AI LEADERS PODCAST: DIGITAL ACCELERATION POWERED BY CLOUD, DATA & AI

AUDIO TRANSCRIPT

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Arnab Chakraborty [00:00:20] Welcome, everybody to our AI Leaders podcast. I know, as always, this is a fascinating time for us to discuss on all the emerging topics. And today's topic that we are going to talk about is digital acceleration and how we are powering it with the cloud data and AI. And I'm super excited and privileged to have with me Alessandro De Luca, the global CIO of Merck. And I also have my colleague Eva Wiedenhöft, who is the industry lead in life sciences and also the account leader for Merck. So welcome, Alessandro. Welcome Eva.

Alessandro De Luca [00:00:55] Thank you very much Arnab. Thanks for the invitation. It is a pleasure to be here and an exciting topic.

Arnab Chakraborty [00:01:00] Absolutely. Absolutely. So, I think, you know, what I wanted to get started is Alessandro and Eva that if you look at, especially what's going on right now with all the frenzy around the digital cloud.

You know, I think the leaders, the business leaders, you know, have come back up after Davos and really you know, got together saying that this is the future, you know, in terms of how we have to reinvent our organization. And at Accenture, you know, we did a research study on what we call a total enterprise reinvention. And looking at the power of cloud, the power of data, the power of AI and how it can reinvent the entire organization, you know, back-to-back to front, front to back. And what we found was only 8% of the organizations are really the reinventors of the business using digital. Right. And that's why I thought it would be good for us to start, Alessandro, with your journey as the global CIO of the company, how has the journey started around digital transformation inside Merck and where you are in the journey. It would be great for you to share that with us.

Alessandro De Luca [00:02:02] Absolutely, and it's a fantastic opportunity to be talking about it. And I think there are some truth and some myth about the AI cloud and digital technologies. You know, everybody wants to have the latest technology, but the truth of the matter, what it actually meant it is really try to start from the people because it really start from the people.

What we mean is that there are two things that make digital transformation successful... it's scale and adoption. And adoption is really to upskill and reskill our people in order to leverage the best solution that we have. And the other one is the scalability, because everything is scalability. We have seen it also in Merck in the past a lot of pilots, a lot of mushroom of technology, planting everywhere in the world and whatever, and now we are really talking about scale. So, adding solutions at a scale across the company, putting such varieties as when we introduce an ecosystem called Optimize that is based on AWS and Palantir solution that is really scalable across all the company. Also, our S4HANA cloud journey is totally scalable and if you want, we go for a core lean center and around we build the digital capabilities. So, this journey is a journey. I will say is a journey of people, of data and technology. Probably in this sense you start with the people, then you move to data. And the last point is technology. Technology is a commodity.

Arnab Chakraborty [00:03:37] I love the theme. You know, you start with the people first approach, which is so critical, you know, and one of one of the research that we did around AI and data adoption, we found that the last mile of adoption, the biggest hurdle is the talent and the cultural rotation that you need and how you upskill your talent pool. You know with digital, with data, with AI, played a huge role in that journey. So absolutely with you. And you know, the point that also comes and I think you're touching already on it is it's all about elevating the value.

Alessandro De Luca [00:04:12] Yes.

Arnab Chakraborty [00:04:12] You know, because you talked about the journey. You said technologies at the end, but you need to lead with people and you need to lead into value. So, you know, one of the things I was very curious to understand that as you are going through this journey inside your company, you know, are there some, you know, like examples that you are very fond of that you feel like, you know, this is what great looks like when it comes to value acceleration? I'd love to get your perspective and then also give us perspective on the things.

Alessandro De Luca [00:04:38] Absolutely. And I think that you touch exactly right point that is the value. Because indeed why do we do the digital transformation is to create value. And value means value for the customer. Value from our patient. Merck, you know, is that pharma health care company mainly, but we have three sectors and so on and so far, and really the scope is really to create value at the end for the final guest. And to create value there are a couple of things that are always a must for me. It's that whenever we embrace a program, a project, an initiative it's always that's co- leadership within business and technologies. And technology could be IT people, could be Data science, whatever. But then yes, really co-leadership is necessary because that is the only way to really understand where the value is and then explore it to the max. Then the second element that we always want to do is we want to make sure that the old digital transformation is what we call it democratized. That means that it is understood at shop floor level as well as board level. And this is fundamental because we also noticed that whenever there is a disconnect in both of the areas, then obviously the transformation doesn't go because you need to have the support of the board, but you need to really have an endorsement and engagement of all the employees that we have. We have more than 60,000 employees. So that's definitely. So, this for me is really the things where we have really explored the value. Then in terms of functional solution application. We need the intelligent R&D discovery for clinical trial. We have done it what we call self-driving supply chain, obviously leveraged omnichannel marketing with segmentation based on AI, but really boils down to this core leadership business and technology that makes a difference.

Arnab Chakraborty [00:06:37] No, it's beautiful. It's beautiful. The examples that you are giving around clinical trials right it's so powerful. You can reimagine the way clinical trials are done and how you bring drugs faster to the patients that they are waiting for. You talk about the supply chain. Again, this is universal across all industry you'll need your supply chain to be agile and flexible. And the piece I like is really about how do you activate that value? And that's at the intersection of business and technology. It seems like you have cracked the code of how to make that work.

Alessandro De Luca [00:07:09] Exactly. Look, I mean, just to build on what you said, I mean, we several years ago, we declared Merck as science and technology because we need a combination of scientists and technology makes a good current then and creating opportunity upon that. And I was very pleased to read the Accenture report of this year that

was talking about atoms and bits. That was exactly the same in a different word, but exactly the same concept. This combo of science and technology, of business and IT, business and digital is really what brings the value back.

Arnab Chakraborty [00:07:46] Fantastic. I love the whole theme of science and technology. And even at Accenture, we talk about combining human ingenuity and technology to power innovation.

Alessandro De Luca [00:07:55] Exactly.

Alessandro De Luca [00:07:56] So I think this is the time, you know, and how the power of cloud, data, and AI is impacting on things like biology, the molecular sciences and its impact on business and ambitions. And this is where the people that I know, ask Eva your perspective. You are a leader in our life sciences industry and have seen massive transformation happening in the life sciences and healthcare sector. What is your favorite example, Eva? In terms of activating business value with cloud, data, and AI.

Eva Wiedenhöft [00:08:25] Thanks a lot Arnab for this fantastic question and I think we talked a lot about, I think core value chain functions like supply chain R&D, right? But I think we see also a lot of value potential actually in core enterprise processes. And let me give you an example, very simple things like the order to cash lifecycle, right? We have seen how using cloud data AI can effectively use the time to convert an order from being a customer request into cash for an organization truly by half. And that is because I think if you think about this entire process, navigating customer demands effectively typically requires a talent pool across many functions like sales, customer service, finance, logistics to work really in lockstep together and understanding where in this

process, typically you can realize efficiency effectiveness in the past has been very, very cumbersome. Right? So, when we wanted to explore these processes, teams needed to define a process, map it out, measure it, analyze it, remap it. And nowadays, if you think about how processes are run and supported already by digital tools and technologies, with each of those steps, organization create a massive data pool and massive pools of insights that the cloud actually allows us to tap into. Might real time use innovative AI enabled technology such as process mining tools to really assess processes with minimum human intervention. Show where they are broken, suggest where to take actions. And I think this is the fascinating thing we currently see in the industry. And I think Alessandro also proudly saying that we have been working with our teams together, actually using, you know, process mining technologies to uplift like multi-million value potentials in the core processes of Merck and I think this is we are beyond core value chain functions. There is a true value potential to be unlocked in lockstep between businesses and the IT organizations.

Arnab Chakraborty [00:10:20] Fantastic Eva. fantastic. I think you really brought it to life in terms of how you can activate the value at a business process level. Right. And you brought about the theme of process mining and, you know, just hearing you know, Alessandro what you mentioned, what Eva mentioned there is a constant theme of collaboration. You know, which has a huge impact on the ways of working within an organization. Right? So, Alessandro from your perspective, you know just in terms of the ways of working within the company, that is a huge undertaking. It's not easy to change the ways of working. So just from your experience, what has been some of the core learnings that you've got in changing the ways of working within the company?

Alessandro De Luca [00:10:59] Yeah, I mean, there are several learnings. I would say that I read recently a phrase from some so-called futurist aspect. I don't remember the

name, but it is was saying that the fundamental capability is not to learn, is to unlearn, learn, and relearn. that I found it fantastic because particularly in digital, there are some technologies that in the past were mainstream, but now they're completely obsolete. So, it's really the capability of the workforce and all of our people to unlearn and then relearn something. Relearn working on premise versus working on cloud is completely different. It's not that the technology is different, it's really the way of working. But that required the flexibility of mind. You know, we don't go about a giant methodology. We all know it because we use it, I would say a giant methodology works with giant minds. And that's what we try and reward in Merck. This sort of a giant minds we call it curiosity because we believe that's really the energy behind whatever you want, and that's what has been fundamental to drive all the changes that we've been talking about it.

Arnab Chakraborty [00:12:12] Yeah, no, I think I think you already mentioned at the end, you know, the curiosity and the agile mind is still it's the mindset, it's the complete shift of mindset. And leadership has a huge role to play with that. Because if as leaders, we are just not talking about it, but we have to walk the talk, that's when the people around us and in our organization start looking at us and we become the role models. Absolutely. So, I think that's the leadership role is very, very critical.

Alessandro De Luca [00:12:40] It's very, very critical, very, very critical. And I think the leadership role, is to drive this open mindset, agility of thinking, really like we said it, but also the inclusive mindset. And when you talk about inclusiveness, I'm not only talking about gender, obviously, we should. And We have an aim to get gender parity of the leadership position by 2030, but also inclusiveness of different nationality. And I say for people of course in digital, age. Because Generation Z, not the digital people, thinks absolutely different. Please tell me that I'm more than 50 years old and so on and so far. And we need to live in the upcoming Rise of Capabilities come from Generation Z and tit is our role to create an environment where this inclusiveness is a value creation and not a sort of barrier to really bridge the different mindset.

Arnab Chakraborty [00:13:35] No, absolutely. And I think, you know, your point around the current next generation that is coming in from the universities, you know, for them, ChatGPT which came out in November. Everybody in the colleges are using it. You know, my daughters, you know, are already using it for writing their boards. Right. So, it is a huge evolution and they will be the mainstream of that revolution. Right. So that kind of brings me to our question on the buzz with ChatGPT that we all have seen. It became the fastest growing You know active consumer application in just two months with100 million active users. We have never seen that. So, this is probably the inflection point for data and AI and what cloud can bring to businesses. And I was just curious about, you know, just the position where you stayed within the organization and with your management team. How are you thinking about the opportunity of generative AI and what it can do for our business?

Alessandro De Luca [00:14:33] So first of all, executive point Arnab, is that it's amazing how life cycle of technology shortening and shortening. And then we are talking I mean, just I would say five years ago we were talking about we would take ER not ES to adults and technology. Then we start talking about months, then weeks, and now with ChatGPT is days I mean they are scaling up factories days. I mean, probably the next the solution will be me. I don't know what it is going to be but for us and I think for everyone in the industry there is no other option than adopting this technology. and he goes back to the to the payment study that they did before they are the caveat to unlearn, to learn, to relearn, and that is fundamental because what we said like. You know, I mean, we were educating our self on digital, like even in the scholarship four months ago YouTube. That was typical. you go on YouTube, you own Google, you get it. Now it's obsolete. I mean, even then, now with ChatGPT and whatever come next. And by the way ChatGPT3, is already better and ChatGPT4 is already more advanced. So, I mean, this applies in every side industry, society, education. We should leverage technology in their best. Of course, we know that technology can create.

Also, there is a negative side. I mean, how do we use those that arrive as we use this data? So, we should be really find the right balance. But for me, we should definitely leverage those technology, understand really what is the balance. So always here at Merck always with the customer and the patient in mind, because that's where, again, the pride is in the adoption of these advanced generative AI a year ago.

Arnab Chakraborty [00:16:17] Yeah, no, I mean you're so right. You know, we, just finished our research on generative AI and we came out with our perspective and what we found. You know, one of the very unique things about why this is so special is at the heart of generative AI are these big, large foundation models, which you can tweak very quickly for different use cases. So that is a very different better night than the way, you know, analytical models are built Right. And, you know, the use cases that we are seeing. And, you know, it can help us to be an advisor, almost like a copilot to a businessperson. It will be, I think, using it as a way to design, you know, new plans, new capacities, you know, new designs that didn't exist before. That's a huge power. Right. And then, you know, we are talking about how we can start helping us protect against risks by, you know, creating those scenarios you know, that can help us to understand what are the differences, you know, that we need to mitigate for, right? I mean, the potential is in trillions of dollars is what we are forecasting.

Alessandro De Luca [00:17:17] I totally get totally agree. And I believe that again the organization, they should. And when we look at the organization and you hear about the corporate work as well as the quality of the society that are able to endorse these changes. We really have a competitive advantage. And the different the gap would be eventually higher with the organization count three, eventually that instead they will slow down this adoption.

Arnab Chakraborty [00:17:42] absolutely, absolutely. So maybe and I'll pivot this to Eva, you know, industry had their own life sciences and healthcare, you know, given the frenzy we are seeing as we just talked about the generative AI, ChatGPT and how cloud is propelling all of that.

Right. What are some of your big learnings Eva? You know as you have seen these transformations. What are some of the top two or three learning that leaders need to follow, you know, as they go through this digital transformation?

Eva Wiedenhöft [00:18:10] So I think for estimating questions and I think for sure; I mean that the answer is a little bit depends on the type of organization we have. But I think the two I think observations I would have from the transformations that I've seen; I think there is two things to get right. The first thing it really needs ambitious and courageous leaders that have a vision on how digital and data can transform enterprises. I think. Alessandro, you talked about, you know, Merck's vision of becoming really the science and technology leader, so creating a really compelling case for change, right, that the organization and teams can follow. And I think this is fundamental to really becoming a digital and data driven company. I think the second thing, which I still see a lot of organizations struggle is the need for changing the perspective. So unfortunately, in many organizations, cloud and data and AI are typically looked at as the enabler for business growth. Right? And I think in hard words, to say it's a little bit this thing that, you know, a data and tech and an IT organization needs to cover so that the businesses can actually work with this and I think this is where, you know businesses and specifically business leaders and the teams need to change the perspective to accepting cloud digital and data as something that is core to their business grows and that they make actually an active part of the strategic planning they do so that no longer digital in data is something that's an I.T organization covers on their own. So, I think this is, I would say the two most fundamental learnings ambitious leaders, courageous leaders that create a vision and then the change in perspective on how you look at data digital. And I.T.

Arnab Chakraborty [00:19:45] Love it, love it, you know, and in both of you learning about leadership, it's about the mindset, it's about the people. So, so Alexandro, what would be your advice to your distributors, the leaders, in terms of what should what are the two or three things they should take in mind when they are driving the digital transformation?

Alessandro De Luca [00:20:01] I think what Eva said was absolutely right. So indeed, the courageous leader and then and then this interlinks or even if you want the different shades of gray between business and media. For instance, I'm the group CIO of Merck but I have no business. It's only five years that there'd be a need in digital I.T. And 50% or 40% of my team also come from business. And vice versa we are also supporting talents of I.T. and designs into business roles. And I think really if you, for the suggestion, that they need an the organization that builds a home whatever said like AI is that manager, that leader of the future wouldn't be labeled anymore 'he's the technology' or 'he's the business' but would be really a digital business leader and doesn't matter where he comes. But obviously the only way to do is start from the beginning these career development, this intentional choice that I was explaining before that you move people from the business into digital, from digital to the business, because today it's still two different function. In order to build the leader of the future and the organization of the future would be definitely seamless.

Arnab Chakraborty [00:21:19] That is amazing you know that is amazing and it ties very nicely with our perspective on organizations that are the leaders in the space that invest heavily on talent. Yeah, that's the that's the very direct correlation with the success they are getting their digital transformation journey. And as both you and Eva shared, the leadership DNA is extremely, extremely important in making that journey.

Alessandro De Luca [00:21:45] Exactly. Exactly. And you know what? What we have to do is invest in talent in both sides, investing on talent in hiring the right individual and then keep them motivated to engage. Because we know before about management that Jason said is the fantastic cadence for driving digital scale and whatever, but you need to engage them. You need to find the attractiveness of the job and that's something different from the standard traditional approach that we had in the past, the different development.

Arnab Chakraborty [00:22:18] You know, just a part on that, what the Alessandro and Eva is as you think about the next generation and I was in a seminar last week, it was very clear that the next generation is looking for a sense of purpose.

They are much more responsible in the way they think about, you know, the impact to society. And I think that will play an important role as we think about the transformation, you know, as to how we are doing it in a responsible way, how are we doing it in a purposeful way so that we have an impact to the larger community, society and being very responsible about.

Alessandro De Luca [00:22:48] Exactly. I think sense of purpose is one and passion in what they're doing is second, and that at their fingertip is the third. That's what the new generation wants. And they're ready if you want a fairytale life. So, they expect that also

when they end that a corporate world, or industry world of whatever they find in the company and organizations in country and society is able to provide it will that thrive.

Arnab Chakraborty [00:23:19] Well, this is this is a fantastic, fantastic time. You know, just for all of us to be in this field and having an opportunity of looking into this field of digital cloud data and AI. It can't be any better, you know, and I think it's hugely a level playing field. A student coming out of the university has access to all the technologies and somewhat like us with 20 plus years experience also having the same opportunity. So, it's a great level playing field.

Alessandro De Luca [00:23:45] Absolutely right. Absolutely right. And this is what we should explain also to our people in our organizations. And then if we all level the playing games and everybody can contribute. Wow. I mean, we'll flag, but I agree with you this is the best time to be in the digital world.

Arnab Chakraborty [00:24:03] Yeah. Wow. So, with that I know I think you know our podcast and all of this is so exciting and our conversations can keep on going but really big thanks to you, Alessandro for spending time with us and sharing your journey.You know, I think a lot of great learning then. And big thanks to you Eva for sharing your industry perspective.You know, and I think for all of our audience today, you know, you probably just got a glimpse of what great looks like.You know, if you think about it and the opportunity Alessandro and Eva mentioned is infinite.

You know it's up to us, each of us, what we can bring to the table and how we can be bold, courageous, curious to make this transformation happen. So, feel free to let us know your feedback. If you have questions, please reach out to Alessandro, Eva and myself, and we look forward to continuing this conversation. So, thank you, Alessandro. Thank you Eva for your time.

Alessandro De Luca [00:24:49] Thank you Arnab for the invitation. This was very interesting. it's always pleasure to be in this event. And I also want to thank Accenture, because we really had this great partnership together with Merck and Accenture and the affinity that together we've been able to move the needle in terms of digital transformation.

Arnab Chakraborty [00:25:07] Thank you. Thank you very much.