

The Economic Times, India: Cognizant's Executive Vice Chairman says it's Time for the IT Industry to Move Away from Low Cost Models



"The Indian IT industry is on the cusp of change," said **R Chandrasekaran**. "It is clear that the old model which was based on low costs will not work anymore. It must move from labour arbitrage to intellectual arbitrage."

Excerpts from The Economic Times' article:

"Cognizant's financial model has evolved from the time it was founded. The company had long targeted a margin of 19-20% to give it room to invest and chase growth, even as its India-listed rivals reported margins of well over 25%. The company has since raised its margin target as growth has slowed down over the last three years and it faced the prospect of a battle with activist investor Elliott Management.

While the financial model had changed slightly, the company's 'two-in-the-box' operating model — where two people take care of servicing each contract with a market-facing person dealing with the client and a back-end professional ensuring delivery of service — has remained mostly unchanged, Chandrasekaran said. 'The two-in-the-box model with a client account partner and delivery partner was a differentiator for us. It allowed us to take care of customer needs holistically,' he said."

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<https://news.cognizant.com/2019-01-25-R-Chandrasekaran-says-its-Time-for-the-IT-Industry-to-Move-Away-from-Low-Cost-Models>