

The Revolution We've Been Waiting For

Ten No-Regrets Actions to Modernize Your Business



October 2021

Cognizant[®]

**The true
opportunity to
do something
unprecedented,
perhaps even
revolutionary,
lies immediately
ahead of us.**

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Introduction

If you are a business leader today — managing through a pandemic, an economic disruption, the rise of new machines and general global turmoil — you deserve a pat on the back (at least). You're still standing, still making decisions, still getting it done. Well done, and thank you!

But please keep your head in the game, because the true opportunity to do something unprecedented, perhaps even revolutionary, lies immediately ahead of us.

If you've ever sought — or dreamed about — a chance to participate meaningfully in something *really* big, even something special in the business world, you're in luck.

The turmoil we are now surviving — political, economic, social, epidemiological — has created a catalyst for business and technology revolution as big, and maybe bigger, than the last Industrial Revolution.¹ How value is created, how we work together and what we expect from technology are all evolving at a whiplash pace — but we've seen this pattern before.



Throughout history, after every phase of disruptive technical invention, there follows a period of innovation, deployment and value growth at scale.² Think back to when we converted steam power into fantastic new pumps, cotton gins and locomotives. It happened again when we used electricity to change how we built products and ultimately lived our lives. What many call the Fourth Industrial Revolution is happening now with new digital technologies; this is *our* Revolution.

However, revolutions often take decades, or sometimes even centuries — as was the case of the First Agricultural Revolution. Our revolution, clearly, is accelerating. The past few years have seen a remarkable period of digital invention. From the internet to the original SMAC stack — social, mobile, analytics, and cloud — to technologies like automation and artificial intelligence that now have real business impact. Newer technologies — 5G, nanotechnology, drones and quantum computing — are warming up in the wings.

Working together, futurists from Cognizant and analysts from HFS studied more than 500 business and technology leaders across multiple industries from around the world (see Methodology, page 34). In our post-pandemic economy, we wanted to find out what leaders are *really* doing; how their companies are *actually* evolving to create value in an entirely new world. So we tried something new.

We asked a different kind of question because we wanted *applicable* insight to help business decision-makers move from theory to real-world practice based on the best available guidance from peers, colleagues, competitors to help leaders — you! — build *your* modern business.

From our findings, we culled 10 no-regrets recommendations which we think can benefit every business and technology leader as they lean in and embrace the Revolution that's upon us.



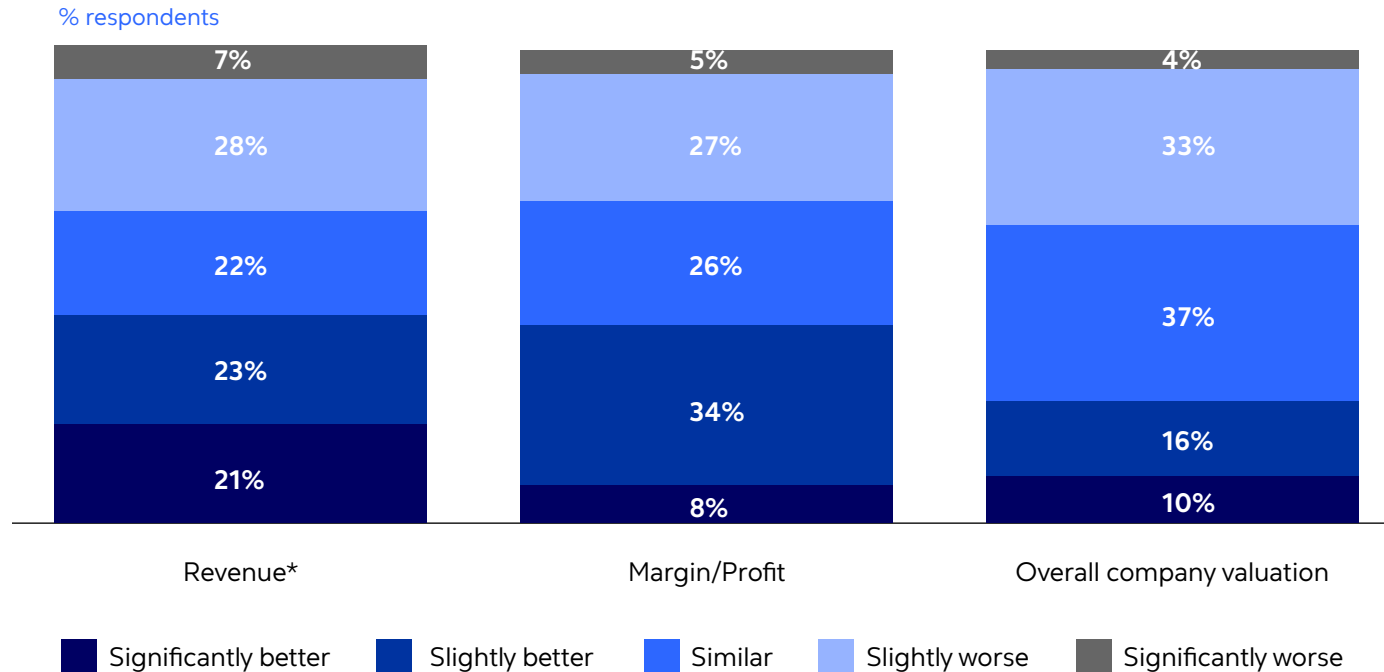


Don't panic (but the status quo is not an option)

Panic is never a good business strategy, but some days it can be hard to avoid. There's seemingly no end to the doomsday headlines about business and technology. We can all feel the sense of "catastrophe fatigue" growing in the market. It's now time to exit the era of hype and hysteria ("Deploy this technology or you'll be ruined!") and move to the era of implementation with meaningful business (and social) benefits.

COVID's impact on what matters to companies

It's been over 18 months since the COVID-19 started to hit. How is your organization doing today vs. pre-pandemic?



Response base: 501 respondents across G2000 organizations

Source: HFS Research in partnership with Cognizant, 2021

* Percentages may not total 100 due to rounding

As the pandemic raged, we asked a simple question: How is your company doing compared to before the pandemic?

Most, generally, said they're OK. From a revenue perspective, about 35% said "worse," but 44% said "better."

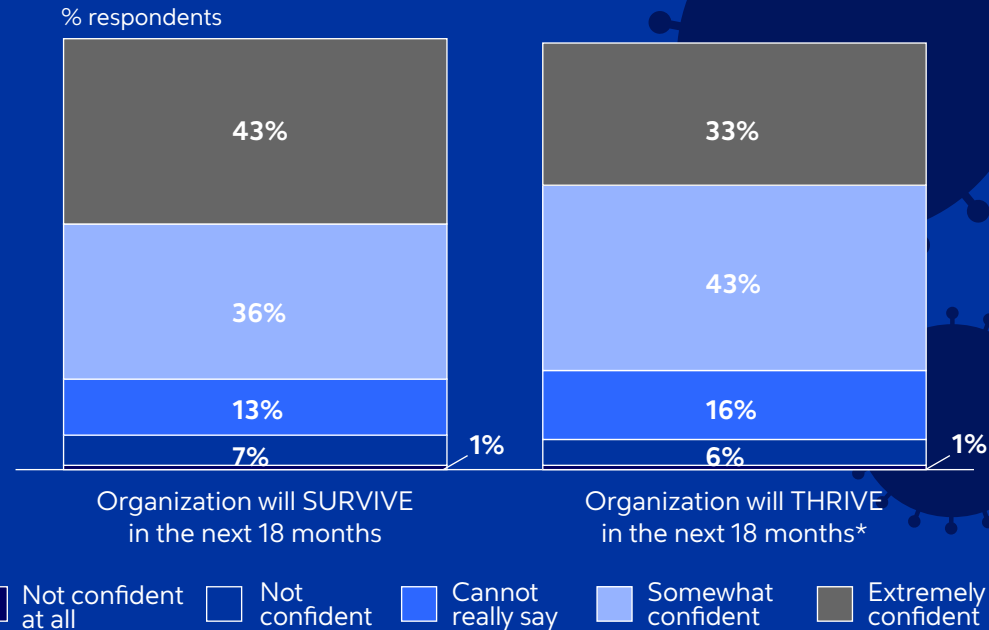
Profit margins were about the same, although a bit more muted.

Company valuations, however, conveyed a different picture. The most common response — given by 37% of respondents — was that it hadn't changed significantly from before the pandemic. We all know that the FAANG companies saw huge valuation growth as we were all locked in our houses. That's good news for the stock indices, but at a company level most of us didn't get to ride the same elevator up.



Overall confidence in the future is ... not bad!

How confident are you that your organization will SURVIVE and THRIVE in the next 18 months following the pandemic shock?



Response base: 501 respondents across G2000 organizations
Source: HFS Research in partnership with Cognizant, 2021
* Percentages may not total 100 due to rounding

There clearly was a sense of optimism from survey respondents, but — and this is critical — almost nobody thought they would survive or thrive *without major strategic changes*. There is a broad recognition that the status quo must be left in the rearview mirror.

We found that a stunning majority said they needed significant changes in strategy, operating models, etc. while only a handful said no change is required.

The world continues to wrestle with disruptions in ways we don't need to recount here. What we learned, though, is that the people leading businesses aren't panicked, and switched-on leaders recognize that if we want to keep changing the world, we need to change *with* the world. What worked last year won't work next year, so we need to show up — now — with sound data, sharp minds and a “maker” mindset to adapt to the new rules of business.

Leaders recognize their change imperative

What is the nature of change that you will need to make to your organization in order to survive the pandemic shock?*



Response base: 501 respondents across G2000 organizations
Source: HFS Research in partnership with Cognizant, 2021
* Percentages may not total 100 due to rounding

What we learned, though, is that the people leading businesses aren't panicked, and switched-on leaders recognize that if we want to keep changing the world, we need to change *with* the world.



Make your business anti-fragile

Most of us realize that our philosophy toward change — at the personal, organizational and even social levels — determines how well we adapt to disruption and volatility. In his seminal 2012 book, *Antifragile: Things That Gain From Disorder*, Nassim Nicholas Taleb introduced the notion of “anti-fragility.” Anti-fragility, he contends, is not just resilience (or “robustness,” in his description) or the ability to remain unchanged or safe from unexpected obstacles or disruptions. Rather, it is the ability to embrace volatility and disruption to actually “gain from disorder.”

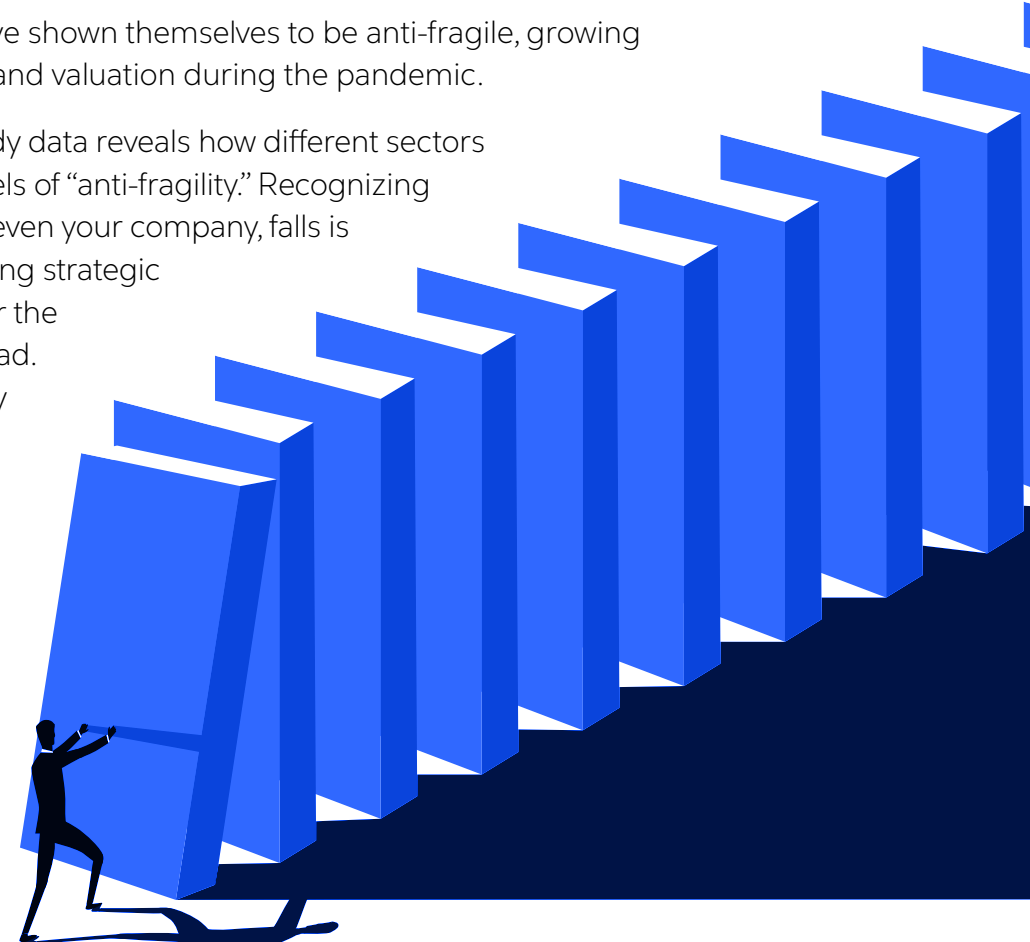
The COVID-19 pandemic has been nothing less than a global catastrophe with as yet incalculable economic and human carnage. As business leaders, it’s now our responsibility to be more resilient in a future that will undoubtedly include disruptive events — the next pandemic, digital and physical conflict, climate change, social unrest — that are ever more likely as we are increasingly linked and interdependent.

One lesson we can all benefit from is that our companies and organizations will be well-served by taking steps to become “anti-fragile.” We are still seeing the impact of the pandemic unevenly distributed across sectors and the globe. Travel and transportation has been perhaps irreparably altered.

Technology platforms have shown themselves to be anti-fragile, growing massively in scope, scale and valuation during the pandemic.

With this in mind, our study data reveals how different sectors demonstrate different levels of “anti-fragility.” Recognizing where your industry, and even your company, falls is the first step toward building strategic investments to prepare for the inevitable disruptions ahead.

This has gone from theory to practice in just a few cruel months.

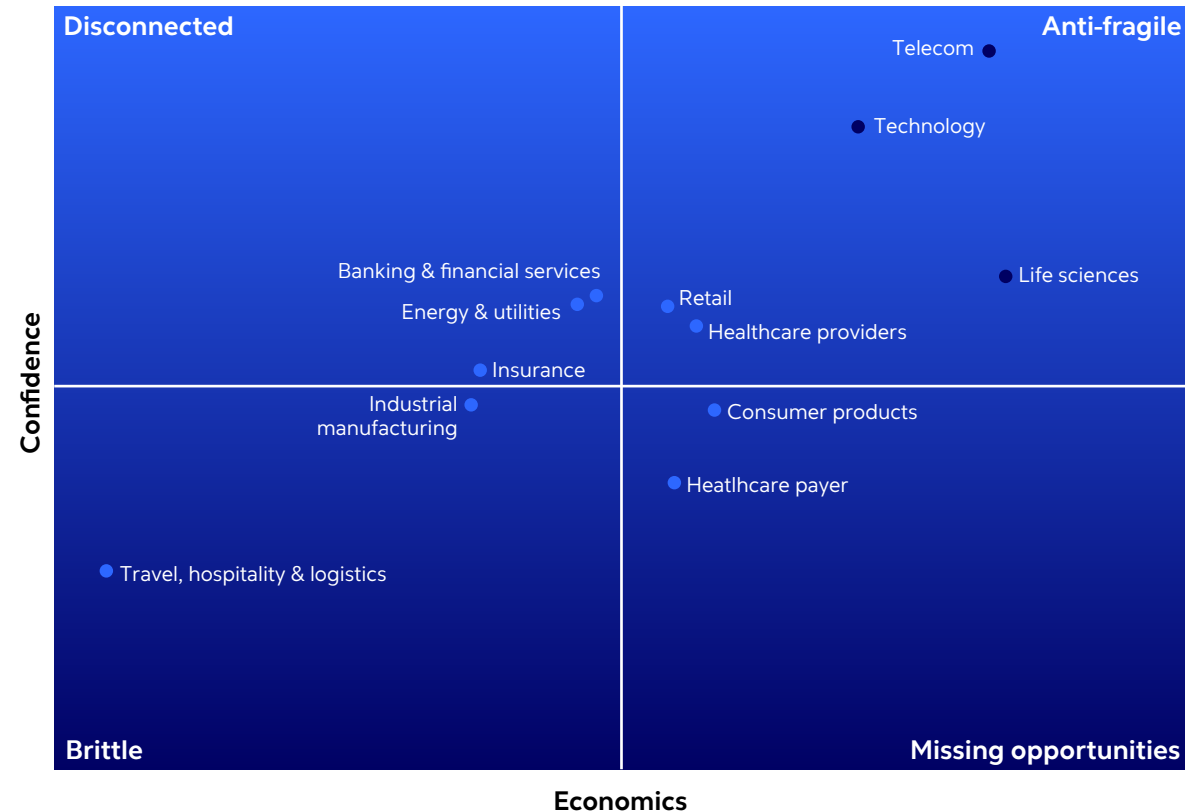


From our study findings, we created a “Brittleness Index” based on confidence in future performance versus economic performance (revenue, margin and valuation) since the pandemic started. We found that different industries can be roughly categorized into four primary categories.

- I Disconnected:** This is the realm of irrational exuberance. Leaders overall are victims of a big disconnect between high confidence and low-performing economics. A cold splash of reality and data is in order.
- I Brittle:** These sectors have been the hardest hit by the pandemic with low confidence for the future coupled with withering economic performance. Leaders recognize their ground truth, so the game is not lost, but true change is needed (now).
- I Missing opportunities:** The economics show real promise for the post-pandemic future, but confidence is low. Leaders in these sectors need to *carpe diem!*
- I Anti-fragile:** By luck or design, companies and industries that have taken more proactive steps to embrace the modern digital economy have thrived amid the carnage. Getting stronger amid the volatility has paid off (for now), and blue skies ahead are more likely — never guaranteed — for leaders who continue to make sound decisions and investments to engineer a modern business.

Resilience (or lack thereof) by sector

This graph compares the economic assessment — informed by aggregate revenues, profit growth and valuation per industry — against confidence in future performance to show the relative resilience of the industry.



Response base: 501 respondents across G2000 organizations
 Source: HFS Research in partnership with Cognizant, 2021

A majority of leaders in more brittle companies saw their paths ahead as needing more focus on financial and operational plans, rather than more significant changes.

Our Brittleness Index provides a status check for your sector, but it doesn't indicate what individual companies can *do* to improve their position. To gain practical insight, we asked respondents to identify the changes their organizations will make to survive the pandemic. We found stark differences between brittle companies and anti-fragile companies, and for the most part, the findings were concerning.

Companies that ranked *highest* in the Brittleness Index — low on immediate economics and low on optimism for the future — were far *less* willing than the companies that ranked lowest — the anti-fragile companies — to take big swings and interrogate the fundamentals of their own businesses in the face

of change (see chart next page). They did *not* feel like they needed to change strategy, business models or priorities. A majority of leaders in more brittle companies saw their paths ahead as needing more focus on financial and operational plans, rather than more significant changes. They may be locked into a path that will be increasingly difficult to navigate.

More anti-fragile companies — those showing both strong performance and optimism about the future — saw the game ahead as much more disruptive. A massive 66% said they need to adapt strategies, business models and company priorities. So they appear more willing to continue on their winning path.

More anti-fragile companies — those showing both strong performance and optimism about the future — saw the game ahead as much more disruptive.

Contending with volatility: the brittle vs. the anti-fragile

What is the nature of change that you will need to make to your organization in order to survive the pandemic shock?

More Brittle Respondents
(Lowest Quartile on the Index)

More Anti-fragile Respondents
(Highest Quartile on the Index)

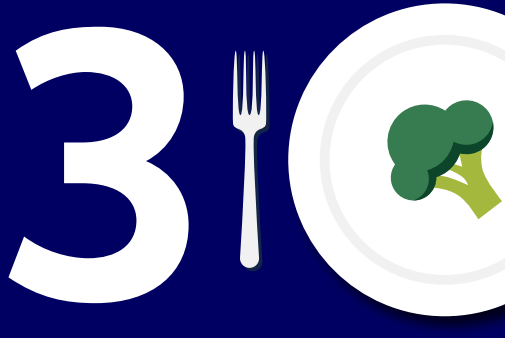


Response base: 501 respondents across G2000 organizations
Source: HFS Research in partnership with Cognizant, 2021

This is very early data on what suggests a profound reshuffling of business dynamics that will be accelerated by COVID-19. Many questions are still to be answered, but what we do know is that those in the lead see the change as *much* more significant than those a bit behind. Leaders in anti-fragile companies see this moment as the time to do a more fundamental — perhaps even revolutionary — reset, while more brittle companies are inclined to hunker down and focus on operational improvements.

What does this mean? The volatility we're all living through now — coupled with the power of our new machines — will change the topography of many industries over the coming years. This had already started, then the pandemic poured rocket fuel on the shift. It's likely that modern anti-fragile businesses — built for volatility rather than expectations for a smooth-running bureaucracy — have a higher probability of thriving over time.

We're *not* saying the large organization can run on anarchy, chaos and emotion. We *are* saying that our global economic, political, biological, geological and social systems are facing an epoch of change none of us are familiar with. Business leaders aspiring to future relevance can set a better course for the future by planning for disruption rather than stability.



Eat your broccoli (healthy habits pay off)

*Put the Twinkie down. Go for a run. Do ... not ... smoke.
Get to bed on time. Don't convert your 401(k) to Dogecoin.*

In our personal lives, we all regularly hear healthy advice we know we should follow. The struggle, though, is that the benefits don't show up immediately, and Twinkies taste great.

The same is true in business.

Innovate your future products and services. Win the war for talent. Improve your customer experience. Invest in new technologies to drive growth.

The regular excuses and rationalizations follow. *We don't have the cash. Our IT already costs too much. Customers don't hate us enough to leave (yet).* And so on.

Here again, the pandemic accelerated how we will need to conduct business in the future. What's particularly striking about our findings is how strongly and consistently leaders felt about specific strategic changes.

Everything's a priority in a storm

How important are the following initiatives for your organization to survive the next 18 months following the pandemic shock?



Response base: 501 respondents across G2000 organizations
Source: HFS Research in partnership with Cognizant, 2021

The vast majority of respondents agreed to *all* of our strategic options — each of which could be considered a potentially healthy habit for the modern business. Divestment, completely overhauling the business and acquisitions were lower priorities, but there was a shocking level of consensus that these are all critical or important strategic themes to pursue.

One concept that came through loud and clear is the need for speed! Again, that's not new, but the need to accelerate business modernization as a survival imperative driven by the pandemic is absolutely changing the course of business.

For leaders seeking business relevance in the near future, the carnage of COVID-19 — in conjunction with other social, economic, political and physical stressors hitting us concurrently — can be a wake-up call to engineer a healthier modern business.

As we've shown, companies already engaged in healthy habits — making informed strategic choices about the new rules of business — are more likely to emerge stronger from the pandemic and from volatility in subsequent quarters and years. More brittle companies that manage to survive can use this moment, and these insights, to make real change in how the business is run, and how customers are engaged. Otherwise, brittle companies may become the organizational equivalent of the overweight chain-smoking couch potato who fortunately survived their first heart attack, but then continued to avoid building healthy habits.





Be a mammal, not a dinosaur

Even before the pandemic, we already knew about the growth differential between companies embracing new technology for business value and those that were lagging behind. Earlier research conducted by Cognizant and HFS Research found a **34% “chasm” in revenue growth rates** between companies classified as digital leaders vs. those lagging behind.

This was already happening, but the pandemic shifted this change into high gear. Our respondents characterized the rate of business and technology change in the 12 to 18 months *before* the pandemic as on the slower side. What a difference a global pandemic makes. Asked to assess the rate of

change in the 12 to 18 months *following* the onset of the pandemic, the proportions switched. Roughly 54% foresaw a new demand for change that would be moderately to extremely fast.

We’re living through this right now. For any business leader paying attention, this immediate headline isn’t surprising at all. But the concerning finding is the 46% of respondents who still feel that the pandemic is *not* driving an increase in business and technology change. This includes 13% percent who feel the upcoming rate of change will progress at a snail-like pace.

34%

The revenue growth “chasm” between digital leaders and laggards

Response base: 395 senior executives

There are many unknowns, and the future is always uncertain, but based on all the evidence we have, this is *not* a club in which you want a membership.

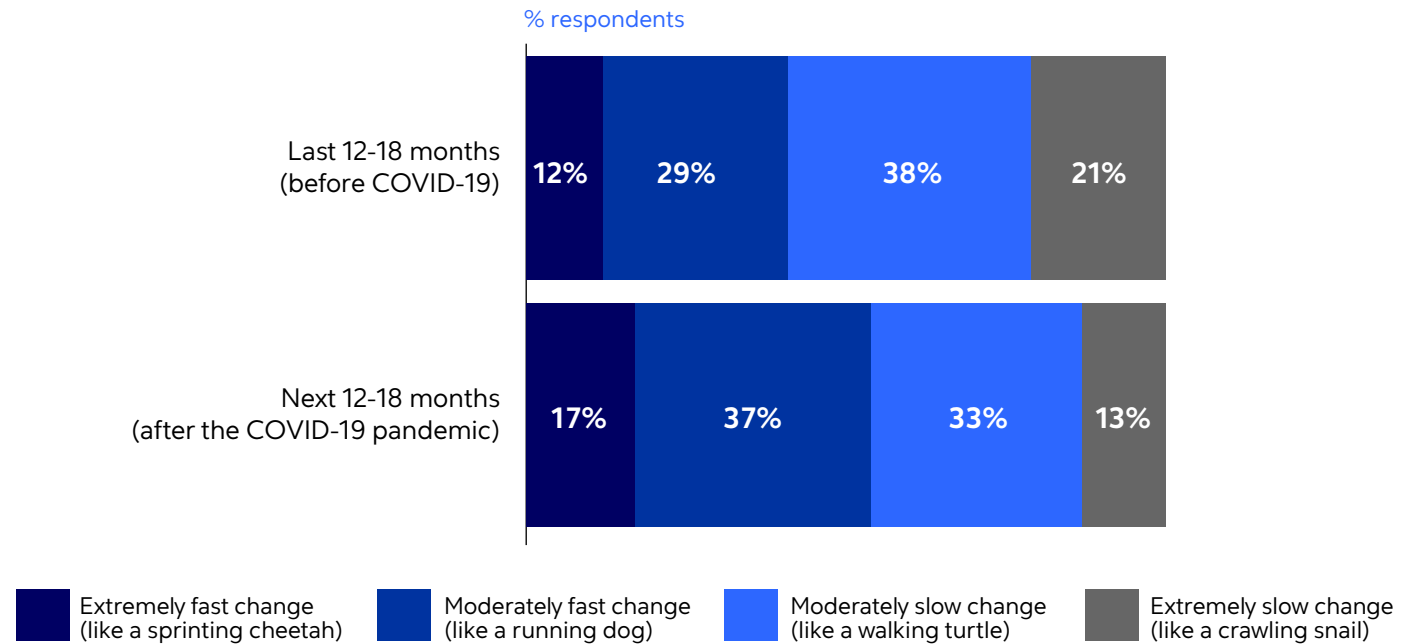
To be fair, so far failure to go all-in on digital has not really been fatal for most large companies. But now, being a laggard — coupled with the impact of the pandemic — is akin to ignoring the impending impact of the Chicxulub impactor (the meteor that wiped out the dinosaurs). When the meteor hit, it wiped out about 75% of all plant and animal species on earth. It was the end of the dinosaur era and the beginning of the age of the more adaptable — perhaps even anti-fragile — mammals.

Companies that remain unfit for the future will quickly become either extinct or suffer through the purgatory of being among the walking dead (leaking valuation, losing customers, migraines from endless cost cutting).

Ignoring the evidence — from this study as well as all the other available data and historical precedent — and failing to act now is not “being conservative.” Rather, it is the riskiest move you can make, and it will put your company, your clients and your shareholders in danger. Your company may just end up in a museum somewhere, like the dinosaurs of the Jurassic period, held together by wires and gawked at.

The pandemic continues to accelerate business change

Roughly how fast do you think the overall rate of business and technology change will be in each of the following time frames?



Response base: 501 respondents across G2000 organizations
Source: HFS Research in partnership with Cognizant, 2021

Being a laggard — coupled with the impact of the pandemic — is akin to ignoring the impending impact of the Chicxulub impactor... When the meteor hit, it wiped out about 75% of all plant and animal species on earth. It was ... the beginning of the age of the more adaptable — perhaps even anti-fragile — mammals.



Don't *just* build a “digital” strategy

We wanted to understand the relationship between business strategy and our pandemic-shaped new world, so we asked leaders some pointed questions about how things will play out. Three essential conclusions emerged:

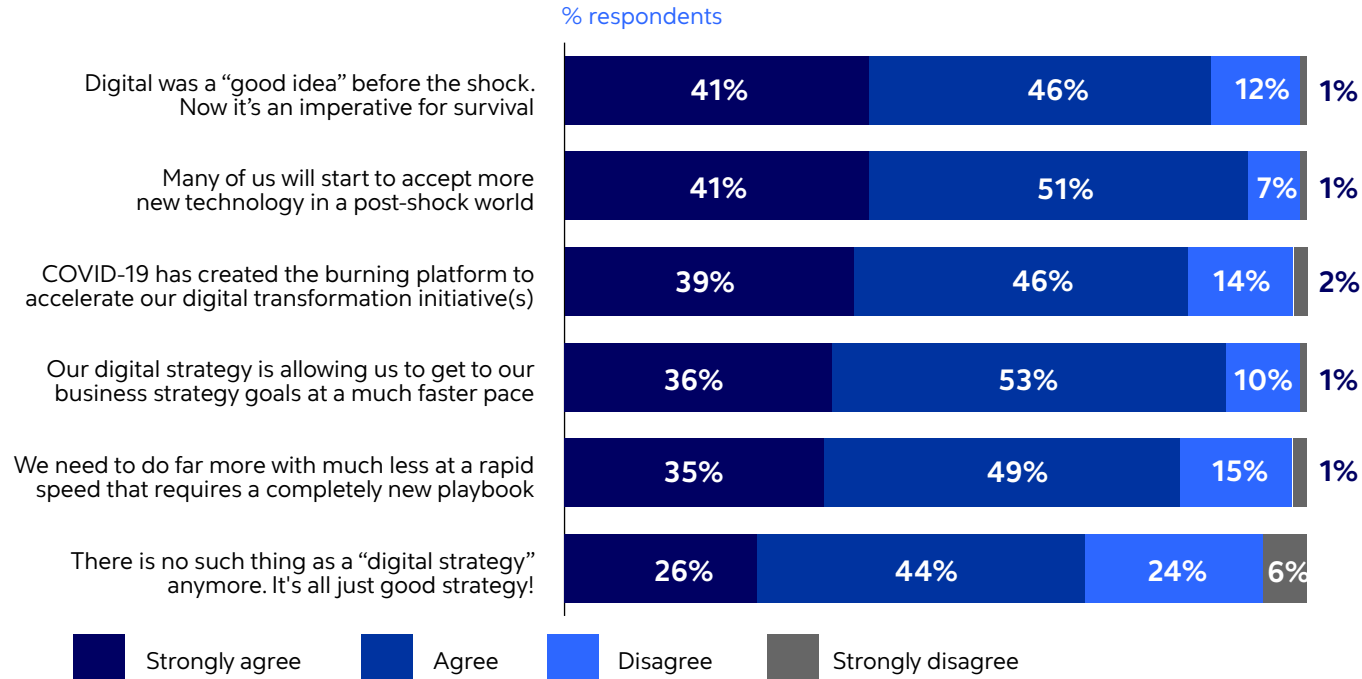
I Tech improves survival. As we have seen, this shift toward new technology for better business outcomes is not necessarily new. Many companies wrestled with this even before the 2007 advent of the iPhone. A whopping 87% of respondents said that what used to be merely *nice-to-have* has now become an imperative for survival.

I Tech fuels acceleration. No responsible business leader wants to manage data, build software, move to the cloud, etc. because it's fun or cool. The name of the game for the G2000 is business performance: achieving strategic objectives. Almost 90% of respondents now clearly see the link between technology and strategy intending to achieve business outcomes. The pace of business doesn't just mean that clients expect replies to their questions more quickly; it means that the velocity of success — and failure — has been drastically quickened. If you're ready to start running, you need to start integrating digital technologies with every aspect of your business, starting yesterday.

I Tech strategy equals business strategy. The speed of contemporary business practices is as fast as digital allows them to be; the ability to contort to the day-to-day, minute-to-minute changes that can make or break your business is governed by your company's digital flexibility. IT doesn't support the business anymore — IT *is* the business. Roughly 70% of survey respondents said there's no such thing as a “digital strategy” anymore; it's all just strategy. We've been moving in this direction for some time, but now let's just all call time on the notion of a pure technology strategy disconnected from the business. It's all one thing. But let's reflect on the data. It's also true that 30% still think this is not true, that we need a separate technology strategy disconnected from the business. Certainly there are industry differences, but we think the biggest variable here is just time. Watch this number go down, quarter over quarter and year over year.

Our strategic direction comes into focus

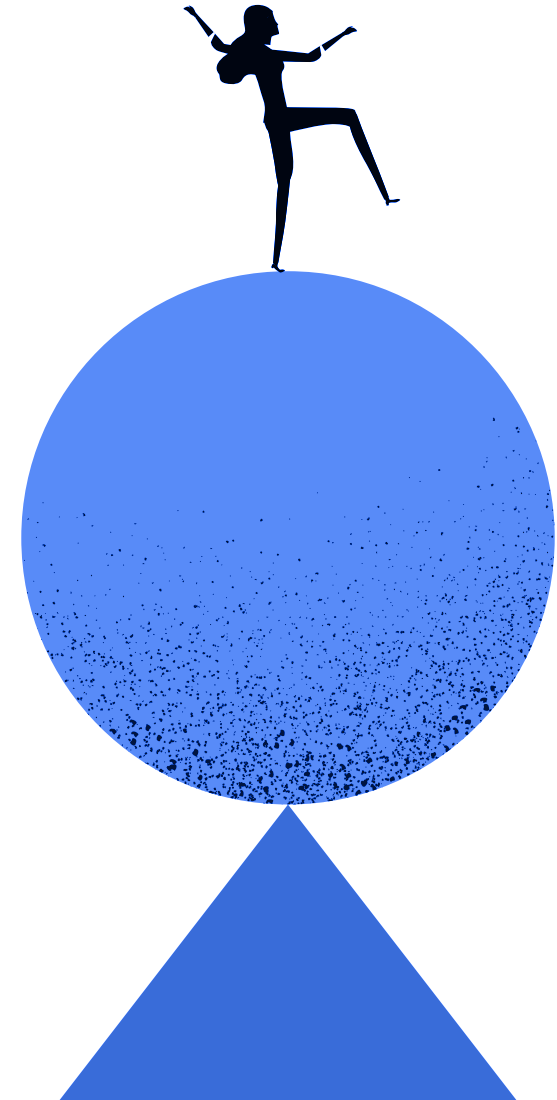
What extent do you agree with the following statements related to the impact of the pandemic 'shockwaves'?*

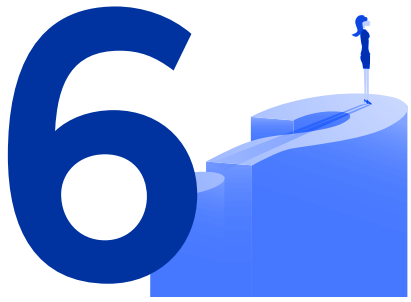


Response base: 501 respondents across G2000 organizations

Source: HFS Research in partnership with Cognizant, 2021

* Percentages may not total 100 due to rounding





Embrace the new “why?”

In olden times, like before Elon Musk could vote, the valuation of a publicly traded company was largely based on expectations related to getting paid for goods and services — revenue — and keeping some of that revenue to fuel growth and to give a return to shareholders — margin.

It’s more complicated than that of course, but this philosophy largely worked until the onset of the digital economy. Suddenly we started to see companies making lots of money, with very low profitability, that had valuations going through the roof. (Looking at you Salesforce, Tesla, Amazon before 2017, and others.)

As with many other trends that had started but were then accelerated by the pandemic, we can see the increase in a focus on valuation and fit-for-future measures that may not be explicitly reflected in conventional financial accounts (such as revenue and margin).

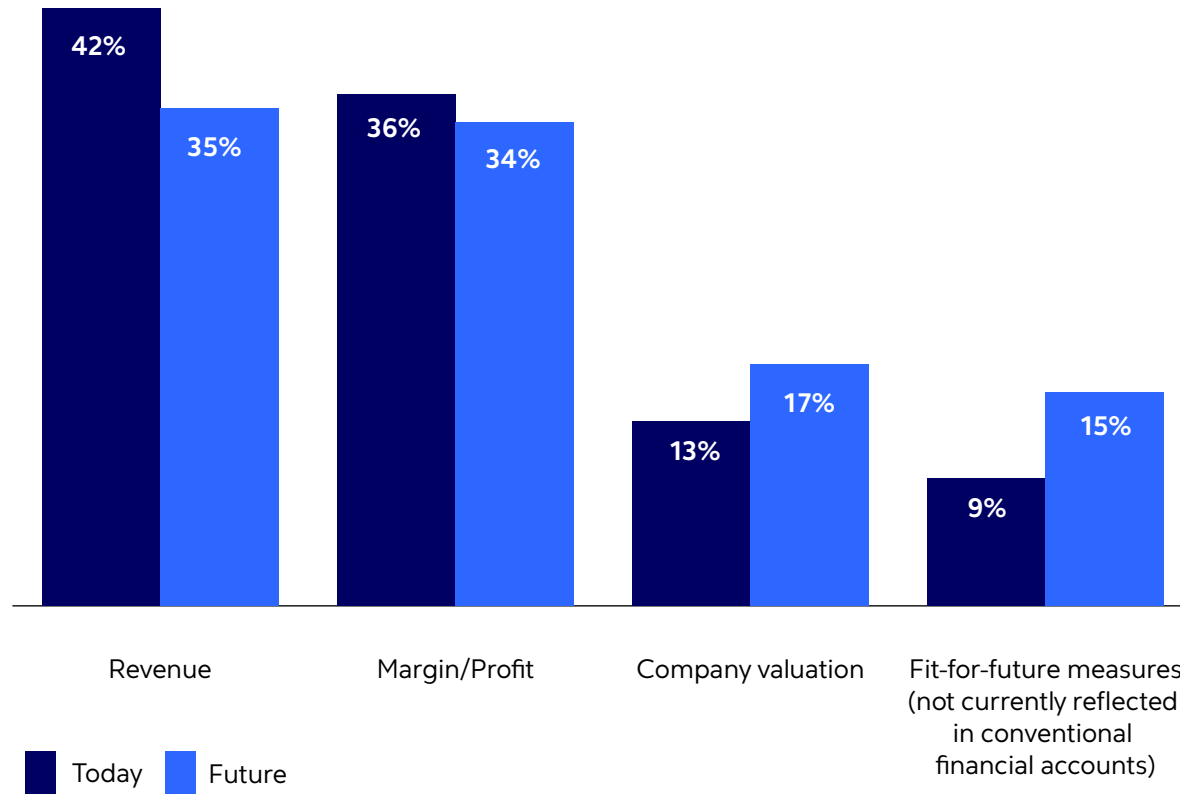
From an industrial economy point of view, this seemed like madness, but from a digital economy perspective, this makes all the sense in the world because markets are pricing in expected future business value. With [Adam Smith’s “Invisible Hand”](#) — otherwise known as “us” — we can expect more value from companies that are fit-for-purpose in a more technology-enabled economy that runs on software, data, platforms and the cloud.

Our study does not show a wholesale cataclysmic shift away from traditional revenue and margin metrics — which are of course still essential. However, the level of those who expect fit-for-future metrics to be significantly more important in coming quarters jumped by about 60%. This is evidence that digital + COVID will force us all to take a broader view of what “success” means, and we can expect those measures to be priced into company valuation.

Fit-for-future measures gain prominence

How important you think each of the following are to business overall pre-COVID-shock?
And over the next 18 months?

% respondents (Rank #1 only)



Response base: 501 respondents across G2000 organizations
Source: HFS Research in partnership with Cognizant, 2021

We can see the change begin to happen where metrics of relevance — which tend to be leading indicators rather than rear-view mirror revenue and margin — are increasing in importance to business and technology decision-makers, and obviously this will have implications for setting and executing overall strategy. But what specifically are those measures? And how important are they?

We proposed a list of 16 potential metrics of relevance and assessed which ones leaders viewed as mission-critical or important over the next 18 post-pandemic months.



All of them were seen as highly relevant. As we said before, this can be a bit frustrating when it comes down to making decisions about investments and prioritization. However, if we look at the data a bit more closely, we can see that these metrics fall into three primary buckets and that they are roughly aligned to overall level of importance.

I Customer experience: Unsurprisingly, respondents clearly see the next evolution of business as being much more customer-centric. Great CX includes building trust, exuding empathy, being more responsive, and using technology to deliver hyper-personalized products and services.

I Innovation: Several metrics aligned to the theme of more rapid and effective innovation. This includes modernizing supply chains — always essential — as well as the ability to use data more effectively.

I Company philosophy: This may sound a bit squishy, but don't be fooled. A growing amount of data, beyond just this study, confirms that workers, consumers and investors are no longer judging a company only on its financial and operational performance. Leaders will now be required to demonstrate measurable progress toward creating a more inclusive workforce, becoming more software-centric, investing more aggressively in security, engaging communities and building a sustainable company.



Metrics of relevance become mission critical

Each of the following can shape overall company valuation. Please indicate how the following will impact company valuation over the next 18 months (following the pandemic shock)?

Top 10 fit-for-future measures ranked by relative importance



The algorithms of company value are evolving as digital economy expectations are applied to industrial economy companies — banks, retailers, insurers, manufacturers, life sciences companies, etc. Investors are pricing in whether every company is viewed as fit-for-purpose in the modern digital economy: using technology to drive growth, engaging customers with technology, and using digital technologies to more aggressively improve productivity and cost control. Board rooms and C-suites can expect their progress to be priced into the share value (and their bonuses).

Response base: 501 respondents across G2000 organizations
Source: HFS Research in partnership with Cognizant, 2021
Note: Multiple responses permitted



7 New rules of the road can accelerate business

Of course business happens within a context of our wider society. There is nothing new about that. Macro forces have always changed how business is done.

But we are all undoubtedly operating in a new context, so we wanted data on what leaders really think about some of the more headline-worthy issues that often suck up the oxygen around boardroom conference tables. We wanted to get an idea of which new trends will impact how technology decisions are made.

The truth is that all of the broader social forces we looked at will change how business is done, so we tried to get an understanding of *which ones will actually accelerate business* versus which ones are more likely to slow business. Our hope is that this helps provide focus to technology decision-makers based on quantitative data.

We can clearly see that the evolving role of capital markets, access to talent, and diversity and inclusion were all seen as likely to have a net positive impact.

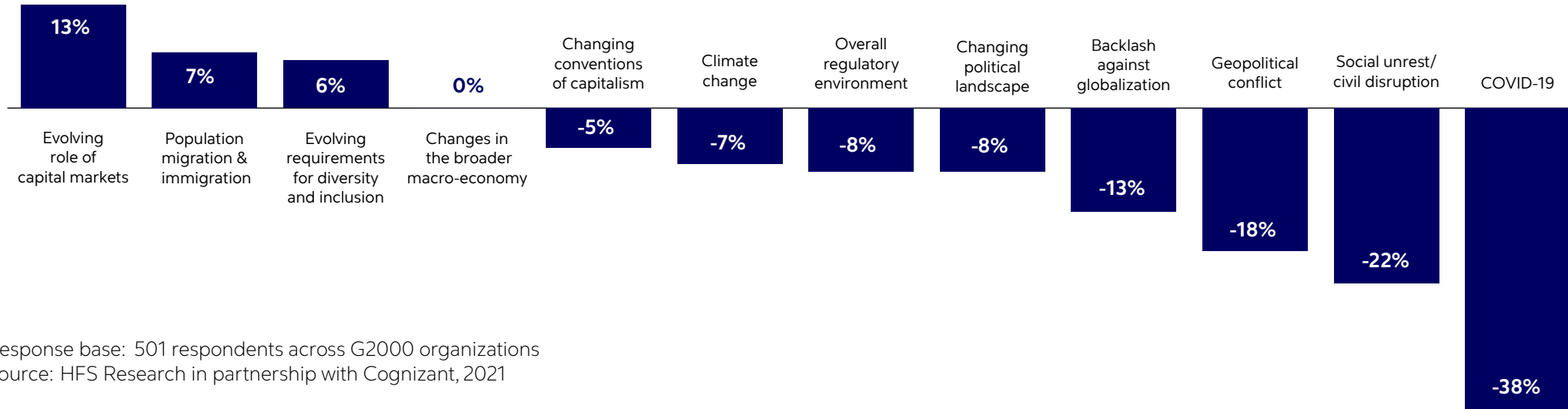
But one thing that pops out from the data is a bit of pessimism. This is not surprising as we're still managing through the global pandemic — which is still assessed to be the biggest inhibitor of business success. But it's noteworthy that most respondents told us that most social pressures are more road blocks than business opportunities.

Nearly a quarter of respondents feel that social unrest and civil disruption are likely to inhibit business over the coming quarters. Other trends around conflict, reactions to globalization, politics, etc. are all expected to continue to be a drag on business performance.

Our new context reshapes business strategy

What extent will each of the following impact the ability to successfully conduct business over the next 18 months?

Difference between % respondents who believe the following will accelerate business (positive) and % respondents who will slow business (negative)



Response base: 501 respondents across G2000 organizations
Source: HFS Research in partnership with Cognizant, 2021

Members of the G2000 have perhaps the biggest impact on how we live our everyday lives, and all of them are subject to different regulations. Some respondents indicated that the overall regulatory environment would be a drag on business, but a more pixelated view suggests that it isn't regulation that slows business, it's ambiguity.

Our changing economic context requires new rules of the game, and many leaders are telling us that stability can drive growth. Following the chaos that accompanied the close of the second decade of the 21st century, stability is more than welcome. We may not want Big Brother, but collectively we now recognize the benefits of

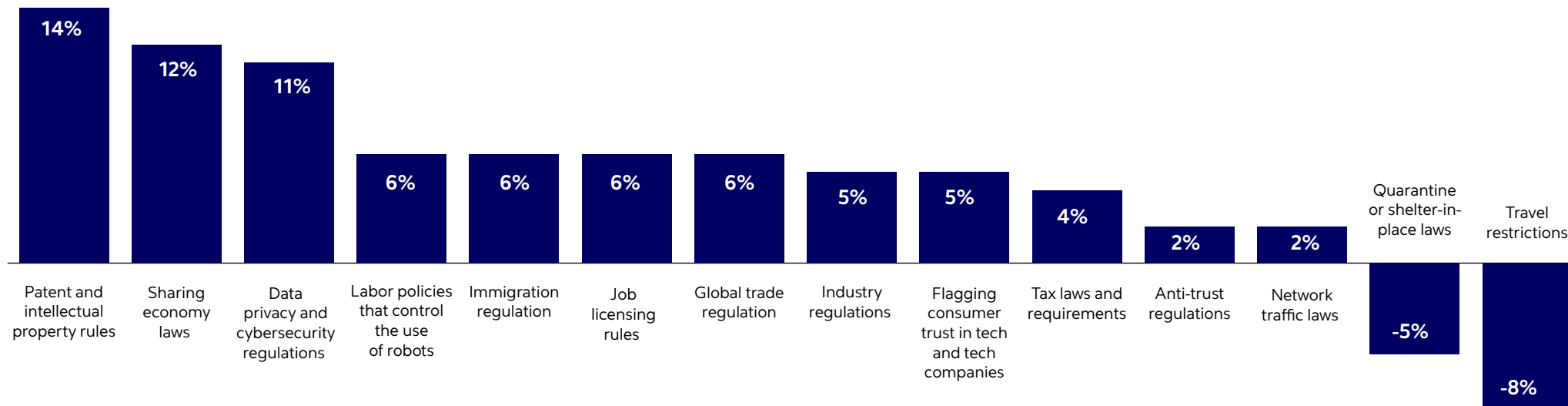
more clear rules of the road. When we asked a more detailed question about which regulatory issues are likely to accelerate or slow innovation, most respondents were overall positive about better road signs, speed limits and traffic lights. Rules about intellectual property (“Don’t touch my stuff”); the sharing economy (“Don’t let me get Ubered”); and cybersecurity (“Keep us safe”) were seen as significant potential accelerants to business.

What will inhibit business? The virus. In fact, only regulations related to our own personal mobility were seen as a significant headwind caused by new rules of the road. The vaccine gives us bright rays of hope for the future, but we still have a long way to go.

Better rules of the road would accelerate business

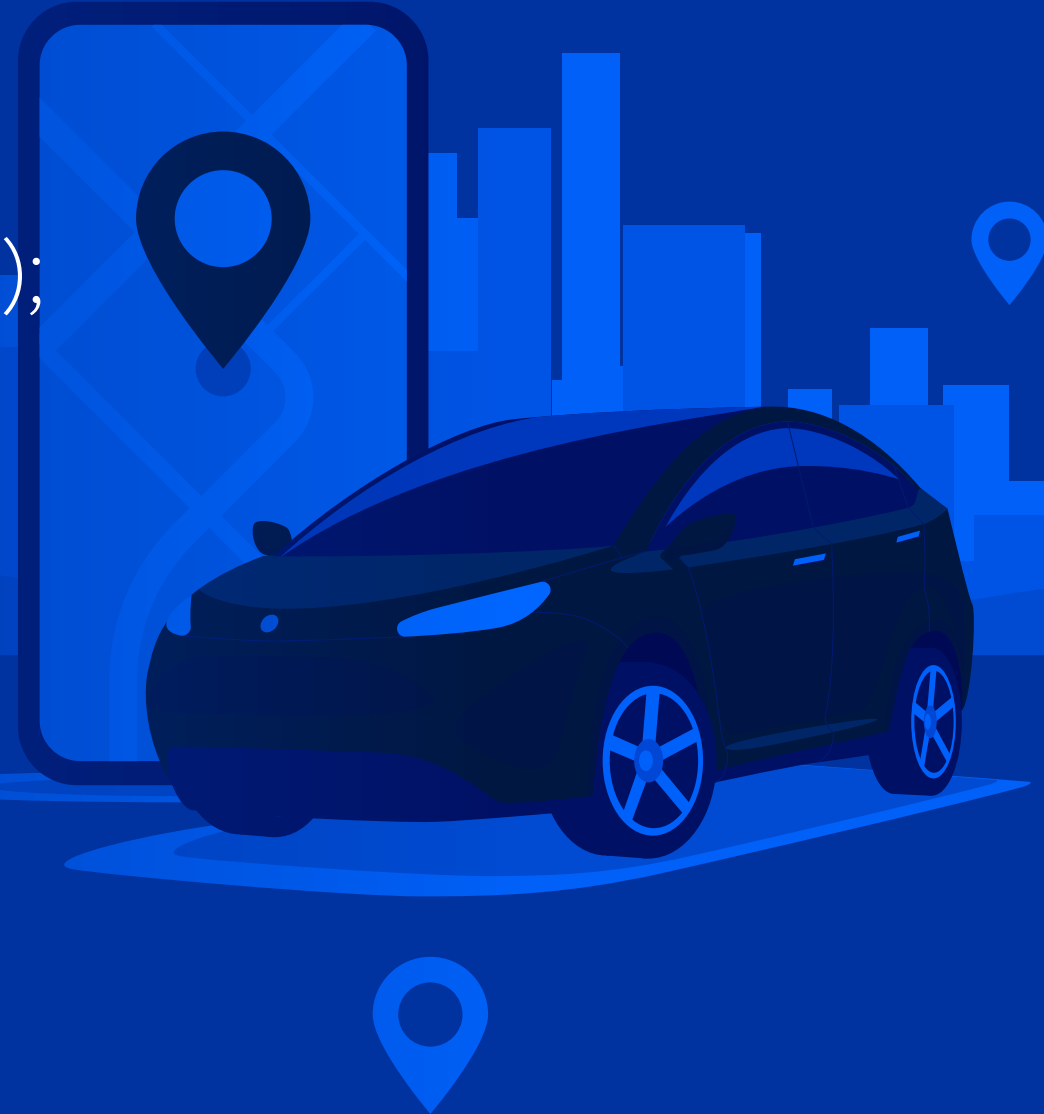
How much you believe the following regulatory issues will accelerate or slow innovation in the next 18 months?

Difference between % of respondents who believe regulations will accelerate innovation (positive) and % of respondents who believe regulations will slow innovation (negative)



Response base: 501 respondents across G2000 organizations
Source: HFS Research in partnership with Cognizant, 2021

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Place your bets on the right tech for the future

Theory turns into reality when it's time to make investment decisions, so you can find out what really matters to a company when you follow the money. We've shown that the impacts of the pandemic are largely going to accelerate the shift to digital, but *where* should *your* money go?

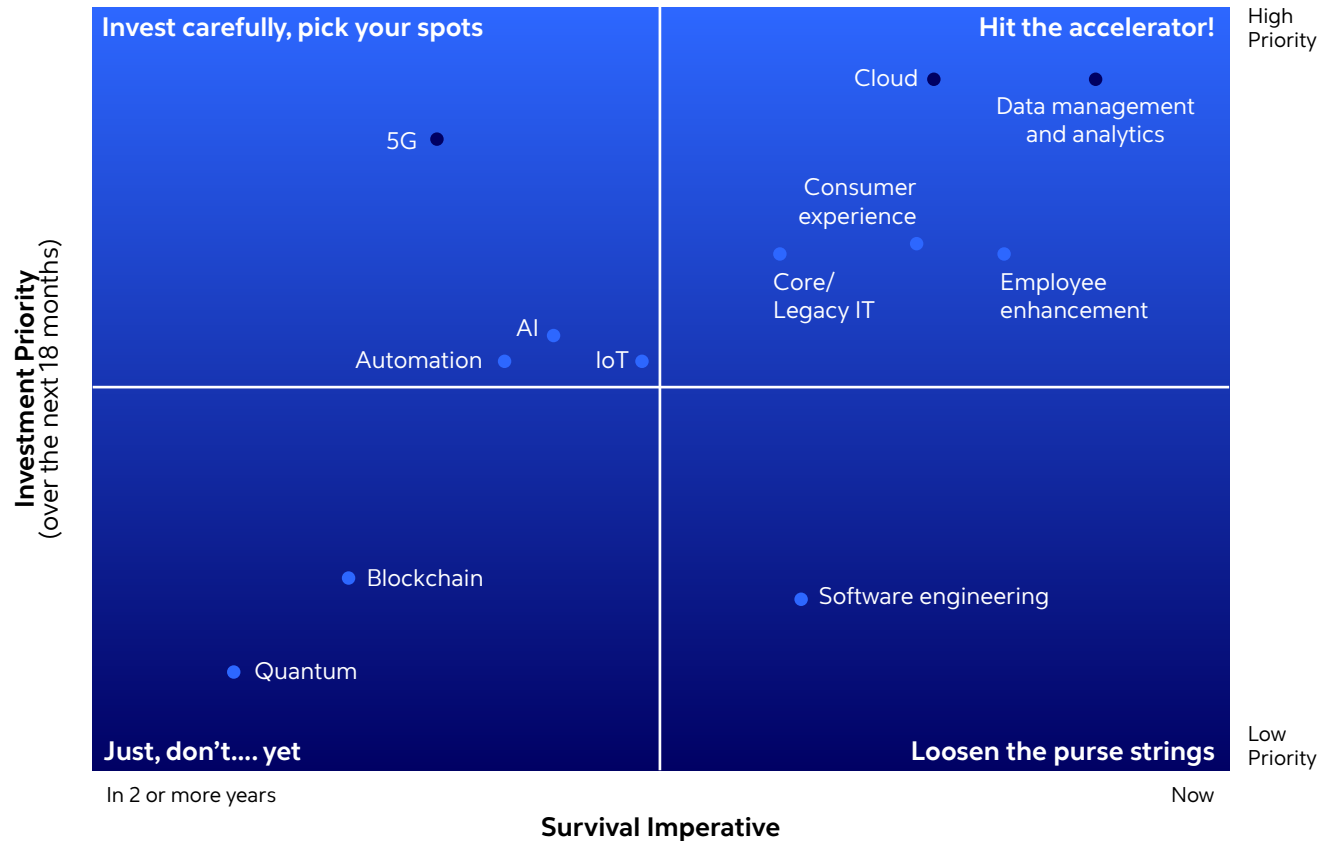
To find out, we looked at the relationship between what leaders said would be their investment priorities and compare that against *when* specific technologies are likely to be a requirement for business survival (now vs. far in the future). This gives us a pixelated view of how the overall market is intending to act on their imperative to modernize.

Our analysis of this relationship revealed four basic categories:

- **Hit the accelerator.** These technologies are high priority and high near-term survival imperative. Unsurprisingly cloud, data, experience, employee productivity and core IT modernization fell into this category. Many companies are already moving here, but there is much more value to be created. A dollar/pound/euro/rupee invested here is highly likely to pay off in the long run (and the near term).
- **Loosen the purse strings.** This category is a mismatch between spend and imperative. It shows up as a high priority for business survival, but generally low investment. This means companies not investing in software engineering — higher on the near-term survival imperative axis — are actually running *toward* risk. If this seems familiar to your company, it's time to loosen the purse strings and make real investments in software.

- **Pick your spots.** Depending on the specifics of your company, automation, AI, IoT and 5G may make great sense, but others lacking near-term specific use cases can be more thoughtful about investment. If you want to get ahead of the competition, look here, but if you are strapped for cash in the near term, it may make more sense to pick a few use cases that work for your company and play the long game.
- **Just don't ... yet.** The vast majority of major enterprises said these technologies won't be a survival imperative anytime soon, and are a low priority for near-term investment. We are not saying that investments in blockchain or quantum are bad decisions, as these technologies have the potential to be highly disruptive, but at most companies it's not time to bet your career on them.

New insight frames better tech investment



We've talked regularly about using technology to modernize how business is done, and we just looked at how leaders are ranking technology investment priorities, but this still leaves unanswered the question, "Where do I start?"

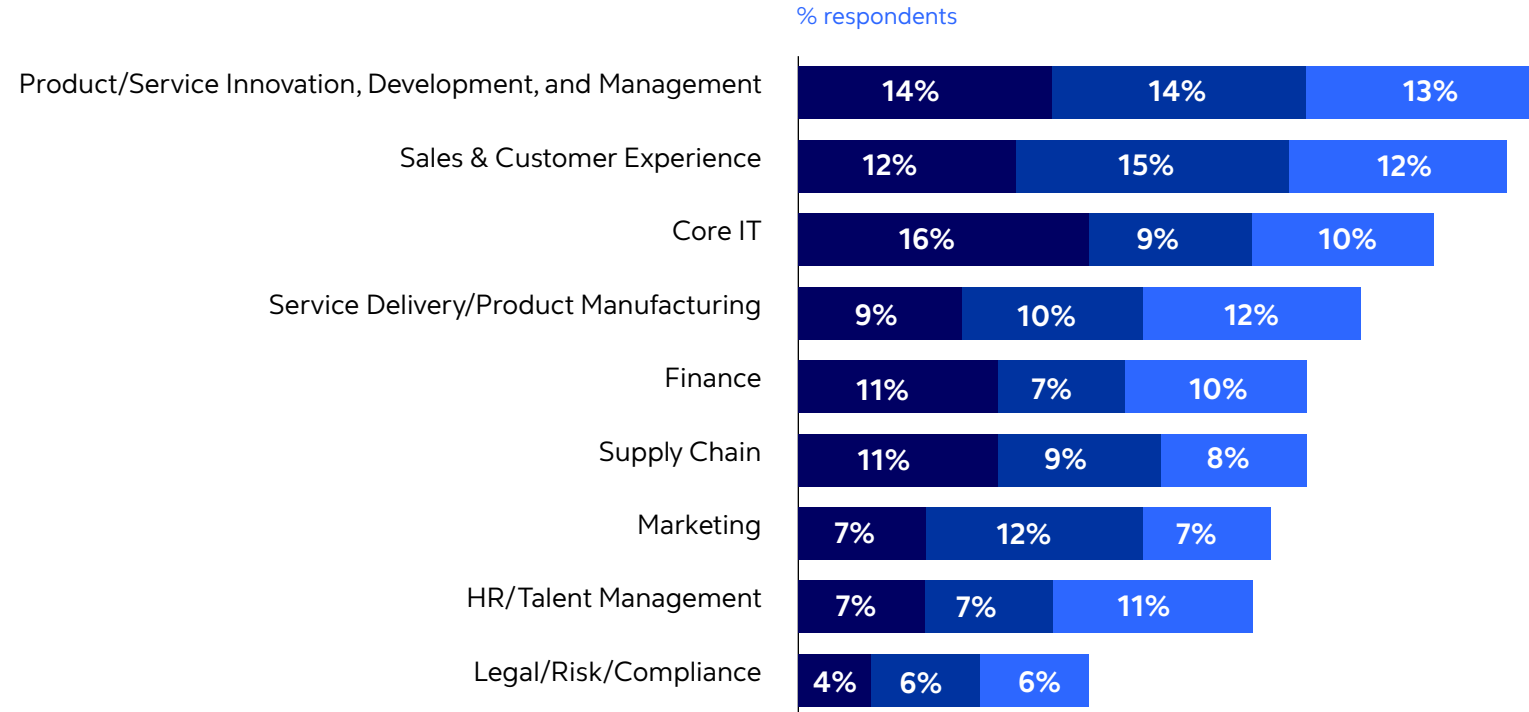
To begin to answer that, we asked business and technology leaders which business functions will be the focus of upcoming technology investment. Banks are not the same as retailers which are not the same as manufacturers, etc. but every large company has customers, does marketing and manages talent.

Here again, you can clearly see how business decision-makers from all over the world will be aligning technology investments to innovation and customer experience first, followed by actual delivery/manufacturing of goods and services. Many other common work processes — finance, supply chain, talent, etc. — will still be targets of modernization, but most will be betting on using technology to drive growth.

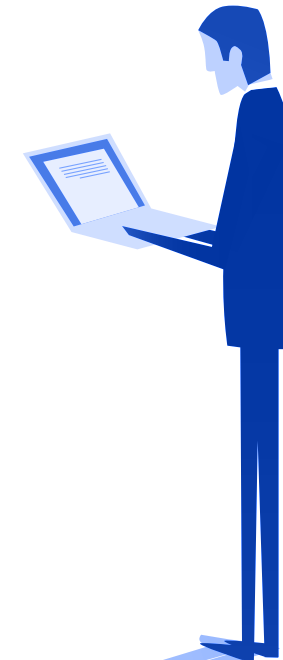
Response base: 501 respondents across G2000 organizations
 Source: HFS Research in partnership with Cognizant, 2021

Priority of modernizing work

Rank your company's top three business functions in terms of technology investment over the next 18 months.



Response base: 501 respondents across G2000 organizations
Source: HFS Research in partnership with Cognizant, 2021





Upskill for the modern business

Some of the biggest challenges we regularly hear about are related to having talent in the right place with the right skills for the modern world. Top talent has always been precious, but never more so than today as pandemic-induced remote work — coupled with increased software-centricity in every sector — make the coming quarters and years truly the era of modernizing talent.

To win in the Fourth Industrial Revolution, you'll need the right people with the right knowledge. We asked leaders what kinds of skills they expect to be imperative, the kinds of skills they wish for. We've often said, "To be more digital, we need to be more human," and our latest results continue to validate this direction.

When we asked respondents to rank what will be important, the ability to find solutions to complex problems, the ability to connect business and technology, and the ability to get after it! (showing initiative and self-direction) came out on top. These are the skills that need to be developed (for yourself, your teams, your kids).

Business leaders want associates who are able to solve complex problems, who crave change and show initiative, and have the ability to communicate and interact with others. It's notable that these are all things that machines don't do well, and won't do anytime soon.

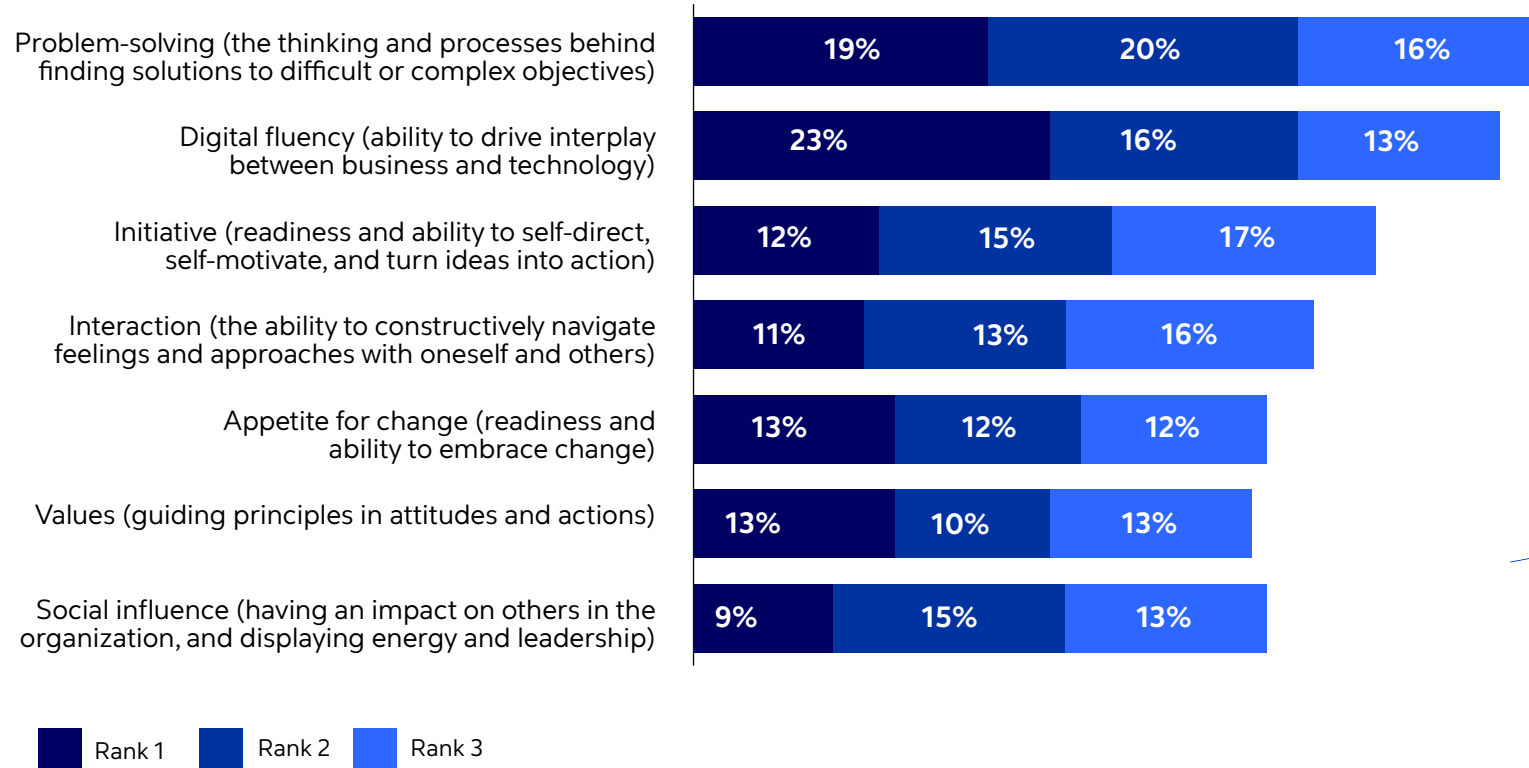
It was also interesting that our survey respondents did not see drastic differences in pre-COVID vs. post-COVID. There were some minor differences, but the data didn't show a huge impact on what skills leaders thought would be important and worth cultivating.

We are *not* saying that technical skills are less relevant; in fact, the opposite is true. We *are* saying that learning organizations require much more than pure technical acumen. Core skills that will drive the success of individuals and companies in the modern digital economy will be more about values — or even business philosophy — than specific technical skills that change and evolve seemingly overnight. Candidly, general capabilities and attitudes may be harder to teach and harder to measure, but as our work changes these core competencies will become even more essential for success.

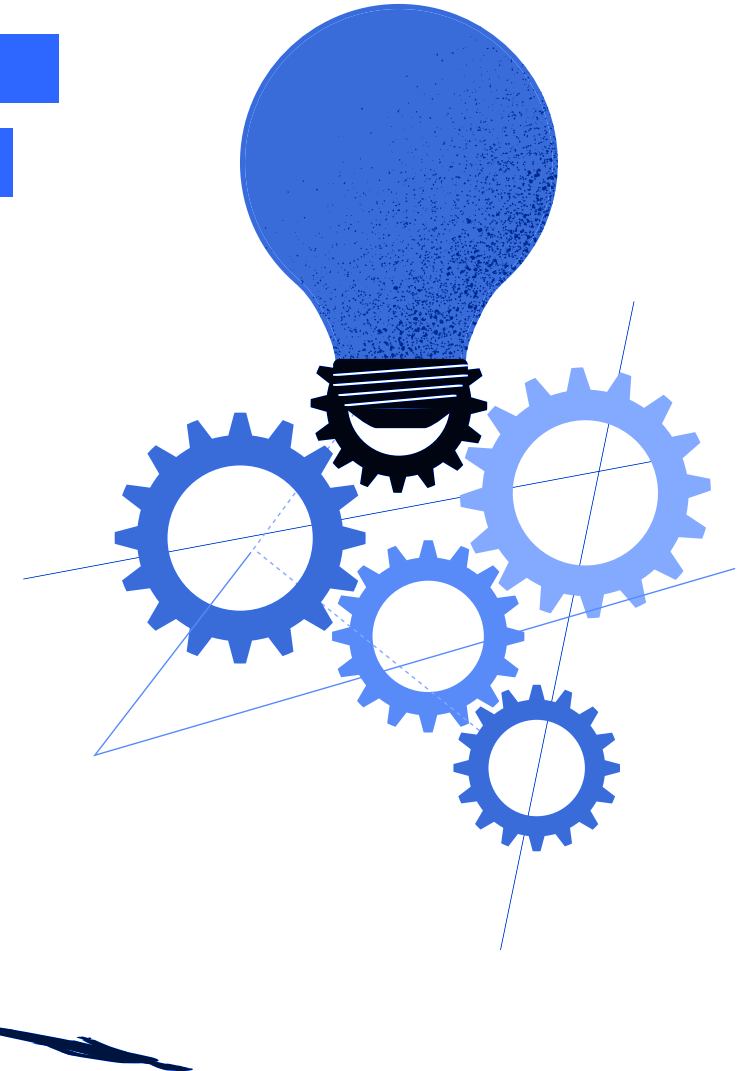
New skills needed for the future of work

Rank the top three skill sets your company will invest in developing over the next 18 months.

% respondents



Response base: 501 respondents across G2000 organizations
Source: HFS Research in partnership with Cognizant, 2021





Don't just wish for the future you want

The pandemic, social evolution, the rise of the new machines, global business upheaval, etc. are not news anymore. We don't need any more data to help us admire the problems. The meaningful question is: What are the best steps smart business leaders can take now?

We've tried to cut through the noise with some compelling data views paired with a light dusting of analysis, but sometimes complex global studies like this one have a lot of information but not a lot of actionable meaning. So to cut through the noise, we asked, "If you had a magic wand, or three wishes, to help your company become digital now, what would you wish for?"

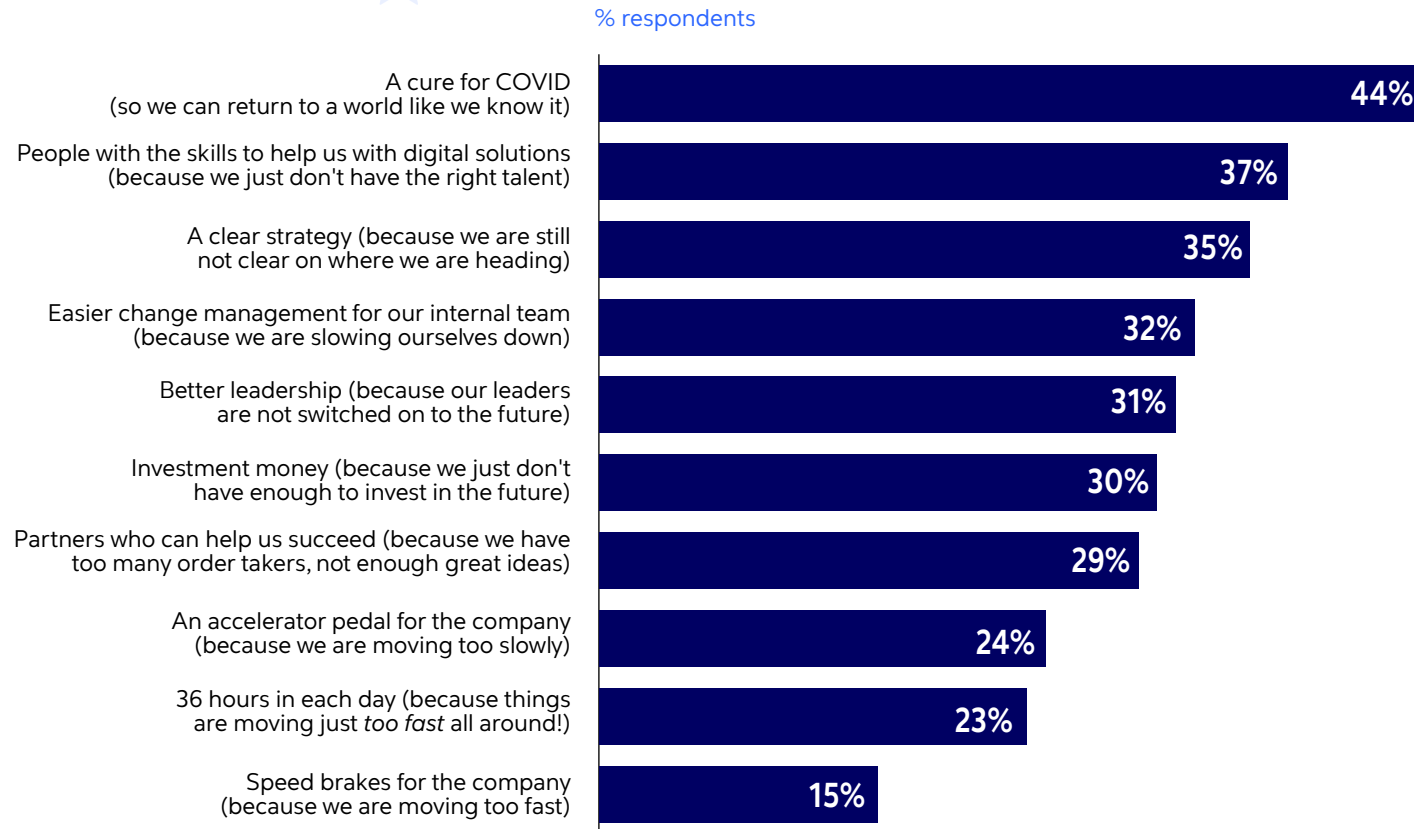
The number-one response, again unsurprisingly, was a cure for COVID. We may never have a "cure," but now — through a series of miracles of science and logistics — we have vaccines that are amazingly effective.

After addressing our biological needs, business leaders wielded their magic wands to solve their challenges with skilled people who can help with digital solutions, more clear strategies aligned to our digital business future and accelerators to help change the company (including more switched-on leadership, investment capital and a partner ecosystem that can help).

One notable finding was that very few want to put the brakes on business and technology change. Some leaders may be reluctant to accelerate to avoid even more turmoil in their organizations, but 85% of respondents do not think their companies are moving too fast. (In fact, 64% more used their magic wands to conjure an accelerator, rather than a brake.)

“When you wish upon a star...”

If you had a magic wand, or three wishes that could only be applied to helping your company become digital, what would you ask for?



Response base: 501 respondents across G2000 organizations
Source: HFS Research in partnership with Cognizant, 2021



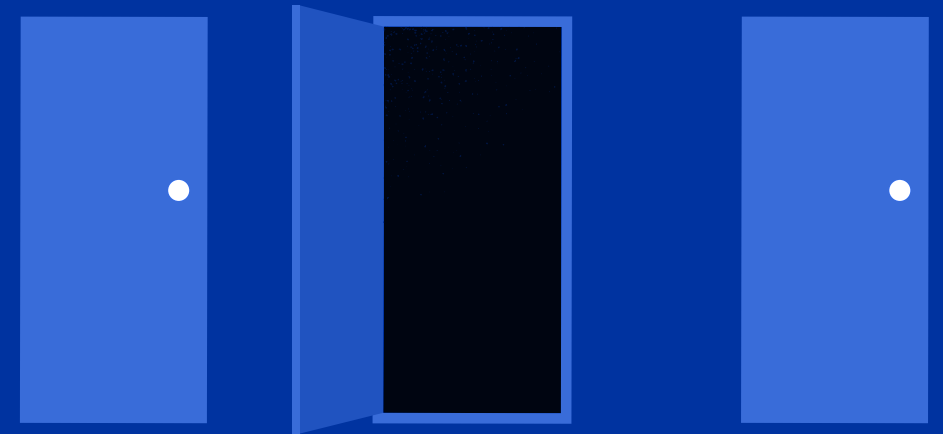
It's time to embrace our revolution

Some of us have hoped to be a part of something big; perhaps we even wished for our own technology revolution akin to those around the invention of the transistor or the advent of the written word. Others may be a bit more attracted to stability and predictability, eschewing the tumult of disruption and volatility. This is entirely reasonable. Revolutions aren't easy, and there are winners and losers. But real revolutions — like this one — are not optional. We can't "un-invent" the steam engine, alternating current or Amazon's cloud. These innovations are here to stay, to be managed, to be tamed to improve business — and we get to do it!

We know that many companies (and even sectors) are at a crossroads. We can hunker down and hope for the best or lean into this watershed moment in business and our overall economy. The right decisions are likely to be rewarded, but — let's be honest — this time not without risk. We're at the phase of the Fourth Industrial Revolution where business and technology leaders in the G2000 are well down the track of deploying technologies to shape business, and today most are moving from pilots to global scale (accelerated by the COVID-19 pandemic).

But some big questions remain: Where do I start? How fast do I need to go? How can we manage the risks?

Our study findings, our work with clients and our observations of the market can provide critical wisdom about what's working — and what to avoid — as we move through our own revolution in business and technology. Through the wisdom shared here, leaders can plot a better course to navigate the excitement and success that will be awarded to companies who embrace this Revolution (whether you've been waiting for it or not).

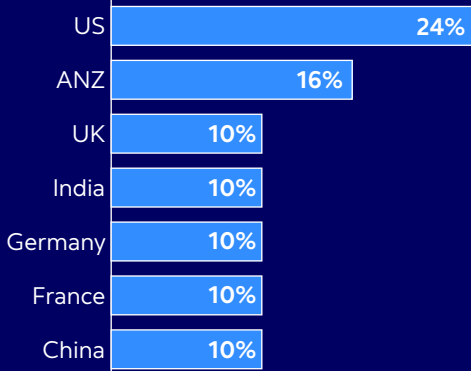


Methodology

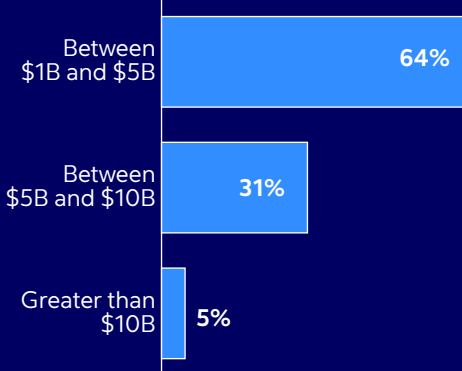
In Q4 2020, HFS Research in partnership with Cognizant reached out to 500+ executives across the Global 2000 organizations to understand what leaders are really planning to do to survive and thrive in the post-pandemic economy.

* Percentages may not total 100 due to rounding

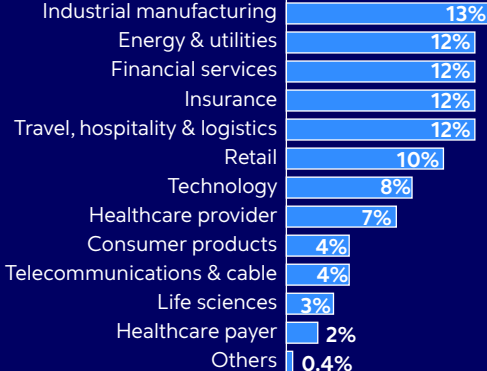
% respondents by country



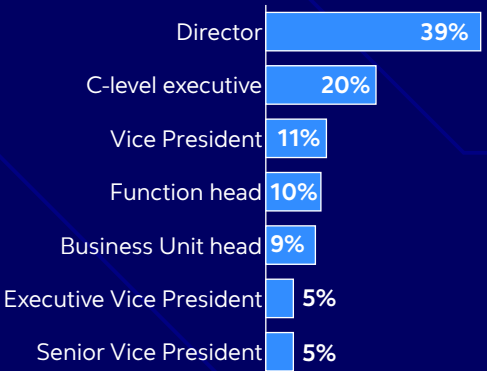
% respondents by organization size



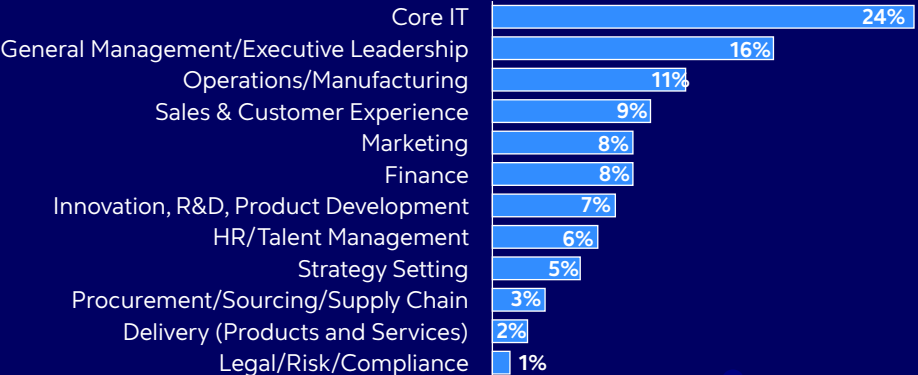
% respondents by industry



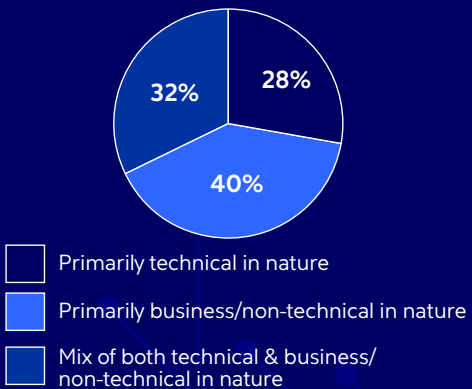
% respondents by designation



% respondents by function



% respondents by role



Endnotes

¹ See "From Chaos to Catalyst," <https://www.cognizant.com/chaos-to-catalyst/cover/>.

² For a more detailed look at how these changes historically emerge, please see Malcolm Frank, Paul Roehrig and Benjamin Pring, *What to Do When Machines Do Everything: How to Get Ahead in a World of AI, Algorithms, Bots, and Big Data*. John Wiley & Sons, Inc., 2017, www.amazon.com/What-When-Machines-Everything-Algorithms/dp/111927866X.

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As VP of Strategy for Cognizant Digital Business and Technology (CDB&T), Erik leads strategy, offering management and operating model functions. Previously, he oversaw strategy, M&A and alliances within CDB&T's Data and Intelligence practice. Erik also served a tour as chief of staff to the CEO of Cognizant. Prior to Cognizant, Erik earned a PhD in International Relations from Tufts

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Saurabh Gupta is President of Research and Business Operations at Horses for Sources (HFS). He oversees HFS' global research function managing the global team of analysts and operations across the US, Europe and Asia-Pacific. He sets the strategic research focus and agenda for HFS Research, understanding and predicting the needs of the industry and ensuring that HFS maintains its position

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For more information and to find out more about Cognizant, visit www.cognizant.com

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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, AI, blockchain, the Internet of Things, digital business models and smart analytics.

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