



Daniel Newman: Hey everyone. Welcome back to The Six Five Summit. It's day two here. We are in the SaaS and enterprise software track for this spotlight session. I'm Daniel Newman, one of the hosts here at The Six Five, and I'm joined by Bharat Sandhu. He's SAP Senior Vice President and he's leading AI and Application Development Strategy. Bharat, welcome to The Six Five Summit. First timer, yeah?

Bharat Sandhu: Yes, great to be here. Thank you.

Daniel Newman: Yeah, welcome. We're going to have a fast-paced conversation here about AI. Give us a quick background on the work you're doing at SAP. Always interested in hearing what does leading AI and application development entail for you these days?

Bharat Sandhu: Yeah, so at SAP, by the way, I've been here for 18 months. It's a super exciting time to be at SAP. We're going through a big transformation ourselves as we move fully to the Cloud. But most importantly, the most exciting thing is, when I came from Microsoft doing the Azure AI business there, with SAP we get to solve the real business problems. The customers run their finance books, their procurement, the supply chain and everything else. And it's so exciting to actually work with customers on actually getting AI into all these mission-critical applications every single day. So that's what I'm focused on. That's what the team's focused on. On the other side, we also have a thriving platform business, which our customers use to build and extend the SAP applications and other business applications. So those are the two worlds I live in and love it every single day.

Daniel Newman: So I want to talk about this rapid onset of AI. I mean you, like me, have been following this for a while. And so before Thanksgiving you could have said ChatGPT at the table if you were celebrating, and everyone would've been like, "Huh?" And then sometime in the next 30 days it became, everybody knows about it. And then by the first quarter of this year, everybody was using it, playing with it, planning their vacations, doing their shopping, writing their essays. That's something we need to talk about. But it kind of came out of nowhere. So it's been exciting, it's captured the imaginations of everybody, but there's more to it. What do you see going on here?

Bharat Sandhu: Yeah, look, I always say by the way, this is not the first time it's happened. Back in the day, if you remember when Siri first came out when Show Ice in China came out and even Tate the bot back in the day, right? Humans, we are so curious by nature. That's what makes us humans. And then the second thing that makes us human is we love to communicate. Look at us. We're talking to each other right now. And what conversational AI, especially whether the large language models or the previous versions of them, they enable people of anyone, any background, non-data scientists to actually touch or engage with AI. And that's been the fascinating thing with ChatGPT in particular. It's that thing on steroids because now that thing has been trained on a vast amount of knowledge, a lot of internet data, and it's out of curiosity, what can this thing do?

Okay, let me engage so that it's humans. We love to engage and we love to talk. And now AI with ChatGPT and just generative AI technologies, large language models, has really opened up a



whole new realm of AI that has made it more relevant for a large variety of large population. Everybody actually, I was with my parents the other day at the dinner a table, and we had the ChatGPT app open and we were asking questions about this phrase commonly used in this language or that language. So it's almost become an assistant and it's just become so tangible instead of an esoteric AI.

Daniel Newman: And it happened so quickly. And it's funny because you kind of mentioned Siri and you mentioned generative AI has kind of been part of my life. We use Google Workspace and Google's been finishing my sentences for a long time and that was a version of generative AI. When you do multi turn conversation with an Alexa, that is a version of generative AI. But to your point, these new LLMs and these new search tools have unlocked the imagination and democratized, would be the word I would use, it's like everyone's like, oh, okay, I see, I get, and it's good to see that progress. But in your mind, what is different about generative AI really than past techniques? Because like I said, it's kind of been there for a while. So how do you explain the real difference besides just commercialization?

Bharat Sandhu: Yeah, I'll give you two examples, right? So if you've ever used Uber, you've used AI, because you had to get a ride, they had to match you with a driver, get the route optimization. Actually, our SAP customers use AI every single day. I'll give you a use where you concur and if you travel, you have to expand expenses. You've been scanning receipts for a long time, or I hope you have been and have not been entering them manually. And also in the background doing audit checks. And in the supply chain AI is used to match suppliers with their needs and recommend suppliers and so forth. But the fact of the matter is all this has been narrow AI, and that's actually been a blessing because AI really was meant to be hidden, as in enhance your applications, enhance your user interface. You should ignore using AI.

So what's changed is generative AI is not doing a narrow thing anymore. It's more general purpose AI and especially given with large language models, you can ask just about anything. So that's what has really changed. Even the Siri, and the Alexas of all the world, you would get tired. You could play music, you could look at the weather, but there's not much engagement going on. Now these large language models allow us to do that. And that's really made AI a thing where previously was very much more hidden behind the scenes.

Daniel Newman: Yeah, no, that makes a lot of sense. And something that you, at your recent SAP Sapphire, the company came out really talking about business AI.

Bharat Sandhu: Yes.

Daniel Newman: And I like that a lot. I've written a lot of pieces. I was tending to use the word enterprise AI and it really kind of set something off in my mind because as a smaller company, we announced our generative AI platform doing AI analyst and AI analytics. And I'm saying, "Yeah, we'll be an enterprise someday, but we're not quite a hundred people." So we're kind of on that cusp of are you an enterprise? But we're a business, you know what I mean?

Bharat Sandhu: Yes, sur.



Daniel Newman: And so I think that while we've heard so much about generative to plan a vacation, generative to pick your favorite music, one of the big opportunities is we've had what? 2% of the world's data is being utilized in some way. I've heard 3, 2, 1. But for businesses to start applying that massive set of data, much of which SAP has, there's this huge opportunity for business AI and generative to create next level customer experiences, better insights, help executives make better decisions, AI in your boardroom, all those things. Talk a little bit about your perspective on that.

Bharat Sandhu: Business AI for us means two things. One is exactly what you said. It's not the size of the organization. It's actually, any organization of any size has customers of some kind, has revenue coming in, cost going out, so you've got to balance books and everything else. Those things are common. And those are the things which we are using AI to really help customers just run better. So it's not the size of the business.

The second important thing, we are being very clear, we are in the market of business AI. What that means is you get out of the box on day one AI capabilities built into your finance, supply chain, procurement, HR systems. That's not to say you can't have enterprise AI systems that are great platforms. There are a lot of great companies that provide a lot of platforms that data science teams and machine learning engineers use. That's awesome.

Our focus is not that. Our focus is to give the CFO the best finance solution that closes the books the fastest so they can report the results to the street as quickly as possible with the highest level of confidence. They can do forecasting, they can manage cost, they can manage their liquidity and so forth. So for us, business AI becomes of all sides of organizations, in all industries, but it's really solving business problems out of the box. And we are really fortunate, one of the biggest things I really value about SAP is the depth of our customer relationships. Customers literally run their businesses on SAP systems. We've been doing it for 50 years and we've learned a lot.

Of course we have a lot of specific data for finance and all that, but we have a lot of domain knowledge. So we've been able to bake the data and domain knowledge now using generative AI, but give it to customers in the solutions they use. So they don't need to have data science teams, machine learning engineering teams, because they get these capabilities out of the box. And these are business AI capabilities that they get. And that's something we do. We help customers run their businesses, and now we're using AI to do that much better.

Daniel Newman: And I think, you can start to make AI as accessible as some people might say at SaaS, like you talked about Concur earlier, an expense solution. Easy to deploy and it made expense management accessible to every business on the planet. That's what I think a lot of companies need from AI. They don't have the data scientists, they don't understand the data pipeline. They don't have racks full of GPUs. They don't know how to code in Python. So one of the things though that you, I'd like you to speak to though, only because it's not too far out from Sapphire, is the company made a lot of announcements and partnerships. So you made announcements of partnerships with I believe Microsoft, you made a partnership and announcement with Google. First of all, talk just a bit about the partnerships and too, why? Why is SAP going down the route of partnering as opposed to maybe trying to build out and do everything itself?



Bharat Sandhu: And we're doing both, right? And I always say it's very fascinating when you're working in the business applications layer because what we then get to do is use the best technologies in the world and they can change over time and they do change over time. So when it comes to general purpose AI, whether it's a great NLP, classification algorithm or whether it's like the generative AI technology, we are working with Microsoft, we're working with Google, we're working with IBM and a plethora of organizations. We do that and then we kind of fine tune these models and choose which models to use. We actually also use a lot of open source models by the way, and we develop our own expertise in doing natural language processing for tax documents and things like that. But we build upon these general purpose technologies in the market, fine tune them or develop our own if needed to solve business needs and then bake them into our solutions.

So customers don't need to worry about what to use, what not to use. We've done the hard work, so customers don't need to do that. And because we have access to all these customers, and more importantly the customer data and the domain knowledge, that's why all the companies are eager to also partner with SAP. And we're very honored to do that. And we really get to benefit from all the great technology investments happening on the general purpose AI space, whether it's open AI or whether it's open source and so forth. And we really get to do that, take the complexity out of it for the customer, just help them hire better, retain employees better and close books faster.

Daniel Newman: So first of all, I fundamentally believe Bharat, that we are going to see just kind of with multi-cloud, we're going to see multi-gen AI.

Bharat Sandhu: Yes.

Daniel Newman: Okay. And the reason this is because there's so much value across different platforms and different large language models. And of course you're going to see the cascading models of large language, medium, small language models, micro models. And of course we know that the better the large language model gets, the less data you need to train the subsequent models and companies are going to be able to get more value, do more training on less. And by the way, that's a good sustainability story, because if you can start training models with less data, it's less power. There's so much goodness inside of all that. So I want to point that out. Speaking of so much goodness, speaking of sustainability, let's flip to regulation for just a minute here.

I watched Sam Altman from Open Ai on the hill. I went on BBC and a bunch of other networks and I talked about what's going to happen here. I would love to get your take because the regulatory environment seems to have multiple schools of thought. Some are like, yeah, we need to regulate this. Some are like, well we need to regulate this, but there's no way we can regulate this. Then of course there's another school that's like, why even bother? Just go because the industry will move so much quicker. What's your take, what's SAP's position on regulation?

Bharat Sandhu: Look, I'll talk you about what we doing at SAP, but just in general, right? With any new technologies, it's always good to actually have a very thoughtful approach to it. And actually



most industry leaders have come out saying, yeah, we do need some regulation. And we do have multiple committees in different countries that work with the local regulators to understand what it requires. Actually, one of the things that makes SAP also unique is our software is used in all different countries. But you know what? Everyone has a different tax law. Everyone has a different labor law. So we've always got to know how to tune our services to the unique needs of every single region, even without AI. But because of that, we are also applying our AI. When it comes to applying AI in a responsible and ethical fashion, we really follow four things.

First, we have an independent ethics committee. Before we even develop any use case, we evaluate it and the ethics committee has to give us a green light. And a lot of cases we don't pursue because we know we will not be able to do it in an ethical fashion. So there's one big check upfront.

Then the second one is the AI technology we use, and you said it. It's multi gen AI, but there are multiple technologies and we want to make sure when we use any AI technology, customer's data is not used to train a broader model. That's super important for us. It's only used for info sync.

Third one, we control the UX. Because we are doing business AI, because it's being served in success factor for helping customers recruit faster or screen other things and to be candidates better, and so forth. The surface area for misuse is really dramatically down because they're not a free flowing thing.

And finally, in our AI approach, we always have humans in the loop. So I'll give an example. Something we announced at Sapphire is a lot of us hire candidates, but we don't do it for a living. We don't every day wake up in the morning say, I'm going to hire fire people today or 10 people today. So we don't hire, at least I'm not that good at writing job descriptions. But now we're using success factor data with the job requirements, with the in-depth skill ontology that we have a success factor to create amazing job descriptions using generative AI. But we fine tune if we make sure it doesn't use wrong words or bias words. But then there's a human the loop review before it gets published. So those are the ways where it's basically able to make sure we don't A, develop a use case that could be not misused, but B, when we launch any use case, there's a human loop at the end to make sure the generation in this case has been reviewed by a human and then approved. So it's not all autopilot.

Daniel Newman: Yeah, no, absolutely. I think there's a big opportunity though to really lead the way. And what I will say is, well, I think regulatory will tend to follow, because we're seeing whether it's internet, whether it's been mobile or social-

Bharat Sandhu: Of course.

Daniel Newman: ... it's taken a long time. So I do think the industry needs to take a big leadership role on things like ethics and regulating itself, making sure models don't drift, transparency in the models. I think a lot of that stuff's going to be important and I expect the industry to step up and do that



stuff. I only have a couple minutes here left with you and I heard a rumor that you wanted to ask me the last question, which would make you the first person ever on a Six Five Summit interview to ask the analyst. But let me just tell you, your head of AR, Claire, she's someone I respect a lot. So I told her I would let this slip.

Bharat Sandhu: One time, just this one time. Even in the era of generative AI, it's good for the candidate to also generate a question for the interviewee. Look, I'm just curious and you've been following this space for a long time and I've been following your work actually also, what are you personally most excited about AI going forward?

Daniel Newman: Yeah, I've thought a lot about it and I think we're all going through these ebbs and flows of how we feel. At first, I looked at it and I said, wow, we could run a really lean operation. So many things could be done with less. It's the do more with less thing. And then I thought to myself, what about do more with more? Meaning, why is generative AI being immediately looked at as a slash and burn strategy instead of saying, for instance, as analysts, we create lots of thought leadership, research content and you can only produce so much, you can only tweet so much, you can only go on TV so many times. I'm excited about the fact that I can go exponential with generative AI. I can create once and use generative to do dozens and hundreds of different versions, short shortcuts. It could take my body of work and videos.

And so I'm really excited about how it's going to enable growth and productivity with the same effort. Meaning that when you're someone that works really hard, you can benefit by getting exponentially more output.

Bharat Sandhu: Yes.

Daniel Newman: And I think for me, that's probably the one thing that's been most exciting, but it took me a little while to not think about it like, do I spend one 10th as much to do something or do I create 10 times more and spend the same? And I think it was finally coming to the realization that generative AI could help with the ladder and help educate the world, democratize the knowledge base that we create here as analysts, and then hopefully provide more and more value. And I got a couple of secrets that I can't reveal here yet of how we're going to do that and how we're going to shake up this industry. But maybe as a very last question, Bharat, before I let you go, what about you? What's the thing that you're going to do with generative AI or that you want to see from generative AI that's going to change the way you work or change the world in some way?

Bharat Sandhu: There are two ways I think so. One is actually, I think I would love for the AI to kind of also go back into blending behind the scenes a little bit. We'll take all the hype right now, but it's most productive when it's behind the scenes. I'll give you an example. One of the solutions we launched at Sapphire was transportation management. What is that? One of the biggest challenges we have, any company has, is truckloads coming to a warehouse, somebody has to offload the stuff, but then there's a long piece of documenting this is what I delivered, but this is what I'm picking up. And that has to be manually entered. The frontline workers would do it. Sometimes there's data entry errors, a lot of cost. With large language models, we're not



generating anything, but we are using this expertise to understand language, to match the fields, to automate the entire process in any country, in any template, and so forth.

So all of a sudden, all the companies that had just stacks of paper to process, not anymore. The scan thing has gone there. So again, but they don't know they're using generative AI. We use generative AI and it's actually a pretty simple model to do that. But we've kind of baked it behind the scenes. I would love for more of the business capability as business impact to happen with customers who don't even know they're using AI or generative AI.

Personally in my personal life though, I'm a big sci-fi fan, so I can't wait for a true digital assistant to talk to in the morning and read the news and having a conversation as I'm getting ready, what we see in the movies every single day. I think that'd be super cool once we're able to get to that level.

Daniel Newman: Absolutely. And Bharat, it's been so much fun chatting to you. I could see us talking for another... this could go on for a while. However, there's so much more day to go here at The Six Five Summit, so I've got to say goodbye for now.

Bharat Sandhu: Yes.

Daniel Newman: But thank you so much for joining us. Let's do it again sometime soon.

Bharat Sandhu: Yeah, take care. Thank you for having me.

Daniel Newman: All right everybody, there you have it. It's day two here. We are at The Six Five Summit. This is the SaaS Enterprise Software track. But we did talk quite a bit about software. We talked a little bit there about AI too. But hey, who could talk about anything right now in the tech space without getting into AI? Stay with us everyone though, we've got so many more sessions. Catch them all on demand if you can't catch them in real time. We appreciate you tuning in.