at architecture, procurement, implementation, operation, decommissioning and disposal.

TIP 4: Weave “green” into the overall IT strategy.

Focus the IT strategy on the overall goal of effectively using human, company and natural resources. That will naturally lead to a strategy whose goals include such elements as simplifying processes to improve productivity; driving measurable improvements in operational efficiency; and supporting business growth in a responsible and sustainable way by reducing consumption and environmental impact.

TIP 5: Choose green projects to integrate into the IT project portfolio

Work with your staff to determine which green projects should be inserted into the project portfolio for formal tracking. Initiatives might include a telepresence/video collaboration solution; data center and hardware consolidation; increased use of thin clients; storage de-duplication; a review of green procurement and e-waste policies; and the use of metrics to improve environmental accountability.

TIP 6: Overcome challenges

Don't be daunted by the challenges you're sure to encounter along the way to greater corporate sustainability. There are four common ones:

- **Measurement:** Many IT organizations and data centers will not have the necessary instrumentation to measure the impact of what they do. For instance, it's necessary to retrofit buildings and data centers with additional electrical metering, and you may also need to build capabilities and dashboards for real-time energy and GHG reporting.
- **Evaluation time:** It can take six to nine months to evaluate virtualization software and thin clients. Make sure to leave ample time to assess architectural fit and to create a solid implementation plan. Doing so will save you lots of grief after the fact.
- **Hardware refresh rates:** Even when more energy-efficient equipment or architectures are identified, you don't want to dispose of systems prematurely since this also hurts the environment.
- **Economics:** While most green IT projects have compelling returns beyond their CO2 reduction benefits, ROI can be a challenge on really large investments like wind or solar renewable energy.

Getting IT Governance Right

Just because something is good for you doesn't always guarantee you'll do it. A good example is IT governance. Enterprises with effective IT governance achieve their IT and business goals more frequently, according to a 2009 study of 538 organizations worldwide by ISACA, an association of IT governance, security and assurance professionals. However, only 12% of businesses take technology seriously enough to operate full board-level oversight of their IT resources, according to a 2008 study by IT Governance Limited. The study also found that IT governance frameworks, such as ITIL, CoBIT and ISO27001 appear to be used in fewer than 50% of organizations.

Cognizanti spoke recently with Mark Livingston, Senior Vice President of the Cognizant Business Consulting (CBC) Practice, for further insights on how clients should approach IT governance.

Cognizanti: What role does IT governance play in global services engagements?

Livingston: It actually plays a very important role, both for the client and the service provider. For instance, it ensures vendors comply with contract terms, perform to established SLAs and don't become complacent after winning the contract. Governance also helps minimize waste, ensures money is spent wisely and keeps IT objectives top-of-mind with vendors. With governance,

vendors are always “on their toes” and delivering quality resources and deliverables. As a further incentive, clients may impose penalties associated with non-conformance or present rewards for excellence in performance.

Cognizanti: What does an optimal IT governance structure look like?

Livingston: A typical setup includes representatives of the IT department, sourcing group and vendor organization. Meeting schedules and escalation mechanisms vary widely. A typical rhythm may include monthly conference calls and quarterly in-person meetings, and certain conditions may trigger escalations or ad-hoc meetings.

Cognizanti: Why should a company invest in IT governance when the business climate favors other financial priorities?

Livingston: It’s never been more important to have strong IT governance. It helps ensure that the quality of deliverables is as agreed upon, without the economic slowdown becoming an excuse for non-conformance. It also ensures vendors are not replacing experienced, high-quality resources with untrained, new resources. Non-performing vendors are exposed, enabling you to replace them with better performers.

Cognizanti: What kinds of challenges does the IT governance team typically face?

Livingston: Based on our experience, we categorize challenges into six categories:

- Lack of a defined process.
- Lack of consistent metrics by which to measure vendor performance.
- Lack of detailed knowledge of the contractual obligations of each party.
- Lack of sufficiently trained staff.
- Inability to escalate and repair issues on the client side.
- Unknown issues faced by the business or IT executives due to the vendor in question.

Cognizanti: Is engaging a third-party for IT governance a better option than using an internal team?

Livingston: In-house governance is a better option. It enables a closer relationship between the client and vendor organizations, greater control, a better understanding of the issues and faster issue resolution. We believe it is also a more cost-effective option.

Cognizanti: What trends are emerging in IT governance?

Livingston: We’ve witnessed a few recent trends in the governance of IT vendors. These can be broadly categorized as follows:

- Governance leading to vendor consolidation, in which a few key partners perform par excellence. The market is moving toward more strategic multi-sourcing, i.e., not just one vendor who has a monopoly and becomes complacent, but a select few that truly perform.
- Movement from staff augmentation operational mode to managed services mode, with strict adherence to SLAs.
- Low tolerance for non-conformance and faster escalations.

How to Leverage BPO for Cost Savings With Better Business Outcomes

When it comes to business process outsourcing (BPO), the era of simple solutions is over. Companies across industries are looking for a more strategic and customized approach that goes beyond merely replicating inefficient business processes at lower price points. They are seeking operational improvements that advance business objectives and separate them from the pack, while delivering a superior experience for end users.

We recently caught up with Kaushik Bhaumik, Cognizant Vice President and Global Practice Leader, BPO, to discuss what is known as a “business outcomes” approach to BPO, as well as the latest market trends.



Cognizanti: How has the global economic downturn impacted the way companies leverage BPO services?

Bhaumik: Clients are looking at BPO more intensely than ever before. The cost savings associated with BPO, through labor arbitrage, process improvements and automation are very pronounced, with anywhere from 30% - to 60% savings. However, we are seeing clients requesting that the payback for BPO occur in much shorter timeframes -- less than six months, as opposed to the typical one-year timeframe. This is, no doubt, due to the immense cost pressures clients are facing in the global economic downturn. This has prompted us to re-think our transition methodologies and financial constructs, so we can deliver against this pressing client need.

In addition, clients are asking for more transaction- and outcome-based pricing for BPO services, to ensure that our efforts are aligned with their business objectives, beyond cost savings. Examples of this include reducing claims fraud for an insurer, reducing clinical research cycle times or improving monthly close cycle times for a finance department.

Cognizanti: Can you point to examples of how clients have taken advantage of BPO to increase flexibility and scalability?

Bhaumik: BPO makes it possible to “tap into” operations capabilities on an as-needed basis, without incurring start-up costs, fixed costs and management hassles. In the current economic climate, these types of outcomes can be invaluable to a company seeking greater flexibility and scalability.

Our work with a leading global financial asset manager illustrates the usage of some of these levers for improved business agility. This organization had challenges recruiting and maintaining an experienced workforce to handle the accounting and management of its \$1.3 trillion worth of alternative investments, such as hedge funds. Furthermore, business complexities necessitated that the accounting occur on a near real-time basis, such that investment positions would be updated and monitored 24x5.

We established a center of over 200 accountants highly experienced in complex financial instruments, and introduced technology and workflow to effectively “pass the book” of investments across the client’s centers in New York, Europe and India, such that the objectives

of 24x5 continuous investment management were met. Doing so, the client effectively globalized its workforce, without going through the challenges of setting up its own captive center in India.

Cognizant: Why should any company believe a third party can understand its internal business processes better than it does and have the diversity and depth of skills and capabilities to optimize these processes in ways that advance its business objectives?

Bhaumik: It is a fair question. Clearly, internal departments often have invested years of training, people development and technologies to deliver against a process outcome. Trying to replicate all the process nuances and needs would be a challenge for any third-party organization to deliver. Our value proposition is centered around delivering these processes at a scale and through a global delivery network and with technology capabilities that any individual client would have a hard time matching. Through these levers, we can offer cost savings and process and outcome improvements back to our clients. This does mean that even as a service provider, we need to focus on process slivers that we are world-class in, and not try to take on every possible process opportunity. For no service organization can deliver excellence across all industry process needs.

Cognizant: Everyone talks about innovation. How does the use of BPO services support long overdue changes in fundamental business processes in advance of the anticipated economic recovery?

Bhaumik: Innovation in BPO requires viewing an outsourcing partner as really an extension of a client's organization, but with greater scale, capabilities and reach than the client can build on its own. We have seen instances where an outsourcing partner provides avenues for geographic expansion, carries out more core business processes (e.g., research and development) and new product/service joint ventures, as a means to innovate the business model for the client.

For example, we have worked with one of the world's leading pharmaceutical organizations to dramatically improve its product time-to-market and pipeline. One of the major strategic challenges facing all pharmaceutical organizations is the cost and time associated with bringing a new drug to market, which averages nearly \$900 million and 10 years of research and development. One of the key activities within the clinical research value chain is known as clinical data management (CDM), a very intense, complex and laborious task of managing all data that comes out of drug clinical trials, statistically analyzing the data for relevant efficacy trends and submitting the information to regulatory authorities.

This particular CDM engagement began in 2007 and has fundamentally transformed the client's clinical operations by centralizing and streamlining its clinical data management operations and improving process standardization, consistency of delivery and economies of scale. The client has re-invested the savings associated with this more efficient CDM organization to support accelerated development of its R&D programs. Some of the key measures of improvement include:

- Delivered approximately 50% reduction in operating costs and improved R&D cycle times by over 20%.
- Study setup time cut by over 50 hours per study.
- 20% reduction in quality control time for submitted data sets.

For an industry where new product research and development is its lifeblood, this kind of strategic relationship and results are an example of how BPO can be a source of innovation.