



A Fireside Chat with Vinnie Mirchandani

Advisor, consultant, author, Vinnie Mirchandani has written seven books including *The New Polymath* and *The New Technology Elite*, which have been called “innovation firehoses.” His recent work, *Silicon Collar*, has been called “an important addition to the discourse on 21st century technology impacts.” His series, *SAP Nation*, is more investigative but carried his trademark style, which is case study-heavy and research-intensive. His books bring unique perspectives from his 25 years consulting with customers and his travels and speaking engagements across 70 countries. He has been quoted in most major technology and business publications. His most recent book, *SAP Nation 3.0: Manifest Destiny*, was released in spring, 2019. The following is a discussion Vinnie had with WSR editor Roy Altman.

WSR: You talked about the new talent economy. What do you mean by that?

VM: Well, there are three different manifestations of that. First, look at any big company’s current payroll. An extreme example is Apple – I would say only five percent of its talent is on the payroll.

If you look at Apple manufacturing, its contract manufacturer Foxconn has created literally billions of devices in the last 10 years. Foxconn has some employees. They use contract labor so they have their own value chain.

If you look at Apple’s iOS platform, literally millions of people have been paid out; last time I checked, about US\$80 billion in royalties through the iOS store. If you look at their retail operation, they have some full-time employees. They also have contract employees there.

Then you look at their whole white-collar ecosystem. They have a bunch of digital agencies that do all of their wonderful ads. They have Infosys that helps them with their IT outsourcing. They have a bunch of attorneys who help them. When you look at the talent economy, quite often I find HR is too fixated on internal employees, and Apple is just one example.

Any industry now has platforms with ecosystems built around them. Amazon has

its fulfillment platform, and Flex, its career platform.

The food industry has always had a franchise model. Eight million people are hired in the franchise economy. It’s not just McDonald’s; it’s Ace Hardware and the UPS Stores. American Express has a cruise planning franchise model. I would say there are probably 40 to 50 million people in this external economy that HR has honestly very little info on: how those people get recruited, how talented they are, and so on.

Companies seem a little too myopic when it comes to talent.

WSR: Human capital management (HCM) systems basically view the organization as employees and contingents. It sounds like they’re missing a real opportunity to manage the full value chain.

VM: I would think so. It’s easier said than done, right? Companies will have to do some organizational alignment to make sure they can look at the total talent value chain.

WSR: There’s been a debate raging in the industry about whether advanced automation or artificial intelligence will destroy more jobs than it creates or whether it will equal out. What do you think about that?

VM: My last book was called *Silicon Collar*. I tend to start my books with a very optimistic perspective on where technology is taking us. The first half of the book, I essentially interviewed practitioners in – I don't know – 50 different settings.

I interviewed BP about stuff that was going on with drones and unmanned vehicles at their rigs in remote places, their operations in Alaska, and so on. I interviewed UPS about automation in their trucks and their delivery personnel and so on.

I looked at the digital agencies, how their employees have become much more digital using computer-generated imaging, all kinds of new forms of digital advertising, and so on. I looked at a very broad spectrum of industries and, for the most part, they were telling me positive stuff about how automation was helping their employees become so much better.

Take UPS, for example. There are a bunch of drivers who have driven a million miles without an accident. It's unheard of, the kind of productivity that some companies are able to generate with automation. In their case, trucks, telematics, and safety devices are based on what they've learned through tracking their drivers, and so on.

If you look at Amazon, in the last 10 years, Amazon Drug Services has delivered 60 price cuts, 60; unheard of! You can't do that without automation.

If you look at what Foxconn has done for Apple, billions of devices, it's not just their employees. They have robotics. They have precision machinery that is working next to the workers. These are all fantastic examples of how automation has made their workers into "super workers."

When I wrote the book in 2015, it was meant to be about positive stuff. I said, "Vinnie, you're going to look stupid because there's so much fear about automation killing jobs."

I actually went and talked to a number of academics. Oxford had this very pessimistic study that 45 percent of the U.S. workforce is susceptible to automation. I looked at Gartner studies (I'm ex-Gartner). I looked at a lot of academic and analytical analysis, and it was very pessimistic.

I had to then reconcile all this optimism that I was hearing from practitioners, or at

least pragmatic stuff from practitioners who were saying, "It's making our workers more efficient. However, it's also expensive. It's not there." They were giving me the balanced perspective.

The academics, on the other hand, were totally pessimistic. I asked, "How do I reconcile this?" So I went and studied 100 years of automation. I looked at UPC codes in the retail industry. Originally, they came out in 1948. They started becoming main stream in the 1970s and actually increased retail jobs because they made inventory control that much more precise.

A simple market could call Campbell's and say, "Look, we used to only order five types of soups. We can take 30 if you can give us 30." Kellogg's, "You can give us 100 different types of cereal. We can handle that much complexity in the inventory management." That led to actually more jobs in the grocery industry.

I looked at how banking started introducing ATMs, which could have put the teller position in jeopardy. Well, even today, there are 80,000 bank branches and most of them still have tellers. They've become salespeople. They've become customer service people, but they haven't disappeared.

We tend to be a little more optimistic about how quickly technology gets adopted. Silicon Valley obviously wants us to believe that technology is ready much earlier than it usually is.

You can see that with autonomous cars. I covered that in the book, and I predicted we won't see it fully successful for at least 10 to 15 years, and that's coming true.

What I found was automation tends to replace tasks, not complete jobs. I'm much more pragmatic about automation. I don't believe all this dystopian stuff that artificial intelligence is going to kill millions of jobs in the next few years. It's not there. I don't see it there, so how is it going to replace us?

WSR: Technology can be a great democratizer. It can do all these wonderful things that you were just talking about, but it does have a dark side, where we're giving up our privacy and our personal data that can be used for nefarious means. Are we headed toward a utopian or dystopian future?

VM: Well, I was in China. They're moving to an amazingly digital society. There are 500

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million Chinese who use their mobile phones for all kinds of banking and financial transactions. That's leading to much more digital commerce.

WSR: They're also using facial recognition to rate how pro-government you are, so there's the other side of that.

VM: The facial recognition is also being used in classrooms to track students who are distracted. The teachers can focus more on them. There are positives and negatives to everything. In China, there's always a worry that the government has access to that information.

On the other hand, I look at Europe, and I see an almost hostile approach to being tracked, creating a lack of privacy. I'm hoping that we, in the U.S., can thread the needle because China has shown that you can generate a digital society out of what is a pretty poor country. They have a massive digital society and they're starting to see some of the benefits. Because they have so much data, they will lead the world in machine learning. They're already starting to.

In Europe, they still fight it, and I think Europe will wake up in three or four years and say, "We had this scale. We created the European Union to get the scale, but we didn't take advantage of it because we were so fixated on privacy."

I'm hoping we don't go the European way, and I hope we don't completely follow the Chinese way either. We've got to land somewhere in the middle, because a digital society has a lot of positives. You and I are in technology, so we can see the positives. We need to make sure we don't scare people by allowing people to misuse that technology.

WSR: Whose role is it to regulate technology? Is that the role of government?

VM: I tend to be a little cynical of how much the government should regulate. Frankly, I would rather have Google tell me what they are tracking and let each consumer make up their mind if it makes sense or not.

I would encourage more private sector competition to keep them honest, rather than allow some bureaucracy to try and regulate them.

WSR: Your new book, *SAP Nation 3.0*, is being released very shortly. What's the main takeaway?

VM: I would say there are two or three big takeaways, and it's not just about SAP. It's about the industry. We have had 20 years of cloud computing applications. Salesforce was born in the late 1990s. NetSuite was born in the late 1990s. Workday has been around for over a decade.

If you create a grid and you look at country-by-country availability and you look at the industry-by-industry availability of applications, it's shocking how little is available. I'd say about 20 percent is available when you look at that grid.

You may ask, "How come, after 20 years, people aren't developing? Why isn't Workday developing stuff for Belgium? Why isn't SuccessFactors available around the world?"

When you look at industry applications, why aren't the major vendors developing financial technology? The banks and startups are developing that.

Current holes in cloud computing and cloud applications are actually hurting corporations that want to aggressively move into the cloud. They can do HR. They can do Finance. They can do customer-relationship management. Then, it drops off very, very quickly. When people are looking at the whole enterprise and saying, "I want to move as much as possible to the cloud;" it's a pretty hard wall they end up hitting.

WSR: You see a lot of companies clinging to the on-premise model as they are still wary of the cloud. Isn't that right?

VM: This is because there isn't much available in the cloud. I talked to a number of CIOs who go, "VM, I'm cloud first," but then they go look at their operational systems and say, "I want a shop floor system," or "I want a retail merchandising system," or "I want a claims processing system and insurance." There's not much available in the cloud.

One big takeaway is that the industry has delivered far less than you would have thought in 20 years. When you look at SAP, Oracle, Infor, Unit4, some of the bigger on-premise customers, I would say there are a million customers around them that have not moved

much into the cloud. They're clinging to their on-premise, and even older, systems.

I look to the bell curve of customers in this book. I call the most aggressive ones risk-takers. The second ones I call modernizers, companies that are actually trying to move some stuff into the cloud. While the first category is doing all kinds of machine learning projects, Internet of Things (IoT) projects, you know, leading-edge kind of projects, the second one is doing something in the cloud. The third one is what I call diversifiers, where they are experimenting with moving away from SAP, ring-fencing it with some Salesforce, some Workday, or moving to third-party maintenance.

The fourth is the category I call bystanders. They're really not doing much at all, especially in Europe. That, in the SAP world, I estimated at 60 percent. I would say in the Oracle world and Infor world it's more like 70 to 90 percent.

You ask, "Why, after 20 years, do we have so many bystanders?" I call it "tilting the bell curve."

I'm telling the vendors, "Guys, you need to tilt this bell curve so the bystanders start moving into the risk-taker and the modernizer category. That's your biggest single opportunity. Quit bragging about everything you're doing. Just make this your single most urgent goal for the next few years."

WSR: Yeah, that's hard to do because a lot of companies are very conservative, so how do we go about that?

VM: The benefit of cloud was supposed to be a very different model, so show them the very different model. I haven't met a single company that won't look at efficiency, won't look at moving away from all the upgrade hell we've had and the customization hell we've had and so on. But you've got to go to them with a pretty compelling value proposition. That's what the cloud was supposed to make it to.

WSR: Let's talk about that value proposition, moving enterprise HCM software to the cloud. It promised economies of scale that would ultimately benefit the customer. Has that come to pass? Have the vendors delivered on that promise?

VM: It has come to pass in the first wave. Let me explain. What Workday, Salesforce, NetSuite, and SuccessFactors did was they collapsed what used to be four contracts. You would buy software from one software vendor. You would get hosting from a data center vendor. You would get application management from an offshore firm. Then, you'd get upgrades from systems integrators who would come in and upgrade your systems every couple of years to the latest release. All four of them were collapsed into one contract, and that was a huge innovation. You could buy it on a per-user basis. Amazing innovation, and that's why cloud started to take off.

Now, in the second wave, you would think that if you gave Workday or Salesforce a three-year or a five-year contract, they would start to show you economies of improvement, right?

When you give somebody a five-year contract, it's guaranteed. You say, "Okay, I want to see efficiencies." It's called continuous improvement. It's called CMM Level 5, Six Sigma, whatever you want to call it.

Companies in the auto and aerospace industries are constantly expecting two percent, five percent improvements per year. That is something the software industry has not shown willingness to deliver. If you sit down with Workday at the end of five years and negotiate, they actually want an increase.

You ask, "Why?"

"Well, because we're delivering more; we've got inflation," and all that.

"B.S. You should be delivering improvements, right?"

That's one thing that is not happening. The second thing that is not happening is the systems integrators are still a very important part of the cost equation.

They have not evolved much at all. Their projects just aren't showing the kind of improvements that you would think would come along. They've done millions of enterprise resource planning (ERP) projects and millions of HCM projects. Why does it still take so long and why is it so unpredictable? Why do we have so many failures?

I would say, for the modernizer and diversifier, the value hasn't been shown. For risk-takers, absolutely – the cloud has shown massive improvement.

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WSR: How are the economics of the software industry changing?

VM: Dramatically, and thank you for bringing that up. I don't think that is manifesting itself enough.

Let me give you an example of a company called Zoho. Their CEO has been in business for about 30 years. He said, "You know, Vinnie, I've seen how easy it's become to develop enterprise software over the last 30 years, and how costs have gone down in the infrastructure area, in the network area, and so on. I know we can develop and deliver software much more efficiently and much more cheaply." He says, "I'm amazed that the application software market refuses to acknowledge that and deliver on that promise."

What he is doing, on the other hand, is delivering. He's up to 45 modules across the enterprise. Unfortunately, HCM has not been one of their strong suits yet. They're starting to develop it, but they're much stronger in CRM and financials. But, they're moving into other parts of the enterprise.

He's got something called Zoho One. It's got 45 modules today. When they launched it, it had 40 modules two years ago. Now it's up to 45.

It's like Amazon Prime. The price doesn't increase and the features that you get for it keep improving year after year. That's how he's going to market.

He's doing very well in the midmarket. He hasn't penetrated the larger companies because he doesn't have a direct sales model and he doesn't have a systems integrator ecosystem, and so on. For the small and mid-size companies, it is just an amazing value proposition.

This could revolutionize the enterprise software market if he started to move it upstream.

When you look at the way he represents the economics of the software industry, there is no reason why enterprise software cannot be developed a lot better, cheaper, and faster.

WSR: And, more competition ultimately helps the customers.

VM: No question!

WSR: VM, thank you for your insights. This has been a lot of fun and best of luck with your new book.

About the Author

Vinnie Mirchandani effortlessly traverses three roles – as advisor to buyers of technology, as analyst of emerging technologies, and author on a wide range of technology/societal topics. He is president of Deal Architect Inc, a technology advisory firm. The firm helps clients take advantage of disruptive trends like cloud computing, and automation technology like wearables and robotic process automation (RPA) before they go main stream. Between this firm and a previous role at the technology research firm, Gartner, he has helped many clients around the world evaluate and negotiate over US\$10 billion in technology contracts. The *Black Book of Outsourcing* has recognized his firm as one of the top boutique advisory firms. He writes a blog, Deal Architect, which focuses on trends in enterprise technology and has been rated by Industry Standard as one of its favorites. His other innovation blog, New Florence. New Renaissance has cataloged 6,000 posts in the past 15 years on creative trends in infotech, biotech, cleantech, and other areas. He can be reached at vm@dealarchitect.com.