

# Two-in-a-Box™ Relationship Model: Cognizant's Global IT Services Delivery Edge

## Executive Summary

Through a proprietary methodology called Two-in-a-Box™ (TIB) Relationship Model, Cognizant embeds personnel with demonstrated domain experience in the client organization to help drive IT strategy and ensure business alignment.

- A senior manager on Cognizant's client relationship team coordinates operational requirements and service delivery from Cognizant's offshore delivery units, thus freeing the client's senior IT leadership team to concentrate on more strategic concerns.
- By investing in the front end of a seamlessly integrated global service delivery process, TIB engenders exceptionally strong client partnerships, better communication with the offshore delivery organization and more tightly managed projects that arrive on time, on budget and in alignment with client requirements.
- When used in conjunction with Cognizant's Transform while Perform™ framework, TIB enables clients to more quickly generate returns on their outsourcing investment.

This white paper will:

- Describe Cognizant's unique approach to global IT services delivery.
- Explain how Cognizant's approach differs from other service provider approaches.
- Outline how and why TIB enables more successful outcomes.

## Not All Relationships Are Created Equally

It's never been more critical to select the most appropriate IT service provider to assist with everything from applications development, to maintenance and testing, to infrastructure and business process. The tendency among many companies, however, has been to see all third parties -- particularly those with a majority of their IT work offshore -- as remarkably similar. Regardless of their specific track record, domain expertise or technical prowess, all third-party service providers are viewed as a lower-cost solution to a high-value problem -- leveraging significantly reduced labor costs to squeeze more mileage out of flat or slightly appreciating IT budgets.

Not all third-parties, however, are created equally, nor do they deliver equivalent value. How far you can go with an IT partner is directly related to the type of partnership model and relationship architecture that the provider can create for you.

## The Practical Side of Governance

An important and often overlooked consideration when evaluating IT service providers is the process and procedures they use to support a successful engagement. You can think of it as "the practical side" of an engagement's governance process. Sure, it's a given that most Tier-1 providers will build and deliver new systems from centers across the globe. But what will the provider do to ensure tighter strategic alignment with organizational objectives? What types of project planning and process management discipline will be applied to keep



requirements in sync with development activities? How will the provider's team work with and communicate with the client's senior leadership team and line-of-business management? Who will interface with offshore delivery managers, particularly as development is distributed across multiple facilities and seamlessly repackaged for delivery to customers?

Without a thorough operating model, IT delivery often falls short of business requirements, causing cost overruns, failed relationships and missed opportunities or expectations. Lost in the process is the ability to streamline operational effectiveness, boost revenue and maximize profitability. An effective operating model ensures that systems are not only built to spec but are delivered on time and within budget and -- once deployed -- meet or exceed business objectives.

### Tight Integration Starts at the Core

Most third-party IT service vendors have delivery models that work in one of two ways:

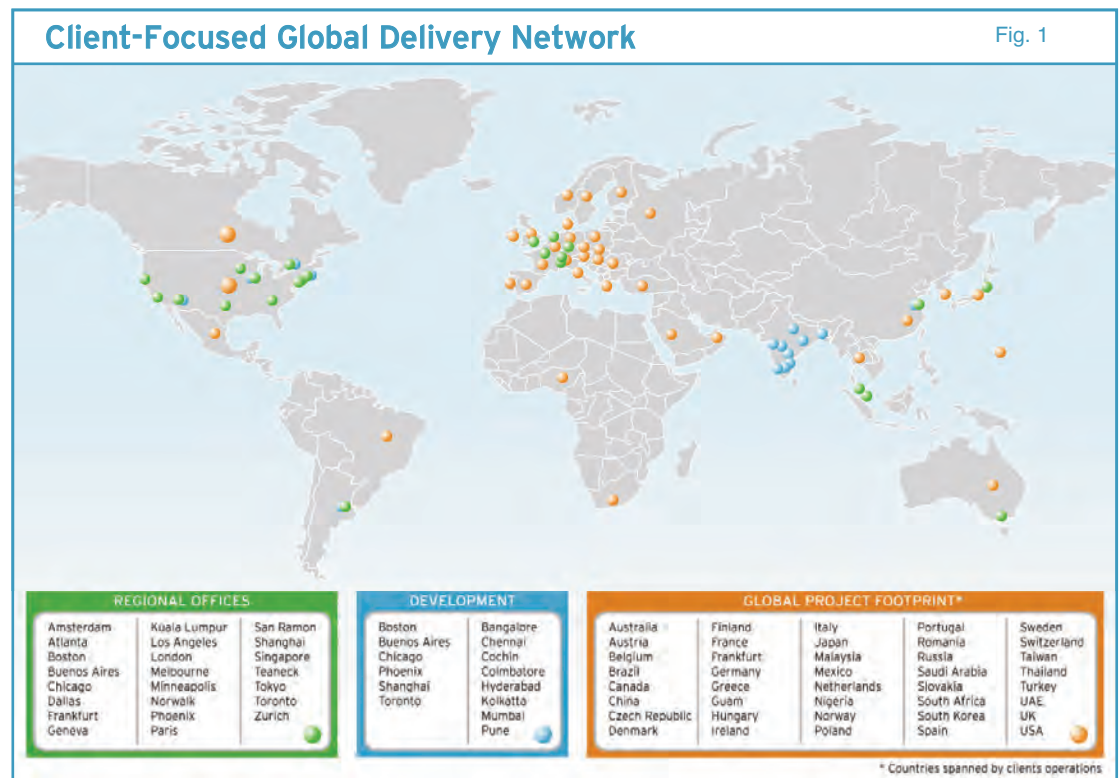
- **"Pass the baton":** In this model, project management responsibility is enacted by an ever-changing array of vendor representatives or business units who are responsible for various project phases and deliverables. Without one central point of contact, accountability for project performance is rarely established, or, if it is, it becomes a hot potato con-

tinuously eluding the client's grasp.

- **"Thrown over the wall":** Once an outsourcing contract is signed, all decision making reverts to project managers offshore, who remotely monitor client needs and performance milestones. Senior staff occasionally visit the client's premises, either when they are called on the carpet to explain delivery challenges or to attend project planning or status meetings. This keeps them at arm's length from the client, with a tangential understanding -- at best -- of the client's evolving business-technology requirements and objectives.

Amid heightened calls from corporate leadership for more tangible and repeatable ROI, Cognizant has developed a seamlessly global delivery and relationship model called Two-In-a-Box (TIB) that helps Global 2000 companies achieve better returns on their IT outsourcing initiatives.<sup>1</sup> TIB, for the most part, is transparent to the client. It is not tied to any single Cognizant delivery center. In fact, delivery originates from any of Cognizant's 33 delivery centers worldwide to any physical location on the globe (see fig. 1, below). Importantly, TIB is embedded in Cognizant's DNA -- it is fundamental to the company's business model, culture, operating philosophy and organizational hierarchy.

In fact, what makes an IT services provider indispensable is its ability to become engrained in the client's culture and keep pace with shifting



operational tactics, goals and aspirations. For third parties to effectively contribute to applications development, maintenance and testing -- as well as infrastructure and business process management -- they must function as integral components of the client's IT organization. They must be plugged into the enterprise nerve center that guides all IT activities and business operations in order to ensure that they walk and talk in lock-step with the client's senior leadership team.

Cognizant's TIB relationship model represents a radically different approach to IT services delivery compared with offshore providers based in India or multinationals with delivery centers located around the world. Here's how most IT services companies operate: Once contracted, they hold a planning meeting with the client to get a detailed assessment of project goals and milestones; internal capabilities and shortcomings; overall business strategies; and service level expectations. From there, a project plan is created, and the offshore team commences its work. The account manager is rarely heard from again.

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When problems emerge, the client's IT team leaders must call or e-mail the service provider's account manager, who then searches for the appropriate offshore staffer to coordinate a response. Whether it's strategic

guidance, project management assurance or timetables for problem resolution, the answers tend to lie offshore and often require an after-hours or pre-work conference call to resolve. Even when work schedules are carefully coordinated to counteract time zone differences (which can stretch the limits of reason and coherence), providers are often incapable of delivering the right people at the right time with the answers to the client's issues. Frustrations simmer and can boil over as minor project shortcomings and delivery delays elongate into insoluble challenges and missed opportunities.

Even regularly scheduled meetings to update progress and assess performance against project or program goals are insufficient to keep the client's retained team in sync with the IT services provider. These mandatory meetings can cover everything from project fine-tunings to radical overhauls that impact day-to-day tactics and resource deployments. Or, if business conditions warrant, they can dictate wholesale changes to the overall strategic plan.

Without onsite representation, the provider is often at a disadvantage in these meetings and is ill-equipped to offer valuable input to overcome engagement challenges.

## Inside Two-In-A-Box

One look at Cognizant's roots helps to explain the company's dedication to building exceptional client relationships that facilitate better business outcomes. Cognizant was formed as a captive business unit of the Dun & Bradstreet Corp. in 1994. Soon after spinning off from D&B in 1996, management realized the company needed an operating model to not only manage its explosive growth but also to differentiate itself from the business-as-usual mentality that pervaded the outsourcing space. So in contrast to the prevailing logic at the time, which dictated that projects should be managed from offshore delivery centers, Cognizant founders proposed a novel approach: Task a senior leader within Cognizant to manage customer relationships in the U.S., while appointing another senior manager to oversee services delivery from Cognizant's facilities in India. The company's onsite CEO and offshore COO were actually the first TIB designates, and they propagated this model and mantra throughout the organization for every engagement and every client.

Cognizant's founders foresaw that it wouldn't be enough to provide lower cost delivery and mastery of leading-edge technologies, combined with ever-elevating degrees of domain expertise. They realized that the company's success would also need to be defined by its ability to:

- **Build exceptionally close relationships** with clients by investing in onsite teams focused on delivering business results that meet or exceed expectations (i.e., cost containment as well as operational flexibility and process improvements).
- **Maintain tight strategic alignment** between the client's IT strategy and business goals to ensure exceptional satisfaction.
- **Enforce strict accountability and governance** through rigorous project / program planning discipline and delivery best practices to mitigate risk associated with traditional offshore IT outsourcing approaches (i.e., pass the baton, thrown over the wall).
- **Continuously measure results** to keep engagements on track to ensure predictable and positive business outcomes.

- **Regularly transfer knowledge** to help clients facilitate continuous improvement and to identify new ways to leverage technology for business advantage.

Cognizant's founders believed they could differentiate the company from its competitors by offering a hybrid model that blended the best of what traditional consulting firms that dedicate onsite resources to project planning and management offer with the cost advantages of what offshore providers deliver. Dubbed TIB, this relationship and delivery model has become a critical competitive differentiator for Cognizant. It is embedded in Cognizant's culture and is embraced across the organization, from the upper echelon of the company's management team, through rank and file developers. Importantly, the model is consistently cited by clients across industry for delivering a superior customer experience (see Kimberly-Clark sidebar, page 7).

Over the last decade, Cognizant's TIB model has evolved to anticipate market needs. One thing that remains constant, however, is that TIB is centered around client needs. Once a contract is signed, TIB springs into action. Cognizant assigns an onsite relationship management team with a strong industry background to work at the client's place of business. A team leader, the Client Partner (CP) works at the customer location and absorbs the client's culture, operational processes, challenges and business goals. The CP nurtures deep relationships with the client's key stakeholders and their management. Importantly, he becomes part of the client's inner circle, working closely with senior members of the IT management team on strategic planning. Importantly, the CP is empowered to make executive decisions that help the client obtain further business advantage from its partnership with Cognizant.

But the model is more than an exercise pairing the Cognizant CP with one or more senior-level IT executives on the client's leadership team. Another critical cog in TIB is the CP's relationship with the offshore delivery team. Once a project kicks off, the CP works closely with a dedicated global delivery manager (DM) to ensure that IT services are delivered with precision and customized to the client's particular needs. On a tactical level, the CP acts as the communications conduit, effectively translating the client's IT requirements to Cognizant's offshore DM, helping to coordinate services delivery back to the client. The CP and DM

are in consistent communication, working in lock-step to make sure Cognizant's offshore team operates as a physical and virtual extension to the client's IT organization (see fig. 2 on the following page).

Within larger engagements, Cognizant maps its onsite resources with the full sweep of the client's retained team. For instance, a senior Cognizant executive may work with the client's CIO; another may work with the VP of applications development; still another with the director of system management or knowledge management; and so on. And on multi-project engagements, the CP may have numerous project managers who pair up with counterparts in key functional areas of the client's retained organization to deepen the relationship (see fig. 2, next page). Each of these Cognizant project managers may have counterparts within the delivery organization who can be located in any of Cognizant's global delivery centers and are responsible for activities coordinated by the DM.

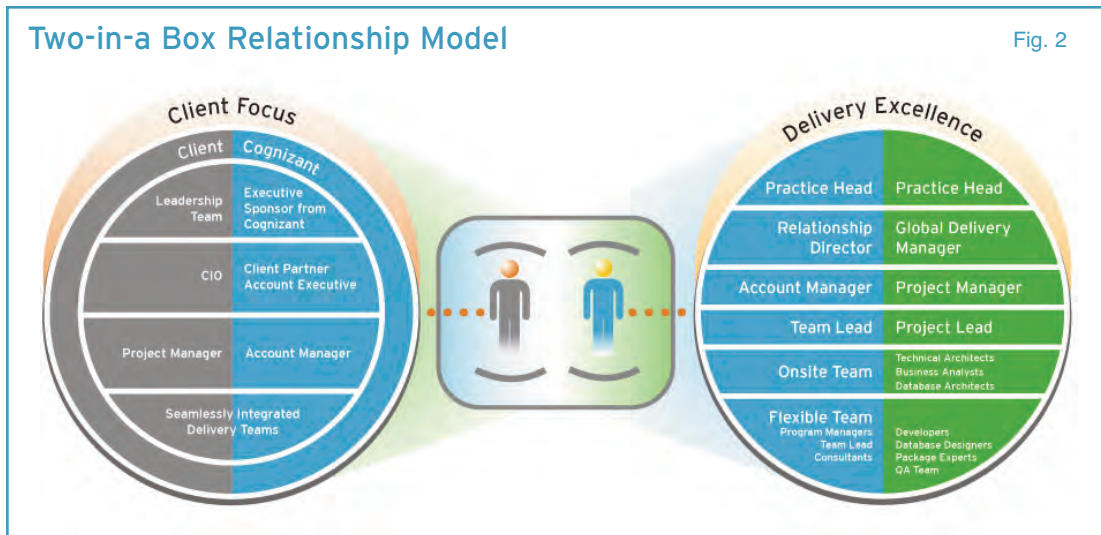
## Freedom to Focus on Transformation

Cognizant's investment in front-end account management resources removes an incredible burden from the client's IT leadership team. It enables them to focus on more strategic concerns, such as redeploying cost savings into projects that can drive new revenue-generating initiatives or extract more profit from existing lines of business. Importantly, the approach eliminates the traditional "us" (client) and "them" (IT services provider) project divide. The project team is viewed more in terms of "we," since key Cognizant members (the CP and other project managers) are onsite, working side-by-side with the client's IT organization and with Cognizant's offshore delivery team. Co-mingled teams, importantly, breed joint accountability. History has proved that dual-managed projects are typically delivered with heightened strategic clarity, enhanced predictability and outcomes that tend to remain in sync with the client's ever-shifting needs. Whether it's targeting one-off applications testing or lifecycle engagements (that start with portfolio assessment and segue to new applications development and maintenance), Cognizant's methodology delivers returns more quickly, more accurately and in support of the client's operational needs.

Importantly, TIB reduces much of the perceived risk associated with IT services delivered by third-parties from geographies that span the world. No longer do clients need to fret about IT services built, managed

## Two-in-a Box Relationship Model

Fig. 2



or delivered from several time zones. The methodology removes the “death by distance” objection to hiring offshore IT services providers because Cognizant’s onsite representatives handle the coordination with delivery managers based in India and elsewhere in the world. This limits the frequency of late-night or early-morning conference calls to discuss project milestones, shortcomings and challenges that undermine many offshore relationships. Everything proceeds through the CP, who becomes the gateway to all Cognizant resources and services.

As delivery proceeds and milestones are achieved, the CP consistently earns trust by demonstrating mastery of the client’s evolving business and technology requirements. This is enabled by Cognizant’s Transform while Perform (TwP) framework. TwP delivers immediate cost savings by swapping in-house personnel for lower-cost, offshore talent (via labor arbitrage) and also by freeing resources for more strategic initiatives that leverage Cognizant’s deep global talent pool (via intellectual arbitrage) to deliver top and bottom-line benefits. TIB provides the program/project management and governance to ensure that clients reap the full benefits of TwP, which is enabled through Cognizant’s economies of scale and best practices in IT services delivery, as well as technology and domain expertise.

### Investing in Client Relationships

Tighter collaboration, fueled by a single team speaking the same language, enables precision focus on shared goals. But deep collaboration is only made possible by Cognizant’s investment in client-facing resources. Typically, 30% of the entire

Cognizant project team resides at the client’s site,<sup>2</sup> a figure that is unparalleled in offshore outsourcing circles. But Cognizant doesn’t adhere to a static formula. The company adds and subtracts onsite resources as client needs dictate. This reflects Cognizant’s willingness to invest in building strong client relationships that yield a better understanding of the client’s business-technology objectives.

Whereas many offshore firms deliver profit margins of 24% to 26% to investors, Cognizant’s margins are in the 18% to 20% range. Cognizant reinvests the difference directly into client-facing capabilities, such as CPs, onsite project managers, industry or domain experts, MBAs and flexibility in how resources are allocated within the engagement. It is the sacrifice of these margin points that is critical to building long-term, satisfactory client relationships. Cognizant’s 2007 client satisfaction study (conducted by a third-party) revealed that over 81% of the 688 client executives polled were either “extremely satisfied” or “satisfied” with their work with Cognizant. That level of satisfaction compares favorably with ratings of major consumer brands studied in recent years by JD Power and the American Consumer Customer Satisfaction Index.

Cognizant’s investment in client-facing resources differentiates the company from its offshore rivals. Moreover, these resources are instrumental in delivering a customer experience that results in superior returns on outsourcing.

### Artistry & Alchemy

IT services delivery is usually thought of as comprising people, process and technology. But while dogmatic adherence to project management

discipline is critical to delivery success, personal relationships can help make a good project better, while a lack of chemistry can make a mediocre project worse.

As with all chemical interactions that generate new forms of matter, successful IT delivery is driven by strong relations between quality people across multiple disciplines, who can contribute to project success that span the business-technology continuum. Critical to the success of TIB is the quality and pedigree of the people who function as Client Partners and Delivery Managers.

The typical Client Partner:

- Is MBA trained.
- Has 12-15 years of experience in IT services, with exceptional relationship building and management skills with senior IT managers.
- Worked previously for a “white glove” consulting firm.
- Understands what makes clients tick - from their business strategy and industry challenges, through their corporate objectives.
- Understands what it takes to deliver superior services.

The typical Delivery Manager:

- Is technically minded, usually holding an advanced degree in mathematics, computer science or a related field.
- Has 10-years-plus IT industry experience.
- Understands what it takes to deliver superior IT that aligns with business objectives.
- Has demonstrated experienced growing, grooming and managing an IT staff.
- Is comfortable with and has operated at various levels of the onsite/offshore delivery model.

## Why Integrated Delivery Unlocks Business Value

To be an indispensable IT services partner, providers need to have flexible and cost-effective offshore delivery models. These characteristics are table-stakes in a fast-moving game that was once driven purely by labor arbitrage. Today, however, the game is changing from an India-only model to one in which IT services assets (people, intellectual property and infrastructure) are distributed across the globe. It's a

world in which business boundaries are vanishing, and tasks are increasingly parceled out to globally distributed talent pools that are best equipped to most efficiently serve client needs.

While it remains critical to cap operational costs, companies worldwide acknowledge that the focus now is on leveraging IT investments to boost the top and bottom lines. Many are looking to IT services partners to enable them to revamp or create business processes that engender operational efficiencies and support new business models that lead to competitive separation. The ability of IT services partners - particularly offshore players -- to help tackle this agenda is what separates industry leaders from laggards.

A recent *Harvard Business Review*<sup>3</sup> article argues that management breakthroughs can deliver advantages to companies that want to innovate and produce “a seismic shift in industry leadership.”

The piece, penned by noted London Business School professor Gary Hamel, notes that innovation can be difficult for companies perceived to be in commodity markets. “As once distinctive capabilities become commodities, companies will have to wring a whole lot of competitive differentiation out of their ever-shrinking wedge of the overall business system,” he writes.

**Two-In-A-Box enables clients to more quickly reduce IT budgets, revamp IT operations and redeploy freed-up assets on more strategic initiatives that generate increased business value.**

As global IT services delivery is increasingly accepted by corporations across the globe and becomes an unassailable way of life, innovative models are needed to maximize perceived value. “To beat back the forces of commoditization, a company must be able to deliver the kind of unique customer value that can only be created by employees who bring a full measure of their initiative, imagination and zeal to work every day,” Hamel argues. Leading organizations achieve this by challenging orthodoxy; beating back conformity; unlocking creativity by removing obstacles (hiring iconoclasts); empowering small teams; instilling a sense of shared purpose; and facilitating effective lateral communication and intramural competition, he points out.

Cognizant's unique TIB methodology clearly embodies these characteristics. In fact, it is integral to Cognizant's ability to help clients reduce IT operational costs, embrace industry best practices and unlock sustainable business transformational

activities. Another recent article<sup>4</sup> in *Harvard Business Review*, written by Pankaj Ghemawat, describes how TIB is helping to differentiate Cognizant from its offshore competitors. The article highlights three approaches that multinational companies typically take when globalizing their operations: adaptation (maximizing local presence); aggregation (standardizing products, services and processes throughout the global enterprise); and arbitrage (leveraging different regional markets for their cost and / or skill-set advantage). Unlike other global IT services providers, Cognizant combines arbitrage and adaptation to successfully position itself as a U.S.-based player with significant offshore resources, the author notes.

He also credits Cognizant's origins as a captive IT services arm of Dun & Bradstreet for instilling "a more balanced distribution of power than purely Indian firms have." The combination of arbitrage and adaptation, the author emphasizes, "is just one

element, albeit an important one, of a broad, cross-functional effort to get past what management sees as the key integration challenge in global offshoring: poor coordination between delivery and marketing."

## Conclusion

Integrated onsite/offshore global delivery is clearly the name of the IT services game. The TIB methodology enables Cognizant to operate on an atomically global level, delivering services to its clients seamlessly from any of its offshore centers worldwide. It is fundamental to Cognizant in the following ways:

- **Corporate culture:** Cognizant's collective mantra is "client first." TIB breeds a kindred spirit that pervades the client's retained IT organization and extends to the lines of business where better, faster and cheaper IT can be leveraged for

## Kimberly-Clark's Experience

Mention the concept of TIB to a Cognizant client, and the words may or may not resonate. But after some gentle prodding and a quick mention of its operational attributes, clients begin to recite TIB's benefits -- chapter and verse. The concept may be so intuitive that its underlying principles have become transparent to clients that have worked with Cognizant through at least one phase of an engagement.

Take Kimberly-Clark Corporation (NYSE: KMB), the multi-billion-dollar premiere health and hygiene company that recently extended its IT services partnership with Cognizant to include all applications development and maintenance under a multi-million-dollar pact. The Cognizant engagement, according to Kimberly-Clark, is a critical element in the company's attempt in re-inventing its IT footprint

The potential of the TIB methodology was clear to Kimberly-Clark during the contract bidding process, according to Dennis Haltinner, senior director of IT strategy, architecture, innovation and compliance. Kimberly-Clark was impressed with the Cognizant team's understanding of its business and technological requirements. "They understood who we were and what we wanted to do," Haltinner recalls.

That understanding has deepened throughout the engagement's transition phase. The Cognizant Client Partner (CP) has built a solid relationship not only with senior IT and business strategists throughout Kimberly-Clark, but also with a few members of the executive leadership team of the company. The CP is fully aware of Kimberly-Clark's business challenges, the competitive landscape and the company's progress against strategic goals, Haltinner says. "K-C's Client Partner relationships are typically pretty deep - it's not like we just met each other and had coffee," he notes. "It's become a personal relationship."

And that deep-seated understanding is percolating throughout the Cognizant portion of the team. When issues arise, the onsite Cognizant team makes sure that everyone -- including SAP® developers in Buenos Aires -- is on the same page. "They make sure things get resolved and harmonized," he says. "I see a big difference compared with the relationships we have had with other service providers."

Moreover, Haltinner wants to make sure that Cognizant's strategic input isn't limited to the tasks at hand. He is encouraging Cognizant to provide far-reaching innovation and assessments on how to improve existing applications and leverage new technology to help fuel the company's transformational endeavors. "Being open to the idea that there are other ways to do things and other perspectives not only saves you from making mistakes, but it can also make major changes in the value you bring to your business," he notes. "We recognize, understand and value it -- we found that Cognizant is a bit unique in this regard."

competitive advantage.

- **Financial commitment:** Cognizant's significant investment in front-end, client-facing resources ensures better governance, guaranteeing more onsite hands and minds to proactively meet engagement challenges.
- **Organizational model:** TIB starts at the top of the organization -- from Cognizant President and CEO Francisco D'Souza, to Managing Director Chandra Sekaran, to Chief Operating Officer for Global Client Services Rajeev Mehta -- and is embodied in every level of its hierarchy.
- **Operating philosophy:** TIB enables Cognizant to deliver transformative business outcomes, resulting from traditional cost savings gained via labor arbitrage, as well as more innovative applications of IT achieved through intellectual arbitrage. The methodology is transparent to the client - IT services can originate and be delivered from any of Cognizant's development centers.

TIB is a major factor in Cognizant's high customer satisfaction scores, strong customer retention rates and tight cultural fit. Onsite personnel sharpen Cognizant's ability to see business-technology challenges, local business customs and market conditions through the client's eyes. And TIB is a major factor in Cognizant's phenomenal growth: Over 90% of Cognizant's revenues come from existing customers, many of whom have started with small or tactical projects and broadened their relationships to include more strategic activities. CPs become the client's gateway to offshore

delivery, ensuring that IT not only serves today's business needs but that it also better anticipates future requirements that can fuel continuous process innovations over time.

TIB is Cognizant's seal of commitment for a long partnership. With Cognizant, TIB is always included, and it bonds with you.

To learn more about Two-In-A-Box, visit <http://www.cognizant.com/go/TIB>

## Footnotes

- <sup>1</sup> "Measuring the Return on Outsourcing," a Cognizant white paper, July, 2007.
- <sup>2</sup> This is an average that fluctuates depending on several factors.
- <sup>3</sup> "Managing Differences: The Central Challenge of a Global Strategy," Pankaj Ghemawat, *Harvard Business Review*, March 1, 2007.
- <sup>4</sup> "The Why, What, and How of Management Innovation," Gary Hamel, *Harvard Business Review*, February 2006.
- <sup>5</sup> "The Reshaping of the Global IT Services and Outsourcing Competitive Landscape," Gartner Research, March 2007, Ian Marriott and Allie Young.

## About Cognizant

Cognizant (NASDAQ: CTSH) is a leading provider of global IT and business process outsourcing services. Cognizant's more than 45,000 employees have a single-minded passion to collaborate with clients and leverage information technology to make their businesses stronger. With global delivery centers in Asia, Europe and North America, we combine a proven onsite/offshore delivery model, infused with a distinct culture of customer satisfaction. A member of the NASDAQ-100 Index and the S&P 500 Index, Cognizant is ranked among the top information technology companies in BusinessWeek's Hot Growth Companies.

## Start Today

For more information on how to drive your business results with Cognizant, contact us at [inquiry@cognizant.com](mailto:inquiry@cognizant.com) or visit our website at: [www.cognizant.com](http://www.cognizant.com).

To learn more about Cognizant's approach to Offshore IT Services Delivery, request the following white papers: Return on Outsourcing and Transform while Perform™.



**Cognizant**  
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