E-BOOK

How Manufacturers are Prioritizing Their Digital Transformation Initiatives

Poka

Digital transformation and Industry 4.0 promise to deliver compelling value to manufacturers.

But my oh my, with the proliferation in the adoption of digital technologies comes a corresponding rise in options and cost. The average number of SaaS products used by companies rose from 16 in 2017 to 110 in 2021, primarily due to the pandemic. Enterprise companies sit at triple that, subscribing to on average a whopping 360 apps. And all of this tech is costing companies big. A recent Gartner survey found that around the world CIOs spent $735 B on software in 2021 and are budgeting even higher in 2023, estimating they'll spend $900 B.

The even worse news is that employees only regularly use half of the tools available to them.

Let's recap. There's a whole new generation of manufacturing technology coming to market. You need to fast track your company's digital transformation to stay competitive. But embracing a hodge-podge of technology will do nothing but drain your resources and your budget. So the million dollar question then becomes, **how do you prioritize your digital transformation initiatives?**

Why Prioritize?

Digital transformation changes the way companies operate and creates new opportunities to set them apart. It's important to remember that in and of itself, tech isn't the source of differentiation - it's how you use it and what you use it to accomplish.

The majority of executives are taking a strong 'adapt or die' stance on digital transformation.

A Deloitte survey found that **two-thirds of business leaders believe that organizations that don't digitize in the next five years will be "doomed."**

Regardless of if you take such a black or white opinion on the matter, digitally mature companies still performed better than low-tech organizations during the pandemic. "They were about twice as likely to generate net profit margins and annual revenue growth significantly above their industry average," Deloitte reported.

How then, is manufacturing faring in its quest to digitize? Unfortunately, the industry as a whole is still struggling. "Pilot purgatory" is a common complaint tied to digital projects, and many companies have unintentionally acquired a proliferation of disconnected systems throughout operations.

In a global, multi-industry survey of manufacturing and supply chain companies, nearly half said they are still in the early stages of their digital journeys and a quarter are unsure where to even start.

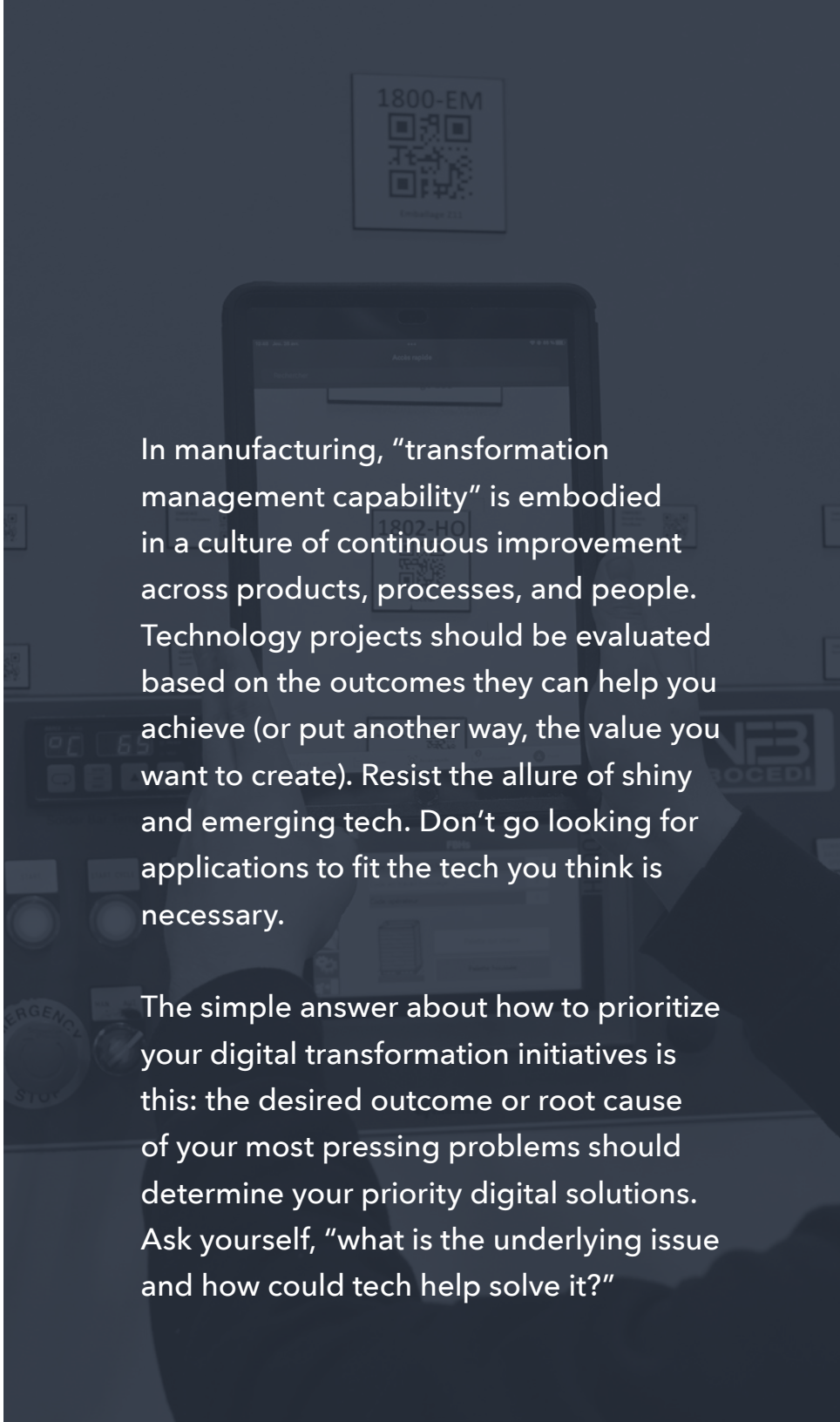
The good news is it's never too late to get control of your company's digital future and adopt a digital transformation strategy. Effective prioritization can also overcome lost ground and lead to long-term competitive advantages.

Whether your goal goes beyond the Smart Factory or stretches to Lights Out Manufacturing, a manufacturer's ability to discern important next steps in digitization is key to ensuring the overall success of company goals.

The Golden Question: What You Need to Ask Yourself when Prioritizing

Digital technology isn't a silver bullet - we've often heard this but what does it really mean? Simply put, they are supports and enablers of your operations and in the case of digital transformation in factories, are inextricably linked to your production system.

The lofty goal of a digital transformation is to eventually evolve into a "digitally mature" organization. The term maturity may be misleading - it doesn't mean that you're experienced with many different digital technologies, or that you use them at every given opportunity. It's actually a measure of your organization's ability to create value using digital, paired with your transformation management capability. Mature companies distinguish themselves on multiple performance metrics, from revenue growth, to time to market, to cost efficiency, and product quality.



In manufacturing, "transformation management capability" is embodied in a culture of continuous improvement across products, processes, and people. Technology projects should be evaluated based on the outcomes they can help you achieve (or put another way, the value you want to create). Resist the allure of shiny and emerging tech. Don't go looking for applications to fit the tech you think is necessary.

The simple answer about how to prioritize your digital transformation initiatives is this: the desired outcome or root cause of your most pressing problems should determine your priority digital solutions. Ask yourself, "what is the underlying issue and how could tech help solve it?"

Tetra Pak®

WCM Digital Transformation Journey

Tetra Pak has been using World Class Manufacturing methodology for more than 20 years. In their experience, the longer they have worked with it, the harder the remaining possible improvements. Beginning with autonomous maintenance and planned maintenance methodologies, they improved the way they managed machines - with repairs, increasing overall maintenance, and training operators, for example.

But slowly things began to get more difficult. Their composition of losses changed over time, with the total percentage of man and method losses increasing and machine losses dropping off.

The company found that by leveraging a digital connected worker platform, they were able to better tie their losses in production to skills gaps, and to scale the WCM practice globally.

"It was quite tricky for us. It means we're now talking about the soft things: people, learning, and skills. That's why we [have this Connected Worker solution], to attack these things, because we see that these are now the most important things to focus on."

- **Johan Lantz**,
Global World Class Manufacturing Integration Manager & E&T Master Pillar Leader, Tetra Pak

4 Things to Consider When Prioritizing Initiatives

1

Best of Breed Approach

As the name implies, a best-of-breed software system is the best product in its category. Vendors offer more specialized functions and have a deeper understanding of users' needs than a more traditional multi-use, mass-market system.

When considering the introduction of new software, overlap doesn't mean certain death nor does it create redundancies – integration is key. You'll want to look for a trusted partner that offers software with a proven track record of ranking best in their application area while also playing nicely with your existing system.

Example:
A leading power tools manufacturer was able to achieve an 8% increase in productivity by rolling out a Connected Worker application. They piloted the software for a full year, in order to give themselves adequate time to assess the benefits and compared the trial to other production areas using existing KPIs. They also chose a mature product area on which to run the test, to limit variables stemming from inexperience.

2

Accelerate Your Impact

Leaders are expected to show value and quickly when integrating a new system, especially when demonstrating proof of concept and the effects of ROI – like lowering operating costs. This means you'll want to look for a robust platform that easily tracks wins and effectively saves your team time while bolstering profit margins.

Example:
In addition to the 8% gain in Direct Productivity, that same manufacturer was also able to improve Mean Time Between Repair by 54% at the pilot plant in the first year. These dramatic results were all the encouragement needed to expand the solution into all remaining manufacturing divisions.

3

Reach for High Adoption

Ease the buy-in by looking for digital solutions that feature a high adoption rate which empower people so you can hit the ground running. Interface design will play a key role here, so be sure to look for applications that are made to be intuitive and user-friendly to minimize learning-curb pushback and time spent on training. When looking for adoption rates, ease of remote collaboration is an important marker of success to flag when testing training and management software.

Example:
Having everyone onboard from the start was key for this specialized nutrition company. Their operators embraced the Connected Worker application, using it daily. Adoption was largely driven by their frontline users' enthusiasm for the product and the role-specific product design. From management to frontline operators, the successful uptake of a new application relies on choosing software that caters to both while facilitating seamless workflow.

4 Pick the Gift that Keeps on Giving

When choosing your outcome-based goals, opt for the low-hanging fruit that offers high value for the least amount of effort. This way, improvements will start paying dividends immediately, promoting confidence and setting leaders up for future opportunities and wins.

Beyond the quick win you'll want to think about investments that serve you in the long-term and provide steady ROIs. When paired with quick wins, this becomes a potent combo that allows leaders to take that time saved and re-invest it into more involved digital transformation projects later down the line.

Example:
A rubber and plastics manufacturer's quick wins at the one-year mark were an 85% rise in overall equipment effectiveness (OEE), which is best in class, and high-value returns of $40,000 saved in reduced quality defects and a further $30,000 saved on waste reduction.

A key long-term ROI improvement for a food producer using a Connected Worker application in support of their QA system was being able to bank 560 extra man-hours as a result of the time saved due to the quick uptake of training the solution afforded line workers.

Is It the Right Time to Focus on Connected Worker?

The turn towards Connected Worker solutions is one that remains largely overlooked despite being one of the quickest returns on investments manufacturers can make.

Many leaders doing digital transformation work are now turning their attention to collaboration, culture, and bridging the gap between the virtual and physical factory to achieve seamless efficiency. A Connected Worker solution helps achieve these goals by empowering workers to learn, solve problems and share knowledge in real-time on the factory floor.

With the future of work decidedly rooted in a hybrid framework, managers can remotely advise and automate troubleshooting on factory lines with connected worker platforms, which offer comprehensive solutions to changing management needs. One spokesperson from Barry Callebaut writes, "[Having a central digital communications feed] has been very helpful for our company communication while COVID-19 restrictions are in place, such as no physical contact between production employees during shift handovers." Additionally, company goals like lowering operational costs and increasing workforce productivity greatly benefit from applications that focus on connecting workers to real-time problem-solving and proven solutions.

The true fit test is if you're looking for an outcome-based solution to these challenges:

Improve communication and collaboration both top-down and bottom-up

Recruit, engage and retain skilled workers

Enable organizational learning and knowledge transfer

Drive safety, quality, cost, delivery, and productivity KPIs

When considering a Connected Worker solution, it's important that the software covers the big five: knowledge, skills and issues management, communication, and digital forms.

Conclusion: Clear Priorities Mean Better Outcomes Across the Board

Since 2020, we've seen a rising need for company stakeholders and leaders to commit to robust digital solutions. Moreover, these digital solutions must also support an organization's culture and promote company values in order for manufacturers to effectively grow and thrive in the coming years. For leaders interested in keeping ahead of the curve, a focus on understanding evolving worker needs and pairing them with reliable and rewarding digital solutions remains top of the list when working to prioritize digital transformation initiatives.