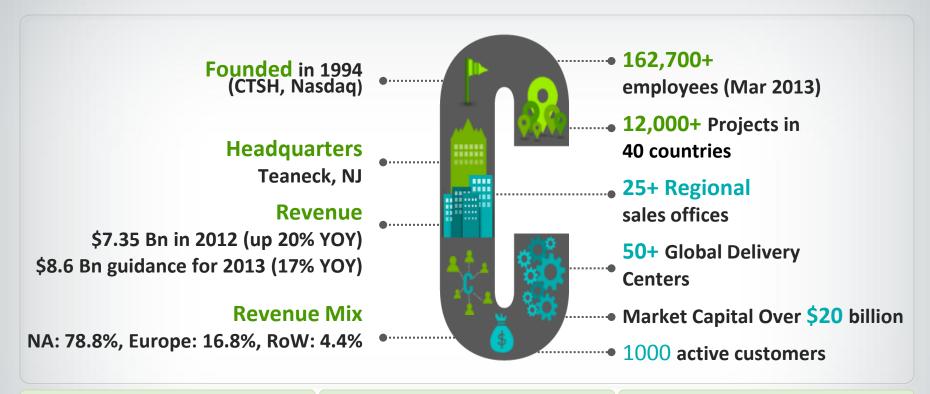# *Managed Services: Delivering increasing value to customers*

May, 2013

We are a global provider of information technology, consulting and business process outsourcing services

Founded in 1994
(CTSH, Nasdaq)

Headquarters
Teaneck, NJ

Revenue
$7.35 Bn in 2012 (up 20% YOY)
$8.6 Bn guidance for 2013 (17% YOY)

Revenue Mix
NA: 78.8%, Europe: 16.8%, RoW: 4.4%

162,700+ employees (Mar 2013)

12,000+ Projects in **40 countries**

25+ Regional sales offices

50+ Global Delivery Centers

Market Capital Over **$20** billion

1000 active customers

Forbes Fast Tech 25	Fortune 500	Listed on NASDAQ
Only Company for 10 years	**Ranked at #352 on the F500 List**	**First IT Provider Leveraging India**
TOP 5 OF "MOST ADMIRED COMPANIES"	**NO. 1 FOR CUSTOMER SATISFACTION**	**RANKED AT 8TH - BEST TECH CONSULTING FIRMS TO WORK FOR**
by Fortune Magazine	in a KPMG survey	By Vault Magazine
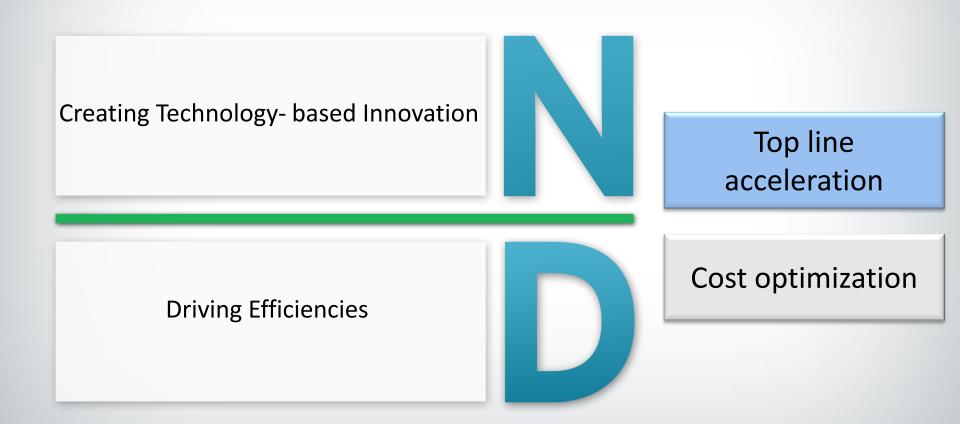
Cognizant
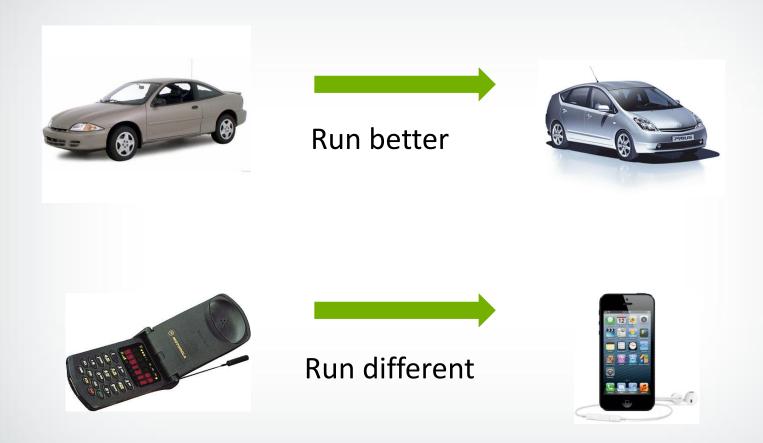
In a challenging environment where CxOs are tasked with the dual mandate

Creating Technology- based Innovation

Driving Efficiencies

N
D

Top line acceleration

Cost optimization

Our view of "How to straddle the dual mandate of clients"

Run better

Run different

Redefining IT services for Industry / Customer Needs

INDUSTRY NEEDS

- Contract for business outcomes
- Business variability driven financial model
- Business User satisfaction based risk and reward

- Improved user experience
- Service ownership
- Multi-vendor collaboration
- Demand flexibility

Business Outcomes

- Run/Change the business governance
- Domain and Application Knowledge Retention
- Continuous improvement
- Reduction in TCO

- Business outcome based encapsulation of Services
- IT Provisioning based on calibrated business demand
- Rationalized service demands based on business relevance

Managed Services

- Operational flexibility
- Cost arbitrage

Service Provider

- End User centricity
- Integrated Service Management
- Transformational roadmap

- SLA based delivery assurance
- Deliver Continuous Improvement and YOY productivity gains

Staffing Provider

- Labor arbitrage
- Limited delivery assurance

OUTSOURCING TRENDS

Key Tenets of Managed Services Model

Process Standardization and Resource Optimization

SLA Management

Continuous Process Improvement

Managed Services Tenets

End –to-End Service Ownership

Alignment to ITIL Framework

Service Centric Model

Contract for performance

Managed Services is defining and managing services with clearly stated outcomes

Case 1: Large Diversified Manufacturer – Managed Services Transformation

Engagement Model

- Staff augmentation with 800 staff and 800 vendors for 700 applications.

- Scope, time & effort management by the client.

- Managed Services with client retained roles only limited to Business Analysts & Program Managers

- 400 Staff and 600 vendors for same scope and application portfolio

Key Performance Indicators

- No formal KPIs or SLAs. Perception driven

- Heavy dependence on people and longevity with the client. Challenges in transitioning / backfilling.

- Innovation - patchy and inconsistent.

- Well defined Service Level Agreements for Application support and Development – Outcome based model

- Built in productivity benefits committed to the client

- No 'individual' performance. Team performance measured against defined SLAs

- Managed Innovation framework – Y1 generated 125 ideas leading to cost avoidance of ~ USD 3M

Governance

- No formal governance framework. Each division performs based on the business users needs.

- No centralized knowledge management framework – HUGE RISK for Business Continuity.

- Well defined ITIL v3 based governance framework in place – with well defined communication, escalation and review processes

- A centralized, client owned Knowledge management structure with 'self improving' system

Benefits from Managed Services – *30% TCO reduction*

Case 2: Large Global Pharma – Managed Services Transformation

Client Needs

- Pressure to continuously reduce drug prices and "Time to Market"
- YOY increase in clinical development expenditure - thousands of patients in around 50 countries filling out more than 5 million case report forms
- Ever increasing heterogeneous mix of outsourced and third party vendors across function and geography
- Lack of robust operational metrics collection & measurement process
- Unable to leverage the full potential of electronic ways of working, especially Electronic data capture
- Reduced scalability
- Need to optimize cost and reduce inefficiencies
- **Need to move to a higher level of maturity** from an initial Co-mingled co-sourced model to an end to end Managed Services Model.

Solution Features

- Focus on Run-Govern-Transform
- Catalog & Outcome SLA based delivery
- Business aligned service delivery
- End to end service management

Benefits

30% Cumulative TCO reduction

$20M Cumulative savings through Continuous Service Improvements

Cycle time reduction

Estate rationalization –
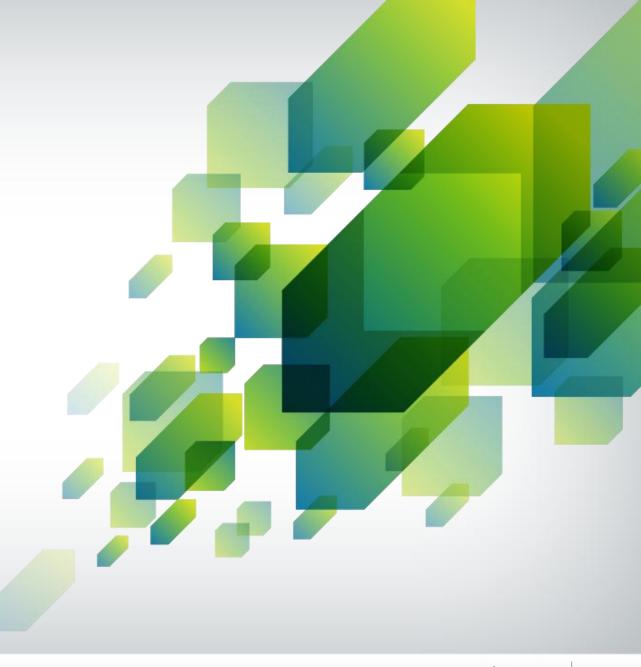
Application inventory reduced by *40%*

> **Enterprise commitment to move towards Managed Services**

- Trusted partnership between customer and service provider

- Move towards managed services across enterprise

  - Retained organization and governance

  - Financial realignment

  - Cultural shift

- Contract realignment

  - SLA Rebaselining and movement to KPIs

  - Vendor ecosystem - operational Level agreements

  - Contract for outcomes

- Refresh support environment for tools and technologies

- Empowered Service Management Office

Thank You!

Cognizant