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Research Note
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Executive Insights – Cognizant Digital Business President Gajen Kandiah

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Summary & Key Insight

We recently had the opportunity to sit down with key leaders from five IT service providers for exclusive one-on-one interviews regarding their vision and strategy. In these interviews, we put a specific focus on the rapid emergence of Digital Business, and the impact it is having on the industry as well as their firms.

This *Executive Insights* research note details our conversation with Gajen Kandiah, president of Cognizant Digital Business. We explore how Cognizant works to bring IT and Business together to focus on solutions, and when IT organization involvement is most important to successful, sustainable Digital transformation. Finally, we examine how the diversity of skills and flexibility of action required for digital transformation can easily create a massive problem - one which must be solved through partnerships and responsibilities subject to continual transformation themselves.

Perspective

Bruce Guptill: Thanks very much for making the time for us today. Digital transformation, digital business - this is an area that's extremely exciting, and very hyped, right now. But we're starting to see an enterprise-side shift from trying to understand the concept of digital business and digital transformation to more "in the trenches" implementations, somewhere between trial and actually making things work. We've done surveys that indicate that more than 97% of enterprises are doing something, but at the same time more 93% have no idea how successful or unsuccessful they really are. So, first question that I have for you is, are you seeing this shift from concept to implementation? Is "digital" really delivering business value?

Gajen Kandiah: Yes, I would say that what you have seen and heard is pretty consistent with what we're seeing in the market. Broadly speaking, I think customers still continue to struggle with defining what "digital" means to them and their enterprise, and more importantly to their customers. That said, I think that what we're seeing, like you, is a shift from what I call "exploration and discovery" to trying to apply digital to things that matter more, if you will. Meaning, what is the impact of digital in a process or technology area at the most tactical level, to some early stages of thinking about digital as a transformation and opportunity for the company as a disruptor.

The other thing we are seeing is that digital has been quite diversified. Let's say you have CMOs, CFOs, COOs, line of business leaders, CIOs, and in some cases the CEO themselves, very involved in the buying process or in the exploration process.

What we are seeing now - and I'm not sure if you're seeing this - is that the CIO or the chief digital officer, and some of these newer roles like "chief customer officers," are starting to play a bigger role in the explorations. I think that's a preamble to the fact that there is now an opportunity to go ahead and build something, to actually run something.

Bruce Guptill: There are couple of things that you mentioned that I want to follow up on. Going back about a decade, especially around the first wave of cloud adoption, we started to see less and less involvement by the IT organization and IT leaders like the CIO, at least in acquiring and deploying the new capabilities. In many cases today, with digital initiatives, we are seeing greater involvement of the CIO and the IT organization. That said, at the same time we're also seeing a rise in the acquisition and utilization of, let's call it, "off the books" or "shadow" IT capabilities. Is that a pattern that you're seeing now? We're bringing the CIO into some of the conversations, but the CIO and IT organizations are not necessarily involved in the majority?

Gajen Kandiah: With regard to CIOs and IT, I haven't seen them as involved in directly driving exploration programs. I do see them increasingly involved if they are going to build, run, or move something into production;

that's where you see more involvement. In many ways, if it's mobility-based or content-based, or something commerce-based, you'll very much see CIO and IT involvement.

Bruce Guptill: But it's not necessarily that the IT function is being ignored or cut out - it is simply that, as you put it, the exploration, which used to be the purview of the IT department, has become much more of a business-driven function. But they're not necessarily ignoring or planning to keep the IT function out of the loop, once it becomes strategic. Once it becomes necessary to the business, that's when we're tending to see the IT organization and IT leadership get pulled in.

Gajen Kandiah: I think that's true, especially in IT organizations that haven't yet evolved to finding a role for themselves in the exploration phase. In my early days with Cambridge Technology Partners, we had a big triangle that we drew, which showed how we bring IT and Business together to focus on solutions. We're back there again. Keeping the IT organization out of the process, even in an exploratory stage, I think is undermining or maybe not fully leveraging the possibilities of what can be done. That's one element to it. The other element, though, is what I see happening in situations where the CIO or the CTO, the IT organization itself, is more progressive and understands the need for change, understands the need to be more engaged with the business, and is making changes, to be able to engage in a more agile way with the business and support the business.

Bruce Guptill: We see that as part of a continuous and expanding cycle of innovation, where the provider side yourselves for example will bring some capabilities to market. The enterprise clients will not only adopt these, but very quickly begin to adapt to them into different ways of doing business for example, or different applications that we're not necessarily seeing and therefore might not be supported. Then they come back to you and say, "We're thinking this way, we need you to adapt with us and for us," and that's changing the way providers are doing business. As you just pointed out, there are a lot of solutions that we can bring to market, but so many of them are used in so many different ways now that may or may not be planned for.

Gajen Kandiah: I agree, and I think the IT organization, at least as we see it, has a very broad view of technology - existing, new, and emerging. A non-IT buyer will not have that view, right? And so, they may get excited about a particular piece of software and the possibilities with it in the context of a very specific solution. They are, sort of, "doing digital," which is going off to build a very, sort of contained solution to solve a very specific problem using digital technologies. However we're starting to see some of the more progressive, forward thinking IT clients starting to think more broadly. They say, okay, we probably have a number of these "doing digital" things going on, a number of projects or initiatives across the business; how do we harness all of that stuff, and start to lay it in a road map or a journey that helps the organization itself transform to being a digital first organization? I think that the IT organization has a huge role to play in that, but in collaboration with the business. That's the big shift where we're back to the cycle bringing these organizations together, and building the solutions for the digital era becoming increasingly more important.

Bruce Guptill: That's one of the reasons why we as an organization do not necessarily believe that, as many do, the IT organization is fading away. We believe the IT role is continuously changing, and that we've seen most of this before in the variety of waves over the decades, and the amount of both control and collaboration that comes out of the IT organization as it adapts pretty dynamically over time. Speaking of these point- and function-specific solutions: One thing that we're seeing is a tremendous amount of point solutions or trials of these technologies and solutions being adopted and adapted into specific functionalities. Then as the adaptations of these grow and the innovation begins within the organization, within the enterprise, that is when the IT organization tends to get more involved - or has to get more involved. There's a transition period, which is where so many digital initiatives tend to not fail but stall. Is that an area of opportunity for Cognizant? Is that an area you're addressing now?

Gajen Kandiah: It is an area of opportunity. Let's think of it through the lens of an IT organization for a second. The diversity of the skill base required to run a digital transformation program is massive. You know it's everything from IOT-related skills to data, to analytics, to technology, to security, marketing. It's very broad. And then there's also this concept, the need for what we call "applied innovation." There's the ability to think outside of the box, and challenge the business or challenge IT. So, you have this whole sort of diversity of skill requirements for an IT

organization, and it is important to go higher across all of those needs. [Meanwhile] that technology is also evolving in a very rapid manner. So, hiring is going to be constantly chasing something that you won't ever get caught up with. We think the answer is that it's going to come down to creating ecosystems of partners. I'd love to sit here and say this is a single-provider game, that each client has to pick one partner and that's the be-all end-all for a strategic digital program. In reality, it's some combination of services partners, a few products, some software, and all of it being brought together in some cohesive manner to drive something, to drive digital transformation in a highly continuous process. It's changing on a month-by-month, quarter-by-quarter basis, and I think our clients are best served by our ability to help navigate through this ecosystem to where they want to go, rather than try to buy an ecosystem itself.

Bruce Guptill: Because again, it's going to change, it's going to continue to change.

Gajen Kandiah: Exactly.

Bruce Guptill: One of the other themes that has come up in our discussions is that as complex and as large-scale as most of these opportunities really are, we haven't seen yet how big and how complex they can get. Hence, the need for ecosystems, and hence the need or the reality of changing ecosystems over time. So, for those enterprises that think they have this understood, and have a plan, that plan needs to include adoption and adaptation over a relatively short series of frequencies. Is that what you're seeing as well?

Gajen Kandiah: It is critically important to be very nimble, very adaptive, and evolutionary. I think it's important to be directionally right, rather than trying to drive a very specifically defined end state now..

Bruce Guptill: As they say in the legal dramas, I'm going to lead the witness a little bit here. We think that what we're going through now is a big wave. There are those in the industry who believe that it's going to be as these other waves have been over the past few decades, which is, we get to a certain point, we reach the peak, we go down, we try again. We believe that this is much bigger. We believe that what's coming is a range and scale of complexity and interaction that will be well beyond the ability of a single entity to manage. The next generation of opportunity for the providers, and the need for the enterprises, is going to be a series of means, of approaches, strategies, and implementations, of figuring out how to manage everything and make it all work together. Is that the next wave? Where do you see things going from here?

Gajen Kandiah: I agree with you in that there is a big wave of new things coming at us and our clients. But it's a series of waves, in my mind, that is coming together.There is an IOT wave that's coming, that is going to be significant, just purely based on the number of connected devices that are going to be in the market by 2020. Someone needs to manage them, to grab data, turn it into content, apply predictive analytics around it. The second wave is AI, analytics, machine learning, automation. I think that whole thing is coming together as well. These are not all distinct waves. I think they're interconnected, which is where I think complexity comes in. The third wave is a wave of building on the cloud. We call them "cloud native" applications, building capabilities and microservices or tiles. In essence, it's like going back in time, when we used to go mainframe to client server, client server to the internet, and we built native applications in every wave. Now, we've gone to the cloud and to cloud-native applications have to be built.

Bruce Guptill: You're also now going to be connected to more things, hopefully more readily. We've got more and better APIs for example, used in more ways.

Gajen Kandiah: Exactly. So when you put all of that together, on top of the different channels in which you're going to deliver, and work to create consistency across the channels and all this stuff, and address security, you have yourself a massive problem. But the opportunity is there. It's entirely doable, but it's complex. Having a CMO, or a chief customer officer, or a line of business leader, leading an initiative like this is great, because I think it gets the business comfortable with the art of the possible. But then you need to move this into real applications that enable and support the business itself, and the apps, and the services, and so on and so forth - and in some cases, fundamentally new business opportunities. You can't do that without an IT infrastructure and an IT team that is capable of helping you in that journey.

Bruce Guptill: Then these are the areas where Cognizant is not only making investments but doing more partnerships, creating more offerings, bringing more things to market?

Gajen Kandiah: Yes, these are exactly the areas where we're seeing the movement and the growth. One area which I think will become increasingly important is the ability to integrate and manage these things, and scale them in many cases, as well as managing an ecosystem of partners. Again, I fundamentally believe, and our Cognizant approach to this as well, is that you have to partner. One cannot build every piece of this, you know.

Bruce Guptill: You can't build it or manage it.

Gajen Kandiah: So there is a need for integration, there's a need for build and run, and there's a need for helping customers even make sense of uncertainty. For example: what's the future of cars? What happens to the relationship between a driver and a car when you're in an autonomous environment.? What's the car become? [A client] wants us not to just help them think that through, and then prototype elements of what that looks like.

Bruce Guptill: Again, it's not just developing a solution, it's helping them understand what the solution needs are, and what the solution opportunities are on the business side. Again we go back to where we began: it's about the business organization, function and leadership, not just coordinating with IT organization, function and leadership, but really becoming more synchronized together.

Gajen Kandiah: Yes. To the earlier point you were making Bruce, typically strategy is led through hypothesis. And you look at stuff that's happened in the past, and you know a lot of good management consulting colleagues will say somebody somewhere has seen this before - and now we can come up with a hypothesis to drive this. Given everything we've just spoken about, there is no hypothesis, for you know there is no historical point to say okay, we've seen this before. We haven't seen this number of things come together, and so clients struggle. When there is no clear end point, how do you start to lay something out? It sounds counterintuitive, but we believe that being digital also means being more human. So our approach has been to invest in anthropology and sociology, lead with our unique expertise in using those sciences as a basis for market research to understand customers and customer behavior, and then come back and say, "What are the insights that we can convert into strategic nuggets, that we can turn into part of a program to help our clients provide more meaningful, engaging digital experiences?"

Bruce Guptill: That's a perfect place to wrap up. Thank you very much. I appreciate the insights and your time.

Gajen Kandiah: Enjoyed it, thank you very much.

Net Impact

The greatest challenges with regard to any enterprise digital transformation effort revolve around two factors. First is the strategic challenge of setting out on a journey that is more likely to have a direction than an end point. As Gajen notes clearly in the last part of our discussion, we traditionally begin outlining IT strategies with hypotheses about the business. However, in this emerging and shifting digital reality, (a) there is little to no historical basis for most such hypotheses, and (b) there will often be business goals, but there may be no predetermined specific end-point to aim for. This does not prevent planning and investment in digital strategy and change by any means, but it does add to the real and potential complexity at every step of the journey. Hence the emphasis on partnering; one entity, no matter how large and resourceful, cannot go it alone.

Second is the need for continual rethinking of strategy, of action, and of partner roles and relationships. Enterprise adoption of digital capabilities leads to adaptation, which leads to innovation, which leads to changing requirements, outcomes, and value. Meanwhile, failure is considered less a stigma and more a learning experience, and tends to occur more frequently with more limited negative effects on the business. This leads to more initiatives that may bypass formal IT procurement and oversight, changing the roles of enterprise IT and

major IT partners like Cognizant. In short, digital success rides on recurring waves of adoption and adaptation on both the enterprise and the IT provider sides, and the choice of IT provider partners must be made accordingly.

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