

Art of Procurement Podcast Transcript

Episode 180

Digitization & Procurement: Separating Hype from Reality w/ Saurabh Gupta

Philip: [00:00:30] Welcome to today's Art of Procurement interview. I'm coming here live from the Sig Spring Summit here in Washington DC. I'm delighted to be joined by Saurabh Gupta. Now, Saurabh is the chief strategy officer at HFS Research. So, Saurabh thank you very much for joining me.

Saurabh: [00:00:47] Hey! No, thanks for having me Philip.

Philip: [00:00:49] I really appreciate it. We were talking off mic a little bit about your background. So, I thought rather than me try to--. To portray that you probably do a better job yourself. So, I wonder if you could just share a little bit about how you came into the role that you're at today at HFS.

Saurabh: [00:01:05] I was... When I was born I thought that I'm joining...

Philip: [00:01:09] Yeah, exactly. You have a long desire to come and take this position.

Saurabh: [00:01:15] Look, I've been in this industry - quality global services industry - called the digital operations industry for a very long time now. I've been in all different sort of legs of the stool. I started my career as a software engineer with a service provider. I then got an opportunity to be an analyst and that was at least... This was way back when I actually started procurement outsourcing researcher and got into a lot of other... at that time we call it BPO. Stuff from finance and accounting to HR to banking and all that kind of stuff. I then got into consulting the sourcing advisory space for a long time working with a lot of clients sort of think through how to select vendors and working with the vendors of thinking through how to go to market. Then I thought "Let me actually get my hands really dirty." So, I went and joined a client with a biopharma company leading their BPS (Business Process Services) and automation strategy for sometime. I then thought the only piece that I'm missing is being a service provider, so I did that. I was heading up strategy for the CFO services at one of the service providers. And then given all that experience I thought "What is it that I really want to do in my life?" I thought being the analyst was the most fun. Especially in today's world which is - I call it the Vocawall. It's volatile. It's uncertain. It's complex. It's ambiguous. I think being analyst is not only safe but it's also interesting.

Philip: [00:02:59] You're going to try to make some sense of all that.

Saurabh: [00:03:00] It may make some sense of all of it and talk to a lot of interesting people. I looked around and I know I feel forced from a very long time. I heard that's one analyst firm which actually looks at the future than looking at the past. I'm not saying

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we'd all be right but at least we try and give markets some direction. I know that's the place to be so that's how I landed.

Philip: [00:03:27] Yeah. So, I've been following Phil on the blog for I don't know how many years. It feels like 10+ years or so. It's actually amazing to see what he's built over time and how that's grown. Probably the most important question I had today because it was only a bio. Who do you support? You said in your bio it's... there was a passage about your European soccer supporter. I guess the most in question for me is who are you following?

Saurabh: [00:03:52] I was an avid fan of Manchester United. I'm not sure anymore if I should not so I'm actually looking for a team that I should support. I would leave now. I know some of my colleague support Liverpool, so I want to be the devil's advocate and support somebody else but I'm still looking for it.

Philip: [00:04:16] Support a low-level team like me and you never win so you don't have expectations to win, you just stick with them. One of the questions I had as I was thinking about kind of direction for our conversation today was to understand a little bit about what goes into writing a research report because it's something that... Obviously, I've read tons of research reports. I'm sure most people listening too have, but we don't necessarily know what goes into the building of a report. So, I wonder if you could share a little bit about kind of the process that goes into that end results.

Saurabh: [00:04:53] Yeah. So, I think for me the even more important question is what is the topic that you want to write a report on before you get into how to write a report right because being an analyst in today's world is a very hard job. I know everybody says that their job is the hardest, but I think our job is hard too. Because if you look at it, everybody's a top leader today and nobody has the attention span of more than 30 seconds. Coming from those two angles, the first and foremost thing is what is the topic that you want to write about, right, that will not only get DVO's attention or the audience's attention but has a hypothesis that is probably out there that people want to sort of talk about. I think that's the first step. There's no science to that that I've been able to come up with. It's sort of a lot of your gut feel.

Philip: [00:05:48] Yeah. And talking to a lot of people.

Saurabh: [00:05:49] Talking to a lot of people.

Philip: [00:05:50] What they are interested in learning about.

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Saurabh: [00:05:52] Yeah. It's a little bit of push and pull. I think that what we spend a lot of time is designing the research agenda, right. What is it that we should write about? What is it that we should not write about? Because you can cover pretty much anything under the sun. So, I think that the first step is designing the research agenda.

[00:06:12] And then once you have that, we follow what I call a hypothesis layered approach. So given that we are out there in the market and that's one of the things that should differentiate a good analyst versus a good journalist is that an analyst should have a point of view of his or her own. So, you need to have a hypothesis. Once you've got that hypothesis then you go and collect data from multiple sources, right. It could be - given I'm talking to the Art of Procurement it could be throughout a phase that you roll out. It could be through client conversations. It could be through other market participants. Usually, what I try and do is make sure that it's coming across from all different types of stakeholders because that makes it holistic versus having a bias of one versus the other. So, look at different sources. And then it's important that you try and analyze it, see what makes sense.

[00:07:09] One of the most important thing is to take out the outliers because there will always be somebody who's woken up from the wrong side of the bed and has really bad perspective on something, who is just frustrated and you need to take out those.

Philip: [00:07:23] Yeah. They're in the moment. They have something that happened yesterday.

Saurabh: [00:07:25] Yeah, something that happened yesterday. You're dealing with the firestorm. And then present a balanced view. I think that's also important. So, whenever we try to do it we're not just focusing on these trends but the challenges as well. And those are the three or four sorts of best practices. I don't think there is a... It's not rocket science. At the end of the day, it's what you decide to write on. Do you have a strong hypothesis? How much effort do you put in to actually validate that hypothesis or prove it wrong. Try and be objective, not have any bias.

Philip: [00:08:02] Right. I think that not having bias is so important as well. It's something that is... Sometimes it's unconscious. We don't realize there is, but it is something we struggle with as well in procurement just from a sourcing event for example. We want to make an evaluation on data but there's always some biases that may exist in

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terms of what we really think. And maybe it's our own hypothesis. It's difficult to strip that away from making objective decision. I wonder like as you build a report, how do

you make sure that that doesn't inform your results, that you've taken that bias away?

Saurabh: [00:08:38] One is the go to market that you have as a firm. So, we at HFS are very clear that we are an analyst firm. Nothing else, right. I think that's important, right? Because a lot of times you have these two or three roles that you're trying to play in the market and even then, if you try and create Chinese walls between one versus the other go to market there is a perception.

Philip: [00:09:03] Yeah. Even if it's only perception.

Saurabh: [00:09:05] Even if it's only a perception. But perception matters, right. It's not something that you can trivialize. I think you're lucky in that sense or you could call it strategy that we are an analyst firm and that's all that we are. That takes care of some part of it. The other part of it is that everybody is our client, right. We have service providers who are clients. We have enterprises who are taking those services from our service providers who are our clients. We have advisors and other influencers who are providing advisory services who are our clients. We have industry associations. Sig being a good example who are our clients. So, I think that also nullifies the bias because you're not trying to please one stakeholder versus the others.

Philip: [00:09:51] And anything you do will damage your relationship or reputation.

Saurabh: [00:09:56] You can say either we can be completely unvarnished or we're trying to please everyone, right, which both ways you are trying to take out the bias. And then I think the third and perhaps the most important thing is to have a one to many model, right? Not have either your revenues or the way that you are measured so significantly impacted by one organization and idea of any of these stakeholders that there is an inherent bias that comes in, right, even if you're trying not to. I think those are some of the things that... So, I think the bias really comes from the go-to market despite what people say. But I think it has to be the strategy of how do you go to market and what is your principles and how do you make money. I'll be honest, we are all in the business to make money so we're not doing academic research. But how do you make money is important.

Philip: [00:10:51] Yeah. And how I was informed. So, when I think of HFS, you actually mentioned in your introduction, you're always kind of looking to the future as

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opposed to what's--. What's happened in the past is necessarily a predictor of what happens in the future.

Saurabh: [00:11:05] Not anymore.

Philip: [00:11:06] No. And so, a lot of that obviously today comes down to technology and digitization. Digitization I think is a term that we're bombarded with. I had an interview earlier today talking a little bit about that topic itself. You know what's hype, what's reality.

[00:11:24] First, before you even go there, I'd like to know from your perspective, is digitization a thing in terms of... It's something that has fundamentally changed which means digitization is different from anything that has ever happened before or is it just the continued evolution perhaps of technologies that already exist. It just has a new wrapper. It just has a new marketing name to make it sound interesting.

Saurabh: [00:11:49] Yeah, perhaps there's a little bit of hype around digital because anything that you put a digital as an objective before it gets a lot of viewership and all that. But I think it's real also, right. I think the digital fog that speed in this industry is starting to lift. It's not lifted completely. It's still a little hazy but it's starting to lift.

[00:12:13] I think to your question, we actually interviewed about a hundred C-Level folks recently and asked them the same question. What do you mean by digital? It was very interesting answer, right. So, about a load of them said that it's about technology. It's about technology investment right now as you also mentioned. There are different kinds of technology investments but two thirds of them which is pretty significant said that it's actually not technology, it's about creating an impact. The impact that they said was around three things.

[00:12:51] One is impacting the customer experience. The second one was creating new streams of revenue. The third one was aligning or harmonizing our internal operations. I think that's a good definition of digital in my mind which is how can I create an impact of either customer experience or creating new revenue streams or aligning my business operations better through the use of technology. Right? I think so if you amalgamate. That I think is a good definition.

Philip: [00:13:28] It's interesting and actually encouraging to hear that so many of the people you talked to kind of think of it in that way. It's about driving outcomes and having maybe new ways of driving outcomes as opposed to I got to go and buy the latest technology for the sake of buying the latest technology.

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Saurabh: [00:13:43] Yeah. But I'd also say that if you go--. So, this was a C-level suite. If you go down, this become less and less.

Philip: [00:13:51] Not quite as obvious.

Saurabh: [00:13:53] This becomes less and less evident. I think that's a challenge that we as an industry need to sort of... You should educate your audience around that.

Philip: [00:14:03] Yeah. The fact that it's... You know there's one... We think of technology sometimes as being like the silver bullets. You just... You have to get the fundamentals right and the fundamentals being what are you trying to achieve, what are you trying to accomplish but also the processes that you use today. There's no good in trying to bring -- make something that doesn't work more efficient for the use of technology for example.

Saurabh: [00:14:25] Yeah. In fact, in the same survey the two biggest barriers that people sort of us becoming in courts digital was culture, and two was mindset.

Philip: [00:14:38] Interesting.

Saurabh: [00:14:38] Nobody said anything else. Right? Probably the third was talent, lack of talent. None of these has to do anything with technology.

Philip: [00:14:49] No. That's all internal as opposed to the tools being out there.

Saurabh: [00:14:53] Yeah.

Philip: [00:14:56] I wonder if you could explain what Digital One Office is. It's something I see a lot from HFS. It's something that I think Phil and the team kind of crown as a--. It's what's helping to drive a lot of the movement around digitization. But I just wonder if you could share a little bit more about it for folks who may not have seen that or maybe haven't really dug deep to understand kind of the positioning or the hypothesis, I guess that is informing that.

Saurabh: [00:15:23] Yeah. I think Digital One Office is our concept. It's what is our--. You can call it our purpose of life in a way. Around which we are organizing our research around which we are organizing our team around which we are doing everything. Essentially what it says is that for too long we've talked about all this front office, middle office, back office, left, right, center, all that kind of stuff but there is only one office that matters. Right? And that is the office that focuses on the customer. We call it customer or employee or vendor or stakeholders, right? So, I think there is the

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concept of One Office, right, wherein you need to collapse these barriers of front, middle, back, and just focus on the customer experience. The way to do that is not

organizational restructuring because we've all talked about these things. Not the new concept from that perspective but the only way that people attack that was organizational restructuring and created enormously complex org structures which were never going to be sustainable. But through these new changes that we now started to see, and these changes could be technology, or they could be things like design thinking. You can actually integrate these silos. And there is what this Digital One Office talks about. It's that you have a customer centric front office. You have all these support functions, but you need to have a digital underbelly which has automation, which has cloud, which is secure that is the infrastructure of connecting these two. And then you have intelligent processes through cognitive, or AI, or blockchain, or IOT that sort of links it. You create that circular motion or circular loop that can actually collapse these barriers pretty much and you can really focus on the true meaning of digital that we were just discussing.

Philip: [00:17:32] Who owns that infrastructure? Is there someone in the organization who ultimately is taking the lead on building infrastructures this like this that support that notion of digital or is it... each one of these siloed organizations which were trying to break down the barriers, but they still own a part of and is just something that's bringing it all together?

Saurabh: [00:17:59] So, first thing that I'd like to point out is that this Digital One Office is more a concept. It's not a five-step process or a three-step process or what have you. It's a concept or a vision, right.

Philip: [00:18:15] For the future organization.

Saurabh: [00:18:16] For the future organization could look like or what it should be or what's the purpose of life for a lot of organizations. I don't think there's going to be one person. I say there can be two or three things that we've seen is it has to be driven at the top, right. It has to be somebody like a CEO or COO or a CFO or even a CIO who has this vision. And then it should buckle it down. Because ultimately what you're trying to do is everybody who's trying to sort of... It's a vision that can align everyone, right. Because what happens is procurement has this performance metrics which they tend to excel at. Business has their own performance metrics and often they don't talk to each other. If you can align and give them the singular vision or a singular performance metric, then at least you've started the conversation around alignment. I don't think it's going to be easy to identify one person in an organization

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to say that you own digital office, Digital One Office now. Perhaps somebody in the C-level.

Philip: [00:19:24] Yeah, because they can make transformation initiative.

Saurabh: [00:19:27] It is a transformation initiative, but it starts to give your organization a common language, a common lingo to alignment. Then you can say "Okay. The top-level impact that I want to drive is this to whatever they are trying to do.

Philip: [00:19:43] What's the role of procurement in this? Is it as a... I'm sure it's a bit of both. I think you have the two different dimensions. One is internally in leveraging some of these. I want to say it's not really concepts, but it is taking the vision and implementing them from a service delivery perspective so how procurement supports the organization but also helping the organization understand what the market looks like to leverage the suppliers to actually enable it. Which is the most important role do you see for procurement?

Saurabh: [00:20:15] I think both. All of the above. One, it's a safe answer but I genuinely believe that because... Look. At one side of the spectrum, procurement is one of those support functions. Right? Also, the procurement function also needs to have the one office vision that all that we're doing is for our stakeholder experience. Only then the organization will achieve the one office, right? From one side, it is one of those functions or one of those silos that we need to collapse.

[00:20:50] On the other side, procurement has a very important role because it actually buys services or products for you. In today's world, I don't think there is anyone who can do everything for everyone. It's just not possible. And so, you need to create the ecosystems. Every enterprise needs to have this ecosystem, right, which is a collaborative ecosystem where I have a set of partnerships. Not only for people who are providing me services but were helping me drive new business revenue, driving new sort of business models, or what have you. I think procurement is sort of front and center of that, of how do you create that ecosystem. Procurement has to be the most influential stakeholder in that conversation. So, I think procurement is important as a support function to transform but it is also an ecosystem builder which is without which you cannot succeed really.

Philip: [00:21:59] And that's a great term - ecosystem builder to think about what the role could be. You should trademark that. Because I think that for folks who are listening who share the vision, were in a position where we can actually implement ourselves but then share like a way of demonstrating the possibility and using that as the use case for other areas of the organization. While we see the opportunities that exist

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because we're involved in the ecosystem and the suppliers more than anybody else in the organization, we see that more holistically by doing it to ourselves is kind of taking the lead on helping others.

Saurabh: [00:22:39] Yeah, exactly. I think also another important role which is often overlooked is that procurement can be a great business advisor in terms of providing marketer loops. Right? Just knowing the provider landscape and who's doing what. There is no other knowledge source that I can think of who will have a very horizontal view of...

Philip: [00:23:07] Right. Like organizationally. Maybe individuals within certain pockets of areas. Specific technology and how to place them.

Saurabh: [00:23:16] By organizationally, right. That layer of knowledge of what is happening in the ecosystem and who is doing what of supplier XJDs five things and this is their strategy etcetera. That all resides with the... or should reside with procurement.

Philip: [00:23:30] Right. And can scale that across all the categories that you have responsibility for.

Saurabh: [00:23:34] Exactly.

Philip: [00:23:36] We talked a lot about... Or we touched on automation on AI, blockchain. You know terms that are thrown around a lot with our industry right now. It's sometimes hard to make sense of what's real. What's hype? How far away is something? What should I really be concerned about or not concerned about? What provides an opportunity to really be a game changer? When you think of the technologies that are emerging or that are marketed as being emerging, what has the potential in your mind to have the biggest impact on the way that an organization functions but also invite your creation.

Saurabh: [00:24:23] So I think... I think the power lies in the power of arc and not order. Right?

Philip: [00:24:32] So, it's kind of collective lead.

Saurabh: [00:24:32] It's a collective lead because I don't think the business problems that we are facing today in most organizations can be solved by just throwing one technology.

Philip: [00:24:42] Yeah. You've got to put on blockchain and forget about the rest.

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Saurabh: [00:24:45] Yeah. And forget about the rest. Or, everything is going to be automated through RPA or what have you. Or machine learning will sort of--.

Philip: [00:24:53] Take over the world.

Saurabh: [00:24:53] Yeah. But I think it has to be a combination of all these things, right. It is the intersection of all of these technologies. If you can find those intersections, that is where the real power lies. I call it the power of hand and not all. Too often we all get into discussions of comparative discussions. Right? The biggest one is man versus machine. But I think a more healthy conversation is man and machine. What's the power of that?

Philip: [00:25:23] What does that enable?

Saurabh: [00:25:26] Right. So, I think... But it's also human tendency. It's just how we are.

Philip: [00:25:33] You kind of compartmentalize all of them and then because maybe the complexity across each one of the technologies you seek to only learn about one and to learn more about one than the others so then you can feel as if you can at least talk and tell me something about it as opposed to looking at them more holistically.

Saurabh: [00:25:53] Exactly. I think organizations should take... given how rapidly technologies are evolving because who knows we're talking about blockchain as being the out darting, but I've been asked this question on what will happen when quantum computing matures, what is going to be the impact on blockchain of that. Honestly, I don't know. One thing that I think most organizations should try and do when dealing with technologies is look at three horizon sorts of a strategy. Horizon one is stuff that is already mainstream, and you need to act now on that stuff. Right? Robotic process automation is a great example of it. I don't think that is a question of what RP is now, but how do I implement it, and how do I scale it up, and how does it enable the best practice kind of questions that you should be asking now. If you're not, then you're becoming a lagger to be honest.

[00:26:52] Then there is Horizon two which is more in the realm of artificial intelligence and all its different subcomponents of machine learning, computer vision, and LP, and LG, neural networks and all those kinds of things. And some of them will start to become mainstream in I think a couple of years. It is important for organizations to not say that "I'll go full hog into AI or I'll just ignore it." but it's important to pilot and test and experiment and sort of play with it because very soon it might become the RPA--.

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Philip: [00:27:29] Yeah, soon it will be mainstream.

Saurabh: [00:27:31] Yeah. Soon within the Horizon One. And then there is Horizon Three which is more R and D stuff, which is more investigative things. Blockchain is a great example of that, right. You start to sort of investigate that because otherwise I call it the... In a couple of years, I call it that you'll have the oh crap moment. Right? Oh, crap but I wish I had known something about blockchain two years back and now it's just too late to the game. I think there's Horizon four, five, six but then let others do that but at least these three horizons if you can start to develop your teams and your strategy to... because you're right, you cannot be an expert in all of them but at least implement something, play with something, and then learn about something. I think if you just take it in those three buckets then it becomes a little more comprehensible.

Philip: [00:28:30] Understandable, yeah. I want to touch on, actually the horizon one, horizon three because it's like the now and then looking a little bit into the future. So, the now is RPA, horizon one. You mentioned the fact that for organizations who aren't embracing RPA right now there's a risk for them to pretty quickly become a lagger. What are some of the use cases that are now pretty mainstream in terms of using RPA and if possible with the application of procurement but if not more... to help us think more generally about if our company isn't doing this we should be making a stance internally to help our organization kind of go down this path.

Saurabh: [00:29:07] Yeah. There are two... There is a spectrum, right. With all these things it's very hard to say these are--. But I think on one hand you can use robotic automation to help the humans do their task faster. Right? And that's not a new concept. That's what Excel macros do when we were kids, right. So, it's sort of Excel macros--.

Philip: [00:29:37] I'm still trying to figure that out.

Saurabh: [00:29:40] But if you can, then it's similar to that, right, which are Excel macros on steroids which basically had to do your stuff faster which is very powerful, right. It's not something that you want to throw away. On the other side of the spectrum is where you don't need human involvement pretty much which is... We call it the robotic desktop automation, RDA on one side and then robotic process automation on the other side.

[00:30:11] And then there's the third one which sort of blurs into horizon two wherein you're saying that it's not only process automation, but it has some elements of AI built in, so it can improve overtime, right. So, let's say robotic process automation can get to 80% straight through processing through the induction of AI or machine

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learning algorithms and stuff like that. You can get it to 90-95%, right. I think that's the spectrum, right. And then you can look at any process where it can be applied. Right?

[00:30:48] So, in the procurement case, procure to pay is a great example of that. Right from accounts payable to invoice processing to catalog management to everything. There is so much swivel chair stuff that happens in procurement, right. You have one application, you copy something from that, then you paste it to another application. If nothing RD, it can help you or at least copy paste faster. It's not the... I don't think that's designed for human intellect. But then you can start to automate some of these things as well, right, and take the entire B2B space. But I think then again to my earlier point it's important to not just throw RP on everything, right. Because there could be examples wherein do we really need this step? Can there be a technology that can eliminate that step altogether versus just--. Because RPA is nothing but a Band-Aid to your existing process. You're doing it the same way. It's just some macro doing it.

Philip: **[00:31:54]** Yeah. Should we reengineer our process?

Saurabh: **[00:31:55]** Should we reengineer our process or is there something else that can take out the middleman for example or something. That's where at horizon one, two, three stuff that we were discussing is important because if you keep throwing RP at everything then that may not be the optimal--.

Philip: **[00:32:10]** Yeah. You maybe automating broken processes or just you stop thinking about the way that you solve a challenge in a particular way.

Saurabh: **[00:32:19]** Yeah. One of the things that we've realized is we interviewed a number of RPA clients, early adopters of the last two quarters. And in general, most of them are happy. They gave it like a three and four which is as good as it gets, right.

Philip: **[00:32:40]** They are happy to try.

Saurabh: **[00:32:43]** Yeah. But I think the two or three things that they mentioned was that it was much more harder to implement than we thought it would be. It took a lot of product configuration and implementation time. Then, it's not something that's a magic wand that will come and good for you which is one of the big learnings. The second one was that, it's sort of garbage in garbage out. If you haven't done all the things that we've been trying to do over the last 15 years, Lean, Six Sigma, all those kind of things, it's the time that you should go and give your alarm bells a hug or something right. Because of that you can do RP. Otherwise it's going to be very very hard.

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Digitization & Procurement: Separating Hype from Reality w/ Saurabh Gupta

[00:33:29] And then toward I think there is a little bit of an over selling problem there in the functionalities that are being told are not really there. So, there is a little bit of

overpromising. But overall, I think it's a very promising technology. I know each of us actually started this whole thing. We call it the Robotistan a few years back. That name of bots has unfortunately stopped. This thing, it was done in a little bit of a jest, but I mean it's become one of the best marketing stories that we've had over the last few years.

Philip: **[00:34:25]** There's a couple of follow up questions I wanted to ask. One is you know you talked a little bit about sometimes there can be an overpromising of capabilities. Are there any particular red flags that anybody should look out for which you know immediately set off the alarm bells to question whether a company has the capabilities of perhaps a warranting.

Saurabh: **[00:34:47]** I think just common sense usually works. There are people who will come and say that you will have 300% ROI and we'll be able to do it in two weeks. Or you'll just take two hours to get this thing done. Your average Joe out there who's never quoted anything will be able to get it done, right. It just seems like too good to be true. It is still, I think. Right answer, right? It is too good to be true.

[00:35:16] I think compared to legacy IT projects it is much much faster. Don't get me wrong. But it is not a magic wand that can just come in and you get stuff done. You need you need proper planning. You need a project plan. You need to test it. You need to have ongoing governance around it because these bots can get broken. What happens if your process step changes? All those ifs and buts you have to sort of--.

Philip: **[00:35:45]** It is not just a black box that you turn on one day never have to worry about it again.

Saurabh: **[00:35:47]** Yeah. Exactly. Plus, this is a very nice space, right. It's just been two years or three years so best practices etcetera are still evolving.

Philip: **[00:35:56]** I'm sure a lot of suppliers that come and go or that consolidate our market firms. Whereas right now it's maybe a little less defined.

Saurabh: **[00:36:07]** Yeah. So, if you look at the RPA market, the estimate there it's about a billion dollars which is pretty sizable. But only about 25-30% of that is software. So, 70-75% of it is services which is the people element of implementing. That is the

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reality that if you are buying RPA, you need to realize that you're not just buying the software but you're buying a solution which will also need people who have expertise and all that.

Philip: [00:36:41] You are not going to from one hundred people to half a person overnight. The other question I had was around... You talked about the survey and the interviews with early adopters. I just wondered if there's anything that kind of... that binds those. Is there something that... I'm thinking culturally or organizationally. Because I'm sure that a lot of people listening in a personal level really want to go in and explore and experiment but there are organizations you know it may be difficult to do so. Are the common traits of themes that run across these organizations who happen to be the more successful in being early adopters?

Saurabh: [00:37:25] Most of these organizations were a little paranoid about what's going to happen to them. If I look at the same--. We've got multiple studies now that sort of point to the same fact in different ways. One of the studies which I can recall now is we basically interviewed whatever bunch of about 400 different business executives, senior VP plus, kind of people. Then we knew they were enterprises, right, so we could actually classify them as these other ones which are performing their own revenue growth and profit margins versus these are not performing that right? We basically segregated them as top quarter. We asked them the same questions. The people who said that - I'm super worried that digital disruption will change us, or we'll not survive, or our culture is not good enough, or we need to be really doing something, or we're not doing enough versus people who were a little more complacent. That - no I think they're doing... digital disruption will happen to others. We have a solid thing. We are growing etcetera. The more paranoid people approach were the higher performers.

Philip: [00:38:52] Yeah. They are wanting to because they fear the impact of not doing anything.

Saurabh: [00:38:57] Yeah. So, I think being a little maniacal or paranoid is a good thing. Now, it's how you translate that also is important, but it is a good thing than just being sort of a deer in the headlight. Right?

Philip: [00:39:14] Yeah, they are waiting and then all of a sudden it comes up and it's something to be addressed immediately rather than kind of getting ahead.

Saurabh: [00:39:21] I think the other traits that you can think of are these are more risk-taking organization. That's obvious, right.

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Philip: [00:39:29] We even embrace something like this to experiment.

Saurabh: [00:39:32] To experiment. And I think the other thing was there was a tone from the top that is always required. I think it's very hard to do it bottoms up if you're looking for real change. So, tone from the top. Having a real earth shattering moment in terms of either we've been divested, or we've been acquired or there's a big leadership change or some event which catapults.

Philip: [00:40:00] The existential crisis or something.

Saurabh: [00:40:02] Exactly. Exactly. It's sometimes helpful.

Philip: [00:40:00] I know it's coming up to time to wrap up, but I wanted to talk a little bit before we finish out on the third horizon which is on blockchain and obviously it's talked about all the time in the news. How far away is blockchain, do you think from being something that is a technology that is really going to start having an impact on how an organization operates?

Saurabh: [00:40:32] Not that far actually. I think most of the stuff that we've seen in blockchain... So, first of all I think I'd like to clarify that there is this crypt currency stuff which is bitcoin which is only what the frenzy is about of how the rich get richer.

Philip: [00:40:51] Yeah. How everyone became billionaires then lost it altogether.

Saurabh: [00:40:55] Yeah. Then there's a more serious conversation around and present option of blockchain as a technology or a change agent. So, if I leave the first one aside because I'm no financial advisor to tell you which--.

Philip: [00:41:09] ...technology of blockchain.

Saurabh: [00:41:10] Yeah. But if I go on the more serious conversation then I think the last... It really started to happen in 2016. In my mind, before that people were just saying what is blockchain and these are the three simple ways of defining blockchain and understanding it. But I think 2016 onwards we've seen... I think blockchain tourism starting to happen where people are going to all these solution providers and service providers.

Philip: [00:41:37] I love that term.

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Saurabh: [00:41:38] Yeah. It's basically tourism, right. You can actually touch and feel it. You can actually see it. What does it really look like? Is it beautiful? Is it bad? And as a result, in 2017 we saw an explosion in proof of concept and pilots and... We actually

looked at about 200 odd engagements across 25 different service providers. 90-95% of them were the POC pilot stage. I think starting 2018 you'll actually start to see live in production blockchains.

Philip: [00:42:17] Interesting.

Saurabh: [00:42:18] I, myself, know about at least ten use cases where the organizations are really planning to go live in 2018 or very shortly. Once that starts to happen then it's called a sheep effect or call it a cross of the chasm effect if you want to be more eloquent.

Philip: [00:42:37] Yeah. Right. People will start to see action and get more confidence.

Saurabh: [00:42:39] People will start to see and get more confidence. And then may be some failures also, right. It's bound to happen that not everything is going to be successful, but I think starting 2018 you'll start to see. I think I am pretty confident because all of these 10 or 12 that I know of. I don't know of everything, right. So, there should be others also. A few of them should succeed and create real impact versus it just being a buzzword without really carrying any meaning or real impact.

Philip: [00:43:15] Amongst the proof of concepts that you have insight into and obviously you can't share a lot of what's happening but I'm just wondering if there's any generally accepted kind of use case that the companies who are investing in experiments saying with blockchain, is it to do a particular thing? Is there a particular use case that is the low hanging fruit for blockchain implementation? Or is it really all over the map?

Saurabh: [00:43:43] No, I think the use cases... Right now, it's all over the map. All right? It's... Every use cases of blockchain use case. But I think you'll start to find use cases becoming more consolidated and getting more defined. And obviously financial service is the leader in this segment given their deal with money. And so, for example payment is the biggest sort of use case for blockchain but I think some of the more interesting blockchain use cases are global trade finance because right now you have a plethora of participants that need to come in to actually make... So, if let's say I need to send some money to my family in India. And if I actually follow that money trail, there are at least 10 stakeholders that touches that transaction.

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Philip: [00:44:40] So, you're paying transaction fee too.

Saurabh: [00:44:42] Paying a transaction fee. It's slow. It still takes... If it's a decently large sum, it still takes a couple of days to get there. The blockchain can be pretty much real time with complete transparency, with complete auditability, with all that kind of stuff.

Philip: [00:44:59] Less transaction costs.

Saurabh: [00:45:00] Yeah. Practically zero. The other one which is outside the financial services supply chain, so provenance tracking is a huge huge use case for blockchain. Provenance tracking actually comes from the world of art so for all the sort of high value paintings--.

Philip: [00:45:25] Artwork and wine.

Saurabh: [00:45:26] Artwork and wine, right. Wherein you need to know exactly where a Michelangelo was from X to Y date, and then who bought it, and then exactly everything needs to be. It was just recorded on paper or somewhere hopefully. Because otherwise you can't really prove the authenticity of it. Now, with blockchain you can take that concept and apply to apples and everything else. Right? So, in fact Walmart--.

Philip: [00:45:51] Everything in supply chain you can...

Saurabh: [00:45:53] You can track and trace it from source to consumer.

Philip: [00:45:56] So, like diamonds for example.

Saurabh: [00:45:58] Diamonds is a great example but not just diamonds. You can do it like even for apples, right.

Philip: [00:46:02] Right. It doesn't need to be something that has high value.

Saurabh: [00:46:03] It doesn't need to be high value because it can be so cost effective that you can do it. Walmart for example. That's one case that I really like is doing it in China. Testing it out where they can actually source maybe apples or some perishables from the farm to the consumer. So, if let's say a consumer... If I eat an

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apple and say "Oh, there was a worm in it or something" and I reported to Walmart then--.

Philip: [00:46:28] They can find where it came from.

Saurabh: [00:46:28] They can find where it came from. Right now, it takes--.

Philip: [00:46:30] And the journey that it took.

Saurabh: [00:46:31] And the journey that it took.

Philip: [00:46:33] Interesting.

Saurabh: [00:46:35] There's a number of... We can have a one-day conversation on this Phil, but it is real. There is still a lot of hype around blockchain but it's starting to get more and more real as we speak.

Philip: [00:46:51] What should--. I guess this--. For time, this has to be the last question but what can the... I hate to use the word average. I think of myself as the average kind of consumer of information on blockchain and where things are going. People who aren't involved are they cutting edge perhaps on proof of concepts but what should we be doing to make sure we keep informed so that we are able to recognize when the time is right to start going from concept to something that maybe I want to influence my organization to try as a proof of concept?

Saurabh: [00:47:30] So like every technology there is this 90-9-1 adoption challenge, right, where 90% of the people don't know what to do. There's 9% who were trying to figure out, or know a little bit but where do I start? And there's only 1% who's doing something credible. Maybe it's not that bad but it's... You got the idea.

Philip: [00:47:55] Yeah, the concept to show.

Saurabh: [00:47:57] I think it's really learning from the next... So, if you're in the 90%, first fully acknowledge that you're in the 90%. Don't say that we are only 1% which you did beautifully. And then learn from the 9%. What did they do? If you're in the 9%, learn from the 1%. And the 1% they have to be the pioneers. They have to figure out something.

Philip: [00:48:21] But they've made that decision that that's what they want to do.

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Saurabh: [00:48:23] For the 90 and the 9, there are enough people that you can talk to and learn. They're getting more open to talk.

Philip: [00:48:35] To share their experiences.

Saurabh: [00:48:37] To share their experiences.

Philip: [00:48:40] I'm certainly always on the lookout as well for listeners of the show to find use cases now so we could start sharing some of those because that gives people then the confidence of maybe going and trying and doing something on their own.

[00:48:53] Well, Saurabh, I want to thank you so much for joining me today. If listeners would like to reach out, connect, or just learn a little bit more about HFS, what would be the best place for them to go?

Saurabh: [00:49:04] Our website. We have the old model wherein most of our research is available for free download. You just have to give in your email ID and you can access pretty much a lot of it. And then you'll have my contacts and my team's contacts and everybody else's contacts just feel free to reach out to us and we'll see what we can do to help you.

Philip: [00:49:29] Really great! Well, what I'll do is I'll include the link to the website on our show notes page for today's episode. That's going to be at artofprocurement.com/hfsresearch. That's artofprocurement.com/hfsresearch. One last time Saurabh, thank you for joining me.

Saurabh: [00:49:46] Hey, thanks. Thanks a lot for having me.

Philip: [00:49:48] Thank you.

[00:49:49] Thank you for listening to another episode of The Art of Procurement. To find an archive of all past episodes, you can go to artofprocurement.com/episodes. And to ensure you never miss another show, go to artofprocurement.com/subscribe.

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