Merely adopting cloud computing or technology does not make you digitally transformed: Innover's Rakesh Prasad

By Pranbihanga Borpuzari, ET Online • Last Updated: Nov 14, 2022, 12:32 PM IST

Synopsis
Digital transformation is much more than embracing technology or getting IT infrastructure in place. In fact, it is not even the starting point.

"Digital transformation is very relevant when the notion of cost was the trigger, but now your ability to adapt is also a trigger," said Rakesh Prasad.

The buzz around digital transformation strengthened after the pandemic, and companies rushed to change the way they did business. From customer service to supply chains, every aspect of business felt the need to be digitally sound. But what constitutes digital transformation, what impact can it have on supply chains, and how does one implement it? In a conversation with ET Digital, Rakesh Prasad, Senior Vice-President - Digital Services, Innover, talks about the need for clarity, what digital transformation can achieve and the trends to watch out for. Edited excerpts:

Economic Times (ET): We have all heard about digital transformation and it seems like a simple word, but according to you, what really constitutes digital transformation?

Rakesh Prasad (RP): Everybody today is talking about doing digital transformation, but if you look at it from Innover's point of view, there are three layers to it. The first is going to be the change that is needed at the fundamental technology foundation level — how you put the tech stack and that is where technologies like cloud and SaaS solutions are leading the way for digital transformation.

The second big change that needs to happen, which I think is the most challenging for people to understand, is the fact that merely by adopting cloud or using a new technology, does not make you digitally transformed. Unless you start building those connections across disparate silos of processes and applications within the organisation and in the realm of supply chain, you are not doing digital transformation. The entire ecosystem has to now extend beyond the four walls of the organisation and extend to suppliers, vendors and consumers.

The third layer of digital transformation, which I think everybody talks about the most, is the entire data, analytics and insights-driven aspect. It is about how to leverage these inputs to change the way you engage.

ET: What should be the starting point for digital transformation in a business and should everyone across sectors or across businesses embark on this transformation?

RP: There is going to be some notion of digital transformation for anyone who interacts with the outside world, which is everybody in business. The extent, however, varies.

If you are a consumer-centric business, you have to look at how you are going to engage in this changing world. Else you will be out of the business very quickly. So, if you are in consumer business, you have to do it. There is no choice.

To an extent, even banks and insurance, which are more traditional and enjoyed strong relations with their customers, are also now feeling the pressure with this with new-age neo banks coming in and disrupting business. The definition of digital transformation, in this case, is what you are doing to change your engagement with your end consumer. What you do on cloud, data analytics, infrastructure, API, micro services do not matter, as long as you are not engaging with the consumer.

In B2B, things are very different. B2B products are typically more complex, it is not just selling one SKQ or one unit. Over that, there are always services, warranties, after-sales services, which all make relationships sticky, but also increase the cost of maintaining the relationships. In the digital world, companies can truly reduce that cost of maintaining a

customer and that is what they are truly trying to build their transformation around.

Digital transformation is very relevant when the notion of cost was the trigger, but now your ability to adapt is also a trigger. It is not about 'my infrastructure is getting older or my server is getting older and hence I should move to the cloud.' Now companies are clear that they should be on the cloud because it will give more flexibility and fast-track new updates.

ET: There is also the aspect of supply chain and inventory?
RP: Inventory management becomes a very critical aspect and during Covid, this became apparent. Everyone got impacted and the likes of Amazon, WalMart, Target also faced significant disruptions. However, Amazon rebounded much faster than any of the other retailers; and the reason for that was Amazon had a better way to play around with a supplier base where they can procure from a wider pool rather than a WalMart or a Target because their supply chain is structured in a hub-and-spoke model.

Today, you need the ability and get a sense of how demand is going to fluctuate and what inventory you need to prepare for. This is where a good data analytics ecosystem can provide visibility for the future and enable quick understanding. The fundamental problem is that data is looked at in a very different way by the procurement team, the manufacturing team and the sales and planning team. How do you bring the same visibility and create an accurate picture and this is where aspects like control tower come into play.

ET: What are the trends that you are seeing around digital transformation? You mentioned increasing emphasis on demand forecasting, but what more are you seeing?
RP: If you look at supply chain today, everybody is looking at demand planning and demand sensing. Covid has changed the game and everybody is worried that something else will happen. The biggest challenge is that the large players have a lot of tech debt to worry about and if you look at all large players, most of their demand planning, demand forecasting is happening on large applications like SAP and Oracle. I do not like large products. They kind of try to create a 'catch-all kind' of a platform and it does nothing, honestly. In fact, SMBs are adopting much faster and modern demand sensing technology because they do not have a legacy issue. Very related to this is inventory optimisation. Once you get your demand planning right, the next step is inventory optimisation and or capacity planning. This includes how much raw material to hold, how much finished goods to have, and what capacity you need.

The second big area everybody is talking about in the world of post-sales, mostly in the B2B context, is how to optimise the entire service lifecycle, which means all the way from training and development of your service teams, technicians and after-sales people.

The aspect where there is a lot of focus is supplier risk. Traditional model of supplier risk was always driven by the cost, on time performance and quality, but Covid has changed that. Companies now want to know which supplier is risky, especially if you look at products that have a longer life cycle of supply chain. Supplier risk is a big challenge where companies want to know about country risk and geopolitical risks.

ET: Can something like geopolitical risk also be taken into account?
RP: Yes, based on the trends that we see. We have a lot of data from UN sites, WHO, and even like the Centers for Disease Control and Prevention (CDC). If you look at traditional data sets, nobody looked at diseases or CDC's data set as a risk to anybody. Now in three companies that we have built this model, CDC data on new viruses is a very big variable right now. Similarly, if your supplier is based in Taiwan, there are new risks because of geopolitical issues with China.

ET: What are your product offerings in India and how is business in the country?
RP: For us, there is one big gap from a technology player standpoint in the Indian market. You have large players from the US who can do the end-to-end work for you, but the fact is Indian customers will always be their second, third or even fourth focussed market. Then you have niche players who can do one sliver of work, but they will not be able to provide end-to-end solutions for digital transformation. Innover is playing in that field. Keeping that in mind, I think our goal is to at least grow our India business 300% over the next three years.

From an employee strength perspective, we have presence across five cities-Kolkata, Noida, Bangalore, Pune and Hyderabad. On headcount, we expect to grow by almost 2,000 to 3,000 people in India over the next three years. If you look at our journey, we started out independently in 2020 as Innover. Our employees have grown almost 80% year-over-year and our revenue has seen almost 50% compound annual growth rates.

Today India contributes almost less than 3% of our revenue. In five years, I want India to independently contribute almost 10% to 12% of my revenue, which will be a huge number for us. We are very clear that we would not target the big companies, and my target in India are the SMBs.

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