October 2024

Cognizant CMT Chief Data Officer Forum

Nine CMT data leaders met virtually to share leading practices and discuss topics of mutual interest based on an agenda created through advance interviews. The discussion centered on navigating budgeting challenges in the face of artificial intelligence (AI) adoption, balancing outcome-based approaches, revenue growth challenges as well as the role of data in AI development.

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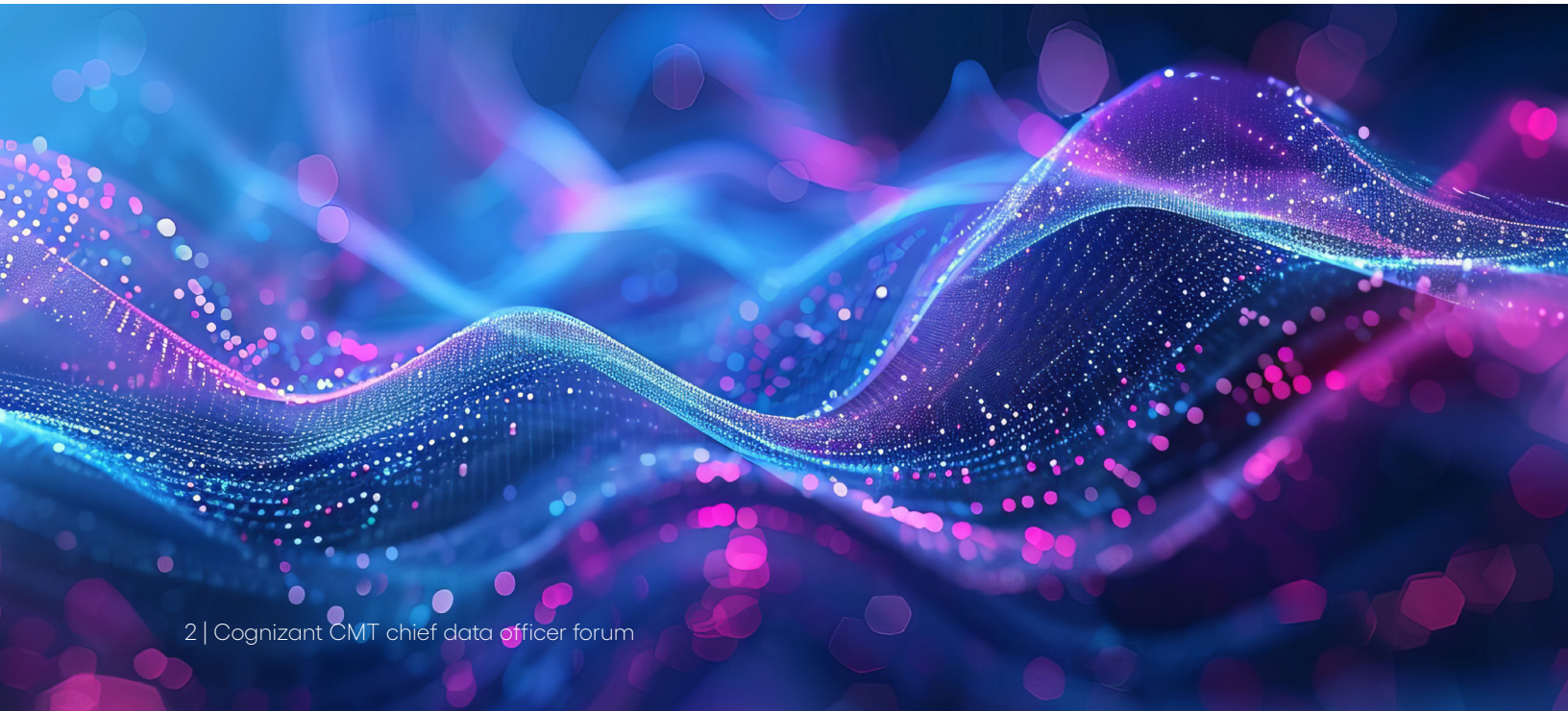
Navigating the 2025 Budgeting Landscape in the Age of Generative AI

Key takeaways

> "From a budget standpoint, a lot of it relates to asks that come through. You know, typical infrastructure Azure. So, as we look at more resource intensive applications that may utilize Copilot or something else like it, that all basically has to get balanced with other asks, as well as like budget that gets cascaded down."

- The executives acknowledged that the exchanges of the last quarter are significant as they coincide with budgeting season. Compared to previous years, there was more uncertainty entering 2024, especially regarding the integration of generative AI. However, looking ahead to 2025, there seems to be more clarity and a growing appreciation of gen AI's potential, with early success seen in some use cases.
- The group discussed the challenges of planning AI budgets, particularly for gen AI use cases. AI initiatives have been categorized into three main areas: efficiency, experience, and revenue growth. While return on investment (ROI) remains a critical focus, participants have found it difficult to predict AI consumption costs, such as token usage, and how these should be reflected in the budget.
- Budgeting for AI is moving beyond use-case-specific cost estimation. Companies are now focusing on broader platform costs, resource expansion, and investments in gen AI governance tools to ensure scalability. This reflects a shift from project-specific budgeting to more strategic, long-term platform development.



Balancing outcome-based approaches, metrics that matter, and skill gaps

Key takeaways

> "We've taken more of an outcome-based approach, where we're asking each function to work with us to define what outcomes they want to improve, whether in the form of efficiency, in the form of predictions, in the form of growth, and essentially, then we are trying to apply more of a platform recommendation to it."

- A key discussion point was the need for tailored metrics and KPIs to evaluate diverse gen AI use cases. One member proposed focusing on "Time for Decision" and "Time to Action" as overarching indicators of priority and success. This approach recognizes that different use cases have varying requirements and that a one-size-fits-all metric is insufficient.
- Some organizations are adopting an outcome-based approach, focusing on improving specific functions like efficiency, predictions, and revenue growth. In this context, AI is viewed as one tool among many that can help achieve these outcomes, rather than a standalone solution. This approach emphasizes aligning AI solutions with the business outcomes they aim to improve, such as improving proposal generation and enhancing customer experiences.
- The executives discussed the difficulties of using gen AI to drive revenue growth, compared to the more straightforward applications for efficiency and productivity. Concerning this, an attendee shared an example of the utilization of AI agents to address capacity problems, such as reducing the need for additional sales representatives by automating processes like generating responses for RFQs (Requests for Quotes) and RFPs (Requests for Proposals).
- A number of participants highlighted the challenges in determining the financial benefits and return on investment (ROI) for AI projects. While companies see the potential of AI in improving processes and reducing costs, there is uncertainty about how quickly these benefits will materialize and how to measure them accurately, making budgeting for AI initiatives complex.
- Organizations are working to manage the rapid internal demand for AI solutions, particularly among engineers eager to leverage the latest technologies. Several executives discussed the need to establish governance structures, such as centers of excellence, to coordinate AI efforts, ensure resources are utilized effectively, and reduce siloed projects that could lead to inefficiencies.
- The members discussed the need to upskill existing staff to handle the new technologies. Some executives noted that many of their employees are still accustomed to older systems and may not have the skills required for the new data architectures or gen AI applications. This has created a skills gap that organizations are trying to address by either training existing employees or bringing in new talent.

Data's role in AI development

Key takeaways

> "The magnitude of the work still happens on the data engineering front. You can imagine we still have a lot of data movement work that we continue to do. But I think governance and cataloging the whole flow of what we used to call the Enterprise Data Management stack has gained a lot more attention and focus right now."

- Data plays a very important role in the development of AI as the architecture needed for AI evolves. The group recognized that new advancements in gen AI have led to a reinvention of data's role, particularly in the context of supporting AI-driven solutions. This is an area where further exploration is needed.
- Several executives highlighted the growing importance of data governance and data platforms, with more budget being allocated towards building robust infrastructures to support gen AI and data initiatives. There's a resurgence of interest in tools for data governance, cataloging, and master data management.
- The participants discussed the challenge of determining whether to build or buy data catalog tools, especially given the high costs. The debate revolves around whether the return on investment (ROI) of such investments justifies the expense. Many firms are therefore evaluating the cost-benefit of using multiple tools versus finding single providers to offer comprehensive solutions.
- Corporations face difficulties in integrating new technologies for data management, especially as gen AI initiatives are being scaled. The discussion highlighted the rising costs of various data tools and platforms, with corporations struggling to decide whether to continue investing in expensive multi-tool setups or wait for market consolidations and integrations.
- While companies are aware of the promise and hype surrounding new data architectures including data mesh and data fabric, most organizations are still in the early stages of reaping its benefits. Some are in the beta phase, testing their effectiveness in real-world applications. Members of the group noted that the concept is promising but challenging, particularly when applied across large, complex organizations.

Cognizant CMT Chief Data Officer Forum Host: Badhrinath (Badhri) Krishnamoorthy leads one of the Global Strategic Business Unit for CMT industries at Cognizant. A passionate leader, Badhri partners with client executives achieve their transformation goals by leveraging Customer Experience, AI & Data, and Digital & Technology solutions. He's a strong industry advocate, fostering connections through forums and sharing valuable insights with the community. He can be reached at Badhrinath.Krishnamoorthy@cognizant.com.

Cognizant CMT Chief Data Officer Forum: Cognizant's CMT Chief Data Officer Forum was established in Q4 2000 to bring Data & Analytics executives across leading Communications, Media, and Technology companies to share best practices, exchange insights, learn from one another, and navigate these unprecedented times. The group gets together on a quarterly basis for an hour to discuss various topics of mutual interest. Members decide the exchange agendas; interactions focus on the questions and interests of the members.

Profitable ideas exchange (PIE): PIE brings together communities of Fortune 500 executives from across the globe to connect, collaborate and learn from one another. PIE stands out for its ability to bring diverse voices to the table and facilitate ongoing high-value conversations. Two key components of PIE's practice are pre-interviewing participants to build relevant agendas, and a time-efficient format (virtual as well as in person) to allow for executives to convene.