

Francisco D'Souza, CEO, Cognizant Technology Solutions, says consulting becomes the first point of engagement for its clients to define problems and opportunities.



By KUNAL N. TALGERI

COGNIZANT'S GIANT STEP

Cognizant Technology Solutions is reimagining itself for the new era of the wired corporation. The IT company wants to be known as a globally integrated consultancy—and has taken rapid strides, giving pause to traditional consulting firms.

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PHOTOGRAPH BY VIKRANT TUNIOUS
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TEANECK, NEW JERSEY, summer of 2008. It could have been just another CEO meeting in the U.S. for Mark Livingston, managing partner of A.T. Kearney's Latin America operations. In his 20-year career (at Deloitte and then A.T. Kearney), he had met his fair share of top executives in client companies. This meeting, however, was different. At the headquarters of Cognizant Technology Solutions, one of its youngest CEOs ever, 39-year-old Francisco D'Souza, was trying to get Livingston to join Cognizant. ¶ D'Souza was persuasive, but Livingston was doubtful. For one, Cognizant then wasn't the \$8.8 billion (Rs 53,733 crore) juggernaut it is today. At \$2.8 billion in revenue, it was, at best, a growing information technology (IT) company in 2008, compared with Indian behemoths like Infosys and Wipro. Two, Livingston had seen the poor success that met technology-services companies which experimented with consulting. ¶ In 1995, IT company Electronic Data Systems (EDS) acquired A.T. Kearney. After five years of growth and great returns, both companies were hit hard by the 1999-2000 global slowdown. By mid-2005, A.T. Kearney's revenues had been falling for several successive quarters, and the consultants decided to act. ¶



I was afraid consulting would be treated like a second-class citizen in an IT company.

— MARK LIVINGSTON, head, Cognizant Business Consulting



The fastest growing area of consulting will be technology-led businesses. Tech will force a fundamental change in industry after industry.

— MALCOLM FRANK, Executive VP, strategy & marketing, Cognizant



Business consulting has a totally different culture—very client focussed, yet individualistic.

— SANDY GOPALAN, senior VP, Cognizant Business Consulting

They struck a management buyout deal, moved away from the IT company, and almost immediately saw a turnaround in fortunes. Earlier, Computer Sciences Corporation's acquisition of Index Group in 1988 had gone badly. "I was afraid consulting would be treated like a second-class citizen in an IT company. We wouldn't be informed enough, or be part of its leadership planning," says Livingston.

But D'Souza was convincing. He wanted Livingston to build Cognizant's consulting capability, and take those traits deep inside a company of 60,000 techies. The role: to head Cognizant Business Consulting (CBC), which accounted for \$100 million in revenue and had over 1,500 employees, mostly business analysts picked out of top B-schools. Its IT services business already had 565 customers. By being a consulting partner to these customers, D'Souza envisaged Livingston being able to evaluate clients' competitive position, understand what would be of value to their business, and even help build business models of the future. "Consulting becomes the first point of engagement for our clients

to define the problems and opportunities," he told Livingston.

Livingston's doubts took a back seat to D'Souza's clarity and sense of mission. "He had a sound focus on the existing client accounts, and an explicit strategy to hire consulting experience to scale CBC," he says, adding that it was a revolutionary path for Cognizant. After a few more meetings with D'Souza and some senior Cognizant employees, Livingston joined in the winter of 2008.

In the five years since, CBC's revenues have risen six times. It has some 4,000 consultants, with 200 of them forming a core team of partners (called 'strategic services') who report to Livingston. (For context, Boston Consulting Group, or BCG, took seven years—1963 to 1970—to build a team of 300 partners.) Broadly, 35% of CBC is young business analysts, hired from management schools, with at least five years of work experience. Researchers, and industry and subject experts from the likes of Procter & Gamble, Morgan Stanley, Pfizer, and Johnson & Johnson form another 50%, and the

remaining are from global consulting firms—alums of Deloitte, Boston Consulting Group (BCG), McKinsey, and Accenture.



FOR OVER HALF a century, strategy has been the epicentre of the consulting and advisory services industry. Since 2010 however, *Fortune* 500 companies have found entire industries getting overhauled because of the Internet and digital technologies, whose consumption has been boosted by smartphones and tablets. Companies such as Netflix, Google, and Amazon form the mainstream today. For the old guard (HBO, Barnes & Noble, et al), corporate strategy needs to be ambidextrous and dynamic, with technology at its core to survive in the new age.

D'Souza argues that historically, business planning was thought of "as a five-year strategy, which translated into a

three-year plan, and then a one-year plan. Along the way, you thought of technology strategy to support all of that. In that world, [pure-play] strategy firms helped with one piece of that journey, and technology firms with another." But with business cycles getting shorter, technologies changing rapidly, and companies having to course-correct faster, he says technology and strategy are now two sides of the same coin. "Today, there is very little of business strategy or operations that is not technology enabled. So you have this tight coupling of technology and strategy."

In this backdrop, Cognizant used the past three years to build its consulting-led offering from strategy to solution-building and, finally, implementation. CBC has won 60 customer accounts independently since 2010. Interestingly, most of CBC's engagements have ushered in large transformational deals for Cognizant's core IT-services business. But D'Souza doesn't mind if a CBC account doesn't translate into business



for the rest of Cognizant. “If they [clients] want to use us in an advisory capacity, we’ll play that role to create mindshare.”

Does that mean CBC will soon compete with the likes of McKinsey or BCG? After all, if these firms built a practice around the idea of the modern corporation, Cognizant is selling the idea of how technology is impacting organisational response. But it’s still operational in nature. This is why D’Souza believes that McKinsey or BCG will hold sway when it comes to answering questions like what companies should do next, businesses they should add, etc. Meanwhile, firms, like his, will pick up ‘operational strategy’ work. “This means the strategy around business and process competitiveness—essentially where technology and operations intersect,” he says.

Meanwhile, in 2012, D’Souza began focussing on something else: building ‘future-ready’ innovations. Cognizant’s Emerging Business Accelerator (EBA) has incubated 24 technology platforms. These ventures can pitch their solutions to Cognizant’s industry division heads and potentially to its 1,000-odd clients in insurance, health care, retail, etc. For example, an analytics team in EBA joined hands with the consulting and pharma teams to build upon a sales planning solution called iAlign, which came through an acquisition (MarketRx). This platform now supports eight global pharma clients, with over 30,000 representatives using the system across more than 15 countries. It began with the EBA identifying the business problem, which was then solved with industry knowledge from partners of CBC’s pharma practice.

“Our analytics team in EBA came up with the idea of developing a product that will help track the effectiveness of [medical] sales representatives by region and incentivise them,” says Mahesh Venkateswaran, global head for SMAC (social, mobile, analytics, and cloud) at Cognizant. The solution helped monitor sales efficacy by region, which helped companies incentivise high performers, identify laggards, allot budgets, alter rosters—and even plan drug production, based on analytical sales data. “Today, 40% of the pharma sales force in North America uses iAlign, and our revenue is based on the number of people who use the product,” Venkateswaran says. “We hold the IP, and the customers get the benefits.”



LAST YEAR, SAYS D’Souza, Cognizant’s “three horizon” model came together. “We pushed the envelope in many different areas,” he reflects. “The three-horizon model really took hold in 2013, and we saw the power of that structure.” (Horizon

1 [H1] is the ‘core IT services’ business, H2 is growing businesses like consulting, and H3 is future-ready innova-



We realised early that if we had to be about customer focus and relationship building, it wouldn’t be complete without consulting.

— LAKSHMI NARAYANAN, vice chairman, Cognizant

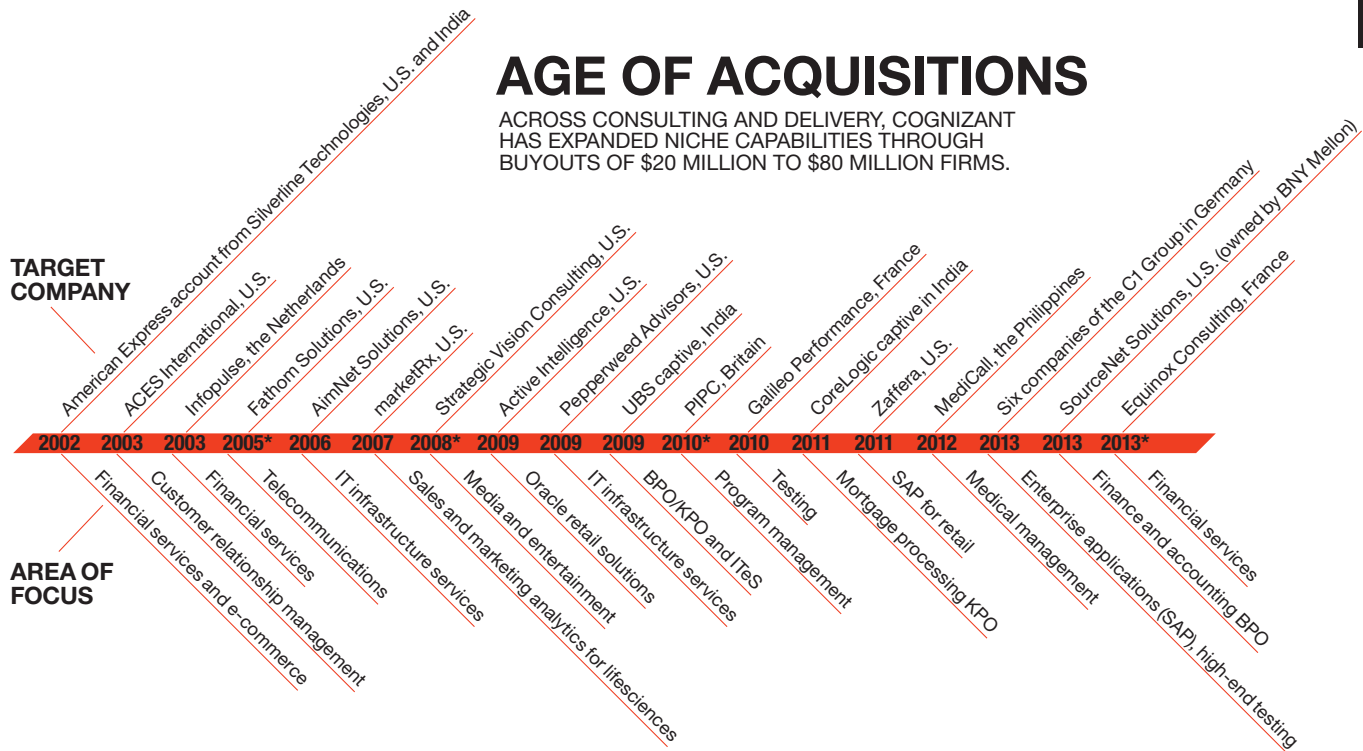
tions.) Firms like Accenture, Capgemini, and IBM already operate like this. But for an IT firm with roots in India, this is a huge achievement. Indeed, in many ways, Cognizant is now more akin to its global peers than the Indian ones.

While 2013 may have been an inflexion point for Cognizant, the various moves that led to that moment had been in the works for nearly a decade. It’s not just D’Souza’s handiwork: Many of his colleagues, especially his predecessors, have had a hand in it. In the true tradition of the firm, D’Souza has carried the consulting culture forward, rather than impose his will and ideas on it.

Throughout its history, Cognizant has revelled in being

AGE OF ACQUISITIONS

ACROSS CONSULTING AND DELIVERY, COGNIZANT HAS EXPANDED NICHE CAPABILITIES THROUGH BUYOUTS OF \$20 MILLION TO \$80 MILLION FIRMS.



*Indicates consulting buyouts; Source: Company

underestimated. First, it was against the big pack of Indian IT. Even back in 1994, when Cognizant was carved out of database and information company Dun & Bradstreet (D&B), sceptics said it had the advantage of an existing order book. But under McKinsey alumnus and founder-CEO Kumar Mahadeva, it began growing independently. By 2000, new (non D&B) clients accounted for 67% of its \$137 million revenue. This was no mean feat. By this time, its management started classifying clientele by industries, which catalysed the idea of consulting-led growth and hiring young MBAs. It seemed peculiar for a young technology services company. In truth, consulting had taken roots.

Up until 2006, Cognizant, with \$1.5 billion in revenue, was pitted against Tata Consultancy Services (\$4.3 billion), Infosys Technologies (\$3 billion), and Wipro (\$2.6 billion). This territory was marked by the Indian players' ability to generate client savings and deliver world-class offshore services that left them with nearly 30% operating margins. In contrast, IBM, Accenture, and Capgemini were new to offshore delivery from India. But they dominated the technology services landscape because of their consulting expertise, which is why clients related to them. Cognizant wanted to provide the best of both worlds. Malcolm Frank, executive vice president for strategy and marketing officer at Cognizant, says they wanted to give "the high touch, industry insights, and consultative capabilities of the multinationals model, as well as the scale and technical sophistication, price points, and quality of the

Indian IT model".

Around the time, CEO Lakshmi Narayanan (now vice-chairman) realised their offering still had to be distinct. In 2004, early in his tenure, Cognizant invited a few customers to a strategy meeting with the board. One of them was an Accenture client who told Narayanan that if they wanted solutions the way Accenture provided them, they would go to Accenture. It emphasised the need to differentiate in a fragmented IT market. "It was an opportunity to differentiate. The customer's voice was very loud and clear," Narayanan recalls. "The board recommended that consulting merge with all the solutions we build and offer, and that the customer must see one Cognizant selling and building relationships, not many units directly selling to one customer." Narayanan began to work towards a globally integrated consulting-led model, as opposed to the focus on high-margin technology outsourcing services practised by TCS and Infosys.

As things stand, Cognizant has overtaken Infosys and Wipro in size. It has also grown in influence, even as the others have backtracked on their consulting gambits. Wipro, back on its feet from 2010, saw its consulting revenue decline in 2012-13 from \$179 million to \$150 million, even as its CEO, T.K. Kurien, has integrated its functioning with IT services. Kurien himself headed Wipro Consulting between 2008 and 2010, and has been actively shopping for boutique capabilities, like the oil and gas practice of SAIC Group. Wipro Consulting has focussed on advisory services such as business

transformation, governance, risk and compliance, and so on. Still, as he has admitted in investor calls and interactions, Wipro Technologies itself is a work in progress.

Meanwhile, Infosys Consulting's chief Stephen Pratt left the company last year, shortly after its renewed focus on IT services outsourcing to compete with TCS.

Consulting could turn out to be the differentiator for Cognizant now, up against TCS's extraordinary size (285,000 employees) and performance (\$11.6 billion in 2012-13) as an industrial-scale outsourcing factory. In this backdrop, D'Souza's vision—and Cognizant's consulting march so far—is truly novel. "Time will prove our approach is the right approach," Livingston says.



ANY OF THE shifts have already begun in consulting. In the '90s, the Big Four accounting firms—Deloitte, PricewaterhouseCoopers (PwC), EY, and KPMG—built advisory functions by expanding their audit relationships with CFOs of

Fortune 500 companies. Last year, PwC made headlines buying out strategic consulting firm Booz & Co. But many overlooked the technical capabilities PwC acquired by buying out global firm PRTM (operations management) in 2011 and BGT (digital creative consultancy) last November.

Deloitte too has snacked on niche capabilities in the past two years: health-care data warehousing (Recombinant), HR (Bersin & Associates), mobile apps (Ubermind), cybersecurity (Vigilant), social media (Banyan Branch), financial restructuring (CRG), and litigation support (IE Discovery). Most of these are local firms in new-age fields, apart from the famous buyout of Monitor, a strategic consulting firm. All in all, consulting firms across types made 76 buyouts in 2013. "Firms like PwC and Deloitte have bridged the gap between 'business' and 'technology' more effectively than pure strategy or IT firms," says Tom Rodenhauser, managing director of Kennedy Consulting Research & Advisory in New Hampshire, U.S., which tracks the consulting industry.

However, the Big Four will face two challenges peculiar to their audit and accounting legacy. One, regulations limit their consulting exposure to large clients, especially if the same clients are in their order books for auditing engagements. This is to guard against conflicts of interest after the Enron debacle at the turn of the century. It's why EY and PwC sold off their consulting arms in 2000 and 2002 to IBM and Capgemini, respectively. The second challenge is the Big Four lack the scale and technology nous of an IBM, or even the Indian IT players. This could dampen their prospects in large transfor-



Often, the best ideas emanate from people who are closer to the customers. The guys in India help build the product and platform.

— MAHESH VENKATESWARAN, *Global head for SMAC, Cognizant*

mational deals as the market matures.

In that backdrop, the spotlight has shifted towards technology-consulting outfits. The global technology sourcing market belongs to IBM (8%) and Accenture (2%), owing in no small measure to their connections and depth. Digital transformation programmes have been a focus for Capgemini since 2011. "If you start with the client in the planning phase, the bulk of the work is pure consulting. In absolute terms, we see large dollars in implementation because we end up assembling up to 25 product vendors to create a solution architecture," says Salil Parekh, CEO for application services in Britain, North America, and Asia, Capgemini. Cognizant finds itself increas-

HOMEGROWN FIRM

MILESTONES IN GLOBAL CONSULTING BUSINESSES, AND HOW COGNIZANT BUSINESS CONSULTING FARED AT THE SAME TIME.

CONSOLIDATION IN GLOBAL CONSULTING

Paris-based Capgemini acquires Ernst & Young Consulting

Andersen Consulting becomes Accenture, following the Enron debacle

IBM buys out PwC Consulting

A.T. Kearney buys out stake of EDS, a technology services firm, in it to go independent

Audit firms PwC and E&Y re-establish themselves in consulting

McKinsey, Deloitte keep making small acquisitions to strengthen capabilities outside of pure-play consulting

Bearing Point (formerly part of KPMG) sells its businesses to PwC and Deloitte in 2009

KPMG acquires EquiTerra, a sourcing advisory firm

Deloitte acquires strategic advisory firm Monitor. PwC buys out Booz & Co

COGNIZANT BUSINESS CONSULTING

Begins hiring MBA grads with 4-6 years of experience as 'business analysts'

Forms 'Technology Architecture Strategy Consulting' under G.V.N. Apparao, head of R&D Group

Gets Kaushik Bhaumik on board from McKinsey to head the Business Technology Consulting (BTC)

Financial services head Debashis Chatterjee starts applying a consulting approach in Cognizant's financial services division

Begins hiring MBAs from management schools in the U.S. and Europe. Begins buyouts of small firms

Francisco D'Souza integrates BTC with Chatterjee's team to create Cognizant Business Consulting (CBC)

Mark Livingston comes on board as managing partner of CBC. Natarajan R. becomes CBC India chief

CBC streamlines the 'matrix model', where technology delivery, consulting, and industry heads are integrated for a common market face

Starts hiring senior consultants from big firms. Records over 20 engagements worth \$1 million-plus

Consulting strength breaches 3,000 people

CBC records over 250 clients, including Cognizant's historic accounts

CEOs AT COGNIZANT

UP TO 2003: KUMAR MAHADEVA

2004-2006: LAKSHMI NARAYANAN

2007-PRESENT: FRANCISCO D'SOUZA

ingly in the territory of technology-consulting companies and the Big Four. As in its history, few are giving it a chance against IBM, PwC, or Deloitte.

D'SOUZA'S VISION HAS been to make Cognizant a large-scale, end-to-end firm (from strategy and solution-building to implementation) that can build and demonstrate winning business models. For example, last year, Cognizant advised an insurance client on how to create a car policy framework, wherein clause applicability can change in real time, depending on the policyholder's driving habits. This is possible because the car industry is moving to an era where car engines are linked to a command centre, and driving patterns can be recorded, explains Sandy Gopalan, senior vice president of CBC. This is a new business model in insurance.

Another example is how shops have to compete with the smart and personalised experience of e-commerce portals such as Amazon, eBay, or Flipkart. These portals have succeeded in giving benefits such as instant price and product comparisons, as well as accurate recommendations based on a customer's purchase history and preferences. Cognizant's teams created a networked 'intelligent store' solution (or IntelliStore) to help brick-and-mortar companies compete with their online counterparts. IntelliStore's features include mobile apps which automate coupon redemption; linking phones (and in-store touchscreens) to loyalty data; and providing product information digitally through handheld devices based on shopping history. "It personalises the in-store experience," says Prakash Balasubramanian, retail practice lead, CBC, whose team worked closely with Cognizant's technology services team and retail business unit to build the solution from India before implementing it.

"There are incredible nuances to it. How do I compete with an Amazon, and make physical stores count?" says Gopalan. "The human interaction is going to be there via mobile, but supply chain and stores will still matter." Most recently, Cognizant helped a luxury retailer provide a concierge-type service. Customers can view rich product content, look at videos, compare products and check out—all on the tablet, without waiting in the checkout lanes. "This delivered great business results and, more important, resulted in high customer satisfaction," says Balasubramanian.

Last year, a large retail firm selected CBC to lead business transformation across its supply chain, distribution, and transportation network, which handles over two million cartons per week. The contract value for the multi-year programme is estimated to be more than \$150 million, of which CBC will draw over \$20 million.

While such deals are few and far between, a \$20 million

consulting fee would have been unthinkable without the Cognizant technology delivery backbone. (Typically, projects of \$1 million were considered the holy grail in pure-play consulting.) It corroborates the need for an IT legacy in consulting. With programme management, CBC is mapping out every business process of the retailer's transformation, related risks, and planning the client's budget. Cognizant will also manage the retailer's supply chain investments, and measure and improve outcomes and key performance indicators. In the engagement, CBC's retail team is providing key insights and driving change, right down to implementation.

EVEN BEFORE LIVINGSTON joined, D'Souza had said it was important for CBC to work with Cognizant's IT services teams spread across industry divisions. For instance, the team that handles the banking and financial services sector will have a CBC team working with it—embedded consultants, if you will. In a more traditional structure, say an IBM or Deloitte, the divisions are not based on industry but on geography. In the long term, this impacts their industry understanding and experience, and limits their scope to geographic regions.

Cognizant calls its model the matrix structure, and with this in place, the company can put the best consulting, domain, and technology team together from any part of the world to be on location with the client. So, for a supply chain transformation engagement, the India lead for supply chain travelled to the U.S. for three weeks to work with the local team there. On other engagements, CBC sends business analysts with the team lead to the client location. The analysts map out a detailed set of business requirements, so that the technology team in India can build features for the solution accordingly. The evaluation happens from India, using telepresence, and over 50% of the work is driven out of India. This is the globally-integrated consulting D'Souza refers to, as opposed to an IBM or Accenture depending on locally groomed teams to work in one market only.

The India team is rotated regularly to spend time with clients, and to thwart the tendency of CBC India developing an offshore facility mindset. "The essence of a consulting business hasn't changed," says Livingston. "Clients want you there; to be successful, you have to be on site, working with clients."

Strategy chief Frank credits Livingston with bringing in a consulting firm's discipline—from the small things like standardising rate cards, to writing proposals and grooming young consultants, to regularly visiting clients and selling CBC work.

"You can't just show up with process flowcharts and methodologies to say you are a good consultant," says Livingston. "Small consulting assignments help us sell bigger ones later on because they have more confidence in us."

Rodenhauser of Kennedy Consulting says that clients purchase consulting as a service more tactically these days. "They [IT companies] won't be providing the strategic business case consulting, which we see from the Big Three." Emmanuel Babeau, deputy CEO of the French electric equipment technologies company Schneider Electric, who started his career at Arthur Andersen, says that in new technology-based segments where Schneider competes, like smart-grids, it looks at consulting firms of IT pedigree. "We are unlikely to rely on consultants for fundamental strategy," he says. "For projects where we lack resources, we'll have consultants to help us—we may partner with system integrators like Accenture. It will be very much the IT specialists—Accenture or IBM." The reality is there is still a gap between the two kinds of consulting. "But strategic consulting itself has shrunk as a percentage of the total consulting pie, so it's not such a bad thing that IT companies are not in strategic consulting," Rodenhauser explains.

AT CBC, THIS is reflected in the number of \$1 million deals—50 at the last count. But the thinking is very different from the annuity contracts that IT services is used to, where long-term contracts give a lot of revenue visibility at that scale. "That is not the rhythm of the management consulting business, where we have expensive resources and only get 90 days of revenue visibility," says Frank.

Investments include building proprietary methodologies. These are build-as-you-go investments around people, methods, and targeted industries. In 2006, Cognizant decided to narrow its focus on four industries: financial services, health care and life sciences, media and entertainment, and retail and logistics. Then, they invested in solution building and testing for these industries. "It was difficult work because we needed to invest to see the same problems again and again to get better and better in the market segments," Frank says. "Clients should sense that we've probably seen this problem at least 50 times. We should take all those best practices and capabilities to them. That is where the scale has value. Equally, clients have their own culture, history, and change path. So knowledge of the individual traits of customers is very useful."

Cognizant has produced three annual surveys based on consumer data in the travel and hospitality sector, and four annual surveys in retail. "This helps clients understand the digital disruption, and also Cognizant's retail division to focus on solution building for future client needs," says



Steven Skinner (left) with Patricia Birch, VP, healthcare consulting, Cognizant

Our company can be your consultant and advisor. If everything has a technical answer, then there is no value.

— STEVEN SKINNER, Senior VP, retail business consulting, Cognizant

Steven Skinner, senior vice president of retail business consulting, Cognizant.

Cognizant's consulting growth will happen industry by industry. And that is the name of the game. "The tools to do things change, but if you take a CEO's challenges, they remain the same," says Neeraj Aggarwal, senior partner of BCG India. For any firm, the secret is to keep developing client relationships, so that CEOs think of them.

There is another profound demographic and cultural shift occurring. If industries keep weaving strategy around frequent tech disruptions, consulting will lean towards engineering. This is slowly building a wave of talent in the industry from

India and Asia. "Deep tech-level talent in consulting and in end-user organisations are increasingly people from the IITs," says Parekh of Capgemini. "We have a large consulting team from India, deployed worldwide, depending on projects in the U.S., Britain, and France."

FOR NOW, THE fight for business is going to be between the big one-stop shops: PwC and Deloitte partnering with clients, where they are available on demand providing all kinds of services. This is affecting the market shares of IBM and Accenture, and opening opportunities for newer one-stop shops with a consulting drive.

"We have to earn our way up for projects, and then it is a matter of nurturing the relationships," says Livingston. D'Souza believes Cognizant's consulting-led project approach has come of age, because the client sees one Cognizant. "Unlike the past, where large firms produced a big survey or report, organisations are looking today for a consulting partner who can practise apart from preaching," says Chandrasekaran Ramakrishnan, group CEO, technology and operations, Cognizant India. "Customers don't take consulting seriously unless there is an execution capability."

Cognizant veterans say D'Souza has a penchant for discovery. Much before he became CEO in 2007, colleagues remember him as a gadget-crazy lad scribbling diagrams on paper napkins. One such was a business idea called 'two in a box'. It became the flagship service for clients, who could have an onsite partner and an offshore counterpart in India to jointly solve their problems. Two-in-a-box appeared hard to scale, but eventually streamlined coordination of onsite and offshore persons. Significantly, it differentiated Cognizant (\$2 billion in revenue then) from the crowded pack of over 500 IT outsourcing shops based in India which focussed on offshore delivery. Against that, D'Souza had made his onsite managers truly matter in the eyes of customers.

"He always thinks about the future of the company," says Venkateswaran, whose SMAC unit has incubated 24 technology platforms which D'Souza has tracked in the past year. He meets the emerging technology teams every week to discuss the portfolio, participates in ideation calls, and is part of the investment committee. The reason for tracking these projects so closely is a D'Souza epiphany: "In the end, the customer is going to go for the best idea and best thinking. The battle is [won by] who has the best idea." ■

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