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Five keys to digital transformation in manufacturing.

Five keys to digital transformation in manufacturing, 2021

Covid has poured fuel on digital transformation priorities and many businesses are now experiencing something more like “digital acceleration”. The pace is unprecedented: according to the 2020 Harvey Nash/KPMG CIO Survey. Over the three months of May-August 2020, spending on technology grew faster than at any point in history.

But diving a little deeper, it's no surprise (particularly as the pandemic stresses the budgets of smaller players) that larger firms are ahead of smaller organisations on their transformation journey. For example, nearly 80% of large manufacturers use automation, compared with only 40-60% of companies with revenues of \$100 million and less (gener8tor Manufacturing Industry Report.) While maintaining cashflow is always essential, SMEs must keep digital improvement on their agenda.

It doesn't have to be prohibitively expensive. But more importantly, the IT budget must be spent wisely in ways which demonstrate real business value. Here are five keys to keeping up with a seemingly inexorable digital acceleration.



1. Replace Instinct with Strategic Planning

During the early days of the pandemic, there was little opportunity to pick and choose which technologies to implement. Businesses made forced decisions: whatever kept the lights on and protected employees was fine. Today, however, it's time to evaluate the options more carefully. Tech must be assessed against a longer-term strategy; not just for survival, but for profitability.

Manufacturers typically experience a range of pain points: productivity and optimal performance of machinery, for example. Predictive maintenance, enabled by IoT sensors and AI which compares performance across machines, will identify problems before they become crises and minimise downtime.

Implementing a use case of this importance, where the arsenal of technological solutions transforms the existing ways of working from the shop floor to the office, requires strategic planning. Before investing in tech, invest in acquiring the talent and knowledge necessary to navigate the new digital landscape.





2. Focus on your people

Unlike many other industries where the transition to hybrid modes of working happened almost seamlessly, manufacturing is still resolutely locationbased; and therefore under plenty of pressure. PPE, social distancing, and sanitary measures are no longer “new” but standard. This has been challenging for many employees.

At the same time, much of the narrative around digital initiatives has focused on increasing performance, either by monitoring workers (e.g. software-driven time and motion studies) or replacing them with robotics. It’s a further pressure on their goodwill.

But that narrative is not entirely fair. While Gartner anticipates that by 2025, there will be a critical mass of products with fully automated end-to-end manufacturing processes, most manufacturing is still very much dependent on acquiring and retaining talent. That is even more the case today, now that the talent pool is no longer global due to ever-changing travel restrictions and a recognition that supply chains are not impregnable.

The message is: renew focus on your teams. Where their work is augmented by technology, most businesses redeploy employees onto higher value work, and recognise the ongoing value of their experience and knowhow. In the words of Andy Jassy, new CEO of Amazon, “There’s no compression algorithm for experience”: time spent on the job is of intrinsic value, and the knowledge in your team cannot be overvalued.

Before deploying new technologies, ask the people who will actually be using them what they need. Ensure that value is felt on the shop floor, not just in the business plan – because otherwise the promised ROI will soon disappear. The modern workplace is not just technology-driven: it is humans operating, innovating and making decisions with the support of technology.

3. Prioritise Visibility Across Inventory & Supply Chain

Digital transformation efforts were enhancing manufacturing well before the pandemic. But one year in, KPMG reports that responsive operations and supply chains are still the most significant digital transformation priority.

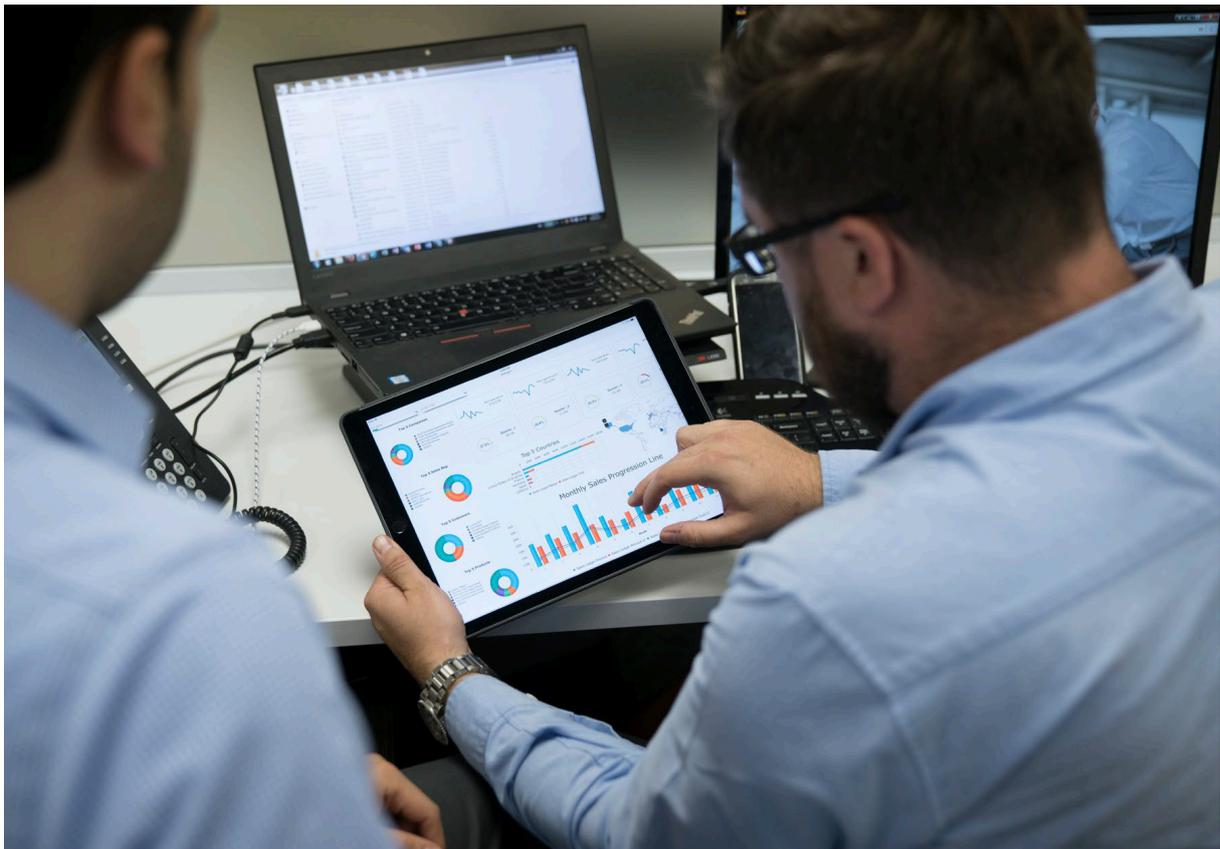
A McKinsey survey similarly reveals that many organisations have been using advanced supplychain management software; but that the use of these systems has rarely gone beyond basic dashboards for "state of the system" visibility.

In 2021, there is more on offer. Effective supply chain visibility now includes detailed and accurate inventory tracking, alongside a real-time map of suppliers and supply alternatives.

At the same time, customer demands are evolving more rapidly than ever. Supply chain visualisation should therefore work alongside forecasting and scenario planning for a set of 'what if' options to cater to different customer needs and outcomes.

Better still, supply chain clarity can uncover cash locked in other parts of the value chain. For example, this insight might lead to optimisation decisions like:

- Reducing the finished goods inventory.
- Improving logistics with intelligent fleet management.
- Stress-testing purchasing and payment processes.





4. Hyperautomation and the Connected Enterprise

Robotic Process Automation (RPA) efforts are becoming ubiquitous in manufacturing. As a tool, RPA is economical (with a rapid ROI) and perfect for handling repetitive, individual tasks. RPA has typically meant software add-ons used for reporting functions and simplifying processes. However, as Gartner puts it, the requirement for “digital by default” is embedding automations ever more deeply into operations. In particular, there’s value in connecting disparate software systems to remove human effort and speed up processes which otherwise would require basic but possibly time-consuming interventions.

Smart businesses are “hyperautomating”: identifying, vetting and deploying automations in business and IT processes, the results of which are demonstrably felt in customer service levels and on the balance sheet. Take, for example, Johnson & Johnson Vision Care. The World Economic Forum reports that they have used automations to create a hyper-personalised end-to-end user experience that connect patients to professionals, retailers, and the manufacturer. It means the business operates at the speed of user expectations and offers customisations to the product, which customers really value. The result is a doubledigit improvement in customer conversion rates.

5. Security remains non-negotiable

As analysts KPMG, point out, the digitally connected enterprise is more resilient to future shocks. But hyper-connectedness and a digital-first strategy also come with increased security challenges. It’s no surprise to find that PwC’s CEO report covering North America and Western Europe, along with a raft of other surveys from other analysts across the world, consistently show that cyber is the top threat keeping them awake at night.

The essential item on the agenda needs to be a response protocol to ever-growing types of attacks, from data breaches to ransomware threats. As Industry Week points out in the fall-out of yet another ransomware attack (in this case the Canadian plane maker Bombardier), manufacturers must be watchful of every potential threat vector. Not only is their confidential data at stake, but also that of their employees and business partners. In fact, entire supply chains are now being targeted. Security is just an everyday cost of doing business.

Resilience at the forefront

Digital transformation has accelerated beyond the bounds of traditional business decision-making. Manufacturers face an abundance of technology solutions, uncertainty in the buying process, and different levels of readiness to implement new tech. And ideally, organisations will want to keep the pace of change experienced during Covid-19 going into “normal” conditions.

But resilience is built on fast-paced decision making and flexibility in problem-solving. Without strategic clarity and key stakeholders all on board, adding technology to the mix can serve just to cement old ways of thinking. Take a fresh look at the bigger objectives: a secure supply chain, how you acquire and retain talent in the new digital environment, and what risk mitigation looks like in your business. This will allow you to step out of firefighting mode and into the sort of goal-oriented scenario planning which will make your next steps in digitisation secure and profitable.



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in digitisation secure
and profitable.**

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