

COGNIZANT



Cognizant

The Future of Work Has Arrived

Organizations are embracing next-generation solutions to unlock business value and harness the forces reshaping the workplace



Executive Summary

The notion of “work” as a place where employees perform tasks in isolation from each other and customers has been losing relevance for some time. Demographic, economic, and technological changes are driving organizations to convert work into a more fluid and intimate collaboration among employees, customers, suppliers, partners, and other stakeholders, delivering continuous business value.

This change is accelerating as the global recession has cleared the way for a “reset economy.” Organizations in every industry are reassessing their business models as they grapple with unpredictable markets, greater margin pressures, and a drought in investment capital. At the same time, four irreversible and interconnected forces are gaining momentum worldwide, requiring organizations to rethink how, where and by whom work should be conducted:

1. Globalization
2. Virtualization – of people, process and technology
3. The rise of Millennials
4. Cloud technologies

Together, these forces are enabling organizations to shift knowledge tasks to places where available talent and cost advantages can improve operational performance. This is especially true in knowledge-intensive industries such as financial services, life sciences, healthcare, information services, and publishing, where pockets of expertise have emerged worldwide that can be cost-effectively leveraged as an alternative to a static workforce.

Powered by new (and often cloud-enabled) platforms of collaboration, virtual teams are capturing and applying knowledge inside and outside the conventional organizational structure. Social computing and mobility solutions are replacing or extending traditional systems of record to deliver just-in-time

insights across disciplines. They are already fueling high-value, knowledge-based processes ranging from clinical trials data management in life sciences, to risk management in insurance, to loan-decisioning in retail banking, to name just a few examples.

Next-generation work environments are already yielding significant rewards. Unleashing the collective wisdom of employees, partners and customers is driving innovation and enabling businesses to run more cost-efficiently and effectively. More virtual and collaborative work structures are empowering organizations to think and act globally. Work can be done wherever, whenever and by whoever can best accomplish the task. And capital that once was once locked up in physical infrastructure and systems can be freed for reinvestment in growth initiatives globally.

Cognizant has developed frameworks and methodologies that are already helping our clients realize the future of work – today. Together with our clients, we are building next-generation solutions that unlock business value from their existing operational processes and improve business performance by virtualizing and globalizing knowledge-based business processes.

Read on to learn:

- How the forces of globalization, virtualization, changing demographics, and cloud computing are forever changing the nature of work and the workplace.
- How our new value creation framework can help you benchmark where your organization is today – and guide it to where it needs to be.
- The role next-generation solutions are playing in creating more dynamic work environments and disruptive levels of business performance.

How & Why Work Is Being Transformed

The economic recession of the past few years has made headlines. Companies across the globe have lost substantial market value as historically sound business models struggled to keep pace with global economic change wrought by the “Great Recession.”

It is tempting to view the financial volatility of the past two years as a cyclical economic downturn, and simply await the return of “business as usual.” However, the massive devaluation of financial assets, a decline in commercial and consumer expenditures, capital constraints, and government intervention in private industries and markets confirm that this is no mere economic cycle, but rather a global punch of the “reset” button.

Four interconnected and irreversible forces are re-shaping the global economy:

- **Globalization:** To be competitive, organizations must think and act globally at their core. Accelerating globalization is allowing companies to tap skilled workers worldwide and to locate work wherever it is most cost-effective and productive – onshore, offshore and nearshore. Organizations will also tap the creative talent and insights of their increasingly empowered global customers to make their products and services more effective and relevant from the start.
- **Virtualization:** As communication costs continue to decline, businesses are finding it easier to share knowledge dynamically and virtually within the organization and with partners and customers. They are leveraging global platforms of collaboration that reduce costs, streamline processes, elevate quality, strengthen customer ties, and restore focus on their core value proposition and brand equity. Virtualization goes far beyond servers, storage, and applications. Organizations are implementing virtualized processes that allow work to be performed wherever, whenever, and by whoever can best accomplish the task.
- **Millennials:** The social, collaborative, technology-savvy mindset of the millennial demographic (now between 15 and 35 years old) is permeating business and technology. More than an age group, this is a new mindset for collaborative problem-solving, culture-building, and more intimate interaction with customers. Organizations that adopt this mindset are cementing customer loyalty by aligning their brands and business models with a diverse, global, and technology-savvy consumer base. This millennial mindset is also driving demand for consumer-grade technologies within the workplace. The best and brightest employees are starting to leave organizations that do not provide a rich, collaborative work environment.
- **Cloud Computing:** The broad array of cloud-enabled technologies, including social networking, broadband and mobility, form the foundation for new ways of working. This social computing fabric is enabling virtualized processes, globalization, and highly collaborative work. This is creating demand for more collaborative systems that extend or replace traditional transactional systems of record, delivering knowledge and insights to the right people, in the right context and place, when they need it most.

Forces Reshaping the Workplace



Figure 1

Achieving New Performance Thresholds

As these four forces continue to accelerate, decision makers are exploring new avenues for value creation. As the economic reset continues, cost containment remains critically important. However, a growing number of companies are looking beyond near-term cost savings to pursue more innovative ways of working. To help our clients explore what is now possible, we have built a value creation framework to assess operational challenges and uncover new business opportunities (see Figure 2). This “diamond” framework contains four key value levers that reveal how to build and deploy next-generation solutions and improve operational performance to maximize business value. Each of these value levers offers a path to achieve new levels of performance within a future-of-work context.

Over the past two years, Cognizant has worked with clients and partners to create a methodology that maps a corporation’s current business position, infrastructure portfolio, and software applications portfolio against these four value levers to identify opportunities for delivering greater business value. Many companies are already accruing value from global services engagements that are primarily focused on cost

Building Stronger Businesses

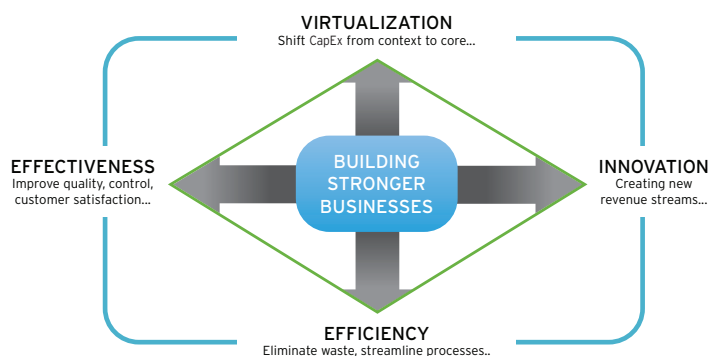


Figure 2

containment. Others seek to build on this strong foundation to extract additional value through globalization and virtualization, balancing ongoing cost containment objectives with longer term goals such as improved collaboration and knowledge sharing, both internally and with business partners and customers. The goal: Empower more collaborative ways of working that deliver more innovative products and services.

A Cognizant Framework for Disruptive Value Creation

Value Lever	Summary	Typical Customer Benefits
Efficiency	Leveraging Cognizant's process, technology, and global delivery strengths to rapidly and cost-effectively design and implement solutions that optimize spend, reduce unit costs, and positively impact your bottom line.	<p>Cost optimization via global service delivery, economies of scale, etc.</p> <p>Maximizing use of existing assets and resources to eliminate waste, reduce cost per unit, and implement cross-organizational standards for lower cost.</p> <p>Subscription-based pricing to reduce capital expenditures while optimizing processes.</p>
Effectiveness	Improving productivity and operational performance via standardization, better tools, automation, etc., to achieve more effective business processes (driving reduced ticket volume, higher levels of availability, streamlined processes, improved satisfaction metrics, etc.)	<p>Process optimization that fosters quality improvements while controlling costs.</p> <p>Increased control, transparency, and adaptability of ongoing operations.</p> <p>Decreased time-to-market for products and services.</p>
Virtualization	Addressing multiple levels of virtualization including work (global knowledge and collaboration), process (atomization of processes), and technology (servers, applications, cloud-enablement) helps lower operational and CapEx costs while boosting brand and shareholder equity.	<p>Consolidated resources that enable lower cost of ownership on existing assets and reduced investment on new technology.</p> <p>Improved flexibility and collaboration across the enterprise through technologies that allow better resource utilization, new ideas, and knowledge management for global workers.</p>
Innovation	Business technology innovation to enhance revenue opportunities via new products, new IP, new market channels, etc., facilitated by Cognizant's domain expertise and knowledge.	<p>Growth opportunities that provide direct revenue.</p> <p>Refined business models that drive additional revenue and strengthen bottom and top lines.</p> <p>Joint go-to-market opportunities with shared investments and revenue.</p>

Our methodology is divided into two principal phases: **Optimize** and **Extend**.

- **Optimize for near-term cost efficiencies.** The first stage of the value definition and realization process optimizes efficiency and reduces costs. Our approach applies Lean principles to wring costs out of operations, eliminate waste, take advantage of economies of scale, leverage global service delivery, and extract maximum efficiency from existing IT and operational processes to deliver tangible savings back to the organization.

- **Extend value by implementing next-generation solutions.** Cost savings are no longer enough. Given the still fragile economy and future-of-work forces, achieving disruptive levels of performance improvement is no longer optional – it is a business imperative. In this phase, we extend the value-creation capacity of the enterprise beyond current limits by identifying work processes that can be fundamentally transformed by virtualization, globalization, cloud-enabled solutions, and even creating new products or markets that enhance revenue.

A comprehensive transformation strategy will balance near-term cost optimization goals with longer-term solutions that extend value and help resolve balance sheet challenges (see Figure 3). This exercise also enables companies to understand what is core (i.e., differentiating business value an organization provides) and what is contextual (i.e., tasks that can be turned over to specialists with demonstrated expertise). By understanding core and context, organizations can more easily virtualize processes via cloud-enabled systems.

Using the cloud model to deliver business process support capabilities enables a more flexible and variable cost structure, as organizations pay only for those services that they consume as they consume them, be they infrastructure, platform, applications, or business process. This means organizations would no longer have to buy and maintain hardware and software infrastructure to support these business processes – thus shifting capital expenditures to operating expense.

Our approach recognizes that in the next-generation workplace, optimizing cost efficiency is the starting point for value delivery – but extending the potential of the business through effectiveness, virtualization, and innovation is the pathway to substantial transformation.

Exploring Value Creation Options

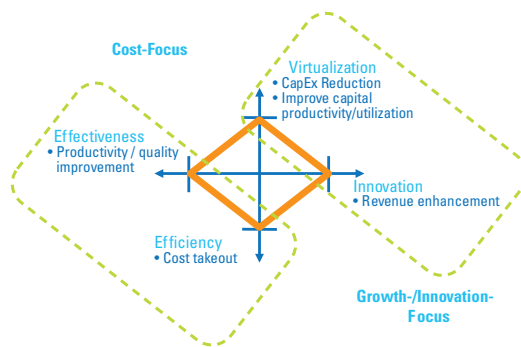


Figure 3

By converting capital expenses to operating expenses, the resulting resources (i.e., people and cash) are freed up and can be applied to other value-creating initiatives.

Our approach recognizes that in the next-generation workplace, optimizing cost efficiency is the starting point for value delivery – but extending the potential of the business through effectiveness, virtualization, and innovation is the pathway to substantial transformation (see Figure 4). By weaving together consulting, business process, and technology solutions through a multiphase approach, decision makers can dramatically strengthen and grow their businesses.

Exploring Value Creation Options

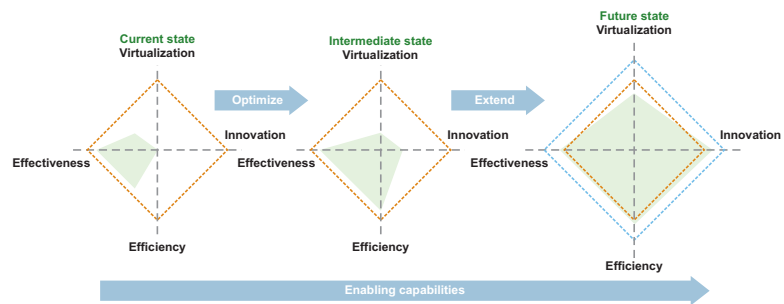


Figure 3

Working closely with our clients, we are creating a new generation of cloud-enabled solutions that power complex, dynamic work activities that have historically been difficult to automate. These solutions:

- Weave together applications, infrastructure and knowledge processes.
- Deliver higher levels of transparency and flexibility.
- Optimize value through outcomes-based pricing structures based on consumption, throughput, or business metrics.
- Often leverage global service delivery and cloud enablement.

We are already helping numerous clients realize the benefits of the new business process solutions. For example:

- A life sciences industry client now has access to real-time reports from a sales and marketing analytics solution delivered as a fully outsourced business service. Our solution delivers more accurate and timely analytics and is enabling additional flexibility and control over sales and marketing operations – critical in a time of economic volatility.
- Another top-five global life sciences company engaged us to help optimize and extend how it analyzes sales and marketing data (e.g., segmentation, promotion response analysis, alignment, sales planning, and incentive compensation). Using a multifaceted solution approach, we helped the company reduce its analytics spend by 33%, and the savings helped fund other business transformation initiatives.

Businesses acting on these trends, particularly virtualization, are already reaping significant rewards. Research conducted by the Economist Intelligence Unit in cooperation with Cognizant bears this out: *“About one in six respondents say their organization already has seen positive results from more virtual and collaborative teams, and another one-fifth expect to garner benefits within a year!”*

Businesses around the world are facing new realities. The confluence of a dramatic economic reset, the ascendance of Millennials as employees and consumers, and technology transformation enabled by the cloud are challenging legacy business models. We are helping companies across a variety of industries redefine and trans-

Embracing Future of Work Opportunities

Next-generation solutions are already emerging to help organizations reduce costs, increase effectiveness, and virtualize key processes through the use of cloud-powered, social computing models. More virtualized ways of working are unlocking business value by enabling organizations to focus on core business activities and leave context to trusted partners. These new ways of working are also reshaping fundamental business models, from how revenue is generated and knowledge is shared, to how and where employees work. It is our belief that decision makers should act now to achieve new thresholds of business performance by taking the following strategic steps.

- **Recognize today's opportunities and challenges.** Decision makers know that real transformation requires re-thinking traditional approaches to unlock value. Next-generation solutions are already meeting this challenge, and the trend toward new sourcing approaches is only accelerating.
- **Candidly assess your organizational change potential.** A growing number of companies are beginning to explore ways to conserve and generate value within an economic context that is taxing even the best-run companies. Ask yourself: How quickly can my organization adapt to new business models and ways of working? What kind of business technology environment would we use if we were starting the company today? The opportunities and justification exist today, so starting sooner will improve chances of success.
- **Broaden the scope of what is possible.** Traditional outsourcing models have made operational processes more efficient, but many companies are holding on to outmoded work processes that are non-differentiating and may distract from their core value proposition. Savvy decision makers are still driving for cost efficiencies – that isn't going away – but they are also looking for ways to divest non-differentiating work processes. This can help companies find new ways to address a changing customer base, improve business models and work processes, and strengthen top-line revenue growth.
- **Retool business technology for dynamic work.** Adopting the millennial mindset is not just about age or “letting the kids use Facebook.” It's about obtaining an innovator's advantage by extracting value from complex knowledge work and embracing new platforms of collaboration (e.g., Wikis, Groove, SharePoint, Chatter, etc.) that are always connected, mobile, and high-bandwidth to perform dynamic, high-value work.
- **Partner wisely to embrace new opportunities.** The confluence of a dramatic economic reset, the millennial mindset, and massive technology shifts are challenging legacy business models. Companies must start accruing value along four dimensions – efficiency, effectiveness, virtualization and innovation – to achieve new thresholds of performance. Cognizant is helping companies define and transform the way they work and “crack the code” on disruptive value propositions.

Cognizant: An Example of Future of Work

Cognizant provides a working example of how to put future-of-work concepts into action. In 2007, we launched Cognizant 2.0 (C2), a company-wide, Web 2.0-based program management and knowledge-sharing platform. And last year, we implemented a global telepresence system that enables us to elevate the quality, timeliness and relevance of our services and enable a more fulfilling and fruitful work experience for employees, regardless of where they work - in company locations, at home or in client facilities.

Designed to facilitate the seamless sharing of knowledge, best practices, process guidance, and technological artifacts across our global delivery network and with partners and clients, C2 is a Facebook-like platform that enables us to bring the best resources and most relevant expertise to any engagement.

C2 provides a virtual “town square” for more than 100,000 Cognizant associates, of which some 54,000 users have collaborated on hundreds of projects worldwide. Information is exchanged at a blistering pace, with over 15,000 blog posts and more than 100,000 Techforum queries. Our collaboration platform is already demonstrating tangible benefits, including a significant improvement in efficiency (defined as reduction of effort) through the use of social media tools, semantic search, standardized templates, and meaningful process guidance to ensure higher quality and faster delivery of our global services. As of mid-year 2010, nearly 6,500 client projects were being actively managed via C2.

While originally intended for Cognizant's internal use, the platform soon attracted the interest of clients and partners interested in applying C2's knowledge management and social computing constructs to their own businesses. Our experience building and deploying C2 has enabled us to help our clients transition to next-generation, cloud-enabled business solutions.

Virtualization Enables Real-Time Presence

Another example is Cognizant's use of telepresence, which began in late 2009 for internal senior management meetings. Quickly, we extended its use to meetings with clients, recruits, partners, and external analysts, as well as internal knowledge and project management activities.

The benefits have been substantial: smoother internal meetings with better mutual understanding and improved decision-making; more effective and productive client meetings, which can include our experts anywhere in the world at short notice; substantially lower travel costs, resulting in a smaller carbon footprint; and a better work/life balance for our associates.

Telepresence is already helping us outmaneuver competitors by strengthening our relationships with our clients and creating a more connected Cognizant. It is also enabling us to realize “the future of work” today, using IT innovatively to optimize how employees collaborate internally and with our clients over long distances and across time zones.

form the way they work, and we have made a significant investment in next-generation solutions across our vertical and horizontal lines of business.

Our proven client-centric approach and deep domain expertise provide the basis for strong and constructive partnership. We have a heritage of industry-focused solutions, including our newest business process offerings, drawing upon our deep industry expertise and IT know-how to solve clients' business challenges. We understand how next-generation, cloud-enabled solutions can enable deeper forms of collaboration that drive efficiency, effectiveness, virtualization and innovation, resulting in increased business performance.

Footnote

¹ "Next-Generation CIOs: Change Agents for the Global Virtual Workplace," an Economist Intelligence Unit research report sponsored by Cognizant, October 2010

COGNIZANT

World Headquarters

500 Frank W. Burr Blvd.
Teaneck, NJ 07666 USA
Phone: +1 201 801 0233
Fax: +1 201 801 0243
Toll Free: +1 888 937 3277
inquiry@cognizant.com

European Headquarters

Haymarket House
28-29 Haymarket
London SW1Y 4SP UK
Phone: +44 (0) 20 7321 4888
Fax: +44 (0) 20 7321 4890
infouk@cognizant.com

India Operations Headquarters

#5/535, Old Mahabalipuram Road
Okkiyam Pettai, Thoraipakkam
Chennai, 600 096 India
Phone: +91 (0) 44 4209 6000
Fax: +91 (0) 44 4209 6060
inquiryindia@cognizant.com



Cognizant