

The ROI of Digital Spending in Industrials and Manufacturing: Increase Your Return With These 3 Accelerators

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A large majority of industrial and manufacturing companies have not invested significantly into their back-office business application infrastructures — outside of optimizing the shop floor — over the last several years, although 36% of them would likely experience above-average business value compared to their peers if they did so.

The percent of revenue these businesses spend on technology and the rate at which they adopt them is significantly behind other industries. In most cases, they are operating several disparate systems while shadow business IT groups support legacy back-office systems that are disconnected from current business requirements. These stopgap measures have allowed I&M organizations to limp along for the last couple of decades.

But the environment in which they are operating today has changed. The speed with which they must introduce new products to market has increased. There is a heightened desire for the end manufacturer to have the capabilities to engage with the end consumer more directly through enhanced value-add services and support. Manufacturers

are increasingly exploring ways to sell more as a service so they can retain and maintain their client relationships.

This new landscape requires new business applications that align to the current state with the flexibility to support a more agile organization in the future. At the same time, available technologies have also evolved in parallel (i.e., robotics process automation, artificial intelligence, etc.), enabling manufacturers to drive operational efficiencies and cost out of the organization.

In Brief

1. Industrial and manufacturing companies lag behind other industries, outside of production, when it comes to digital transformation.
2. The environment in industrials and manufacturing is changing rapidly and these companies are being called to upgrade their digital infrastructures quickly to survive and thrive.
3. There are three primary accelerators for digital transformations in industrials and manufacturing — engaged sponsorship, intentional process design, and enterprise data integrity.

3 Digital Transformation Accelerators

These factors may be why 80% of manufacturing CEOs are currently planning to [increase their digital spending](#). But to make the best use of their investments, industrial and manufacturing leaders need to be aware of three areas of digital transformation that can make or break any initiative. Get them wrong, and your project may fail. Get them right, and you will see your return more quickly.

After working on hundreds of these kinds of digital transformation projects for industrial and manufacturing companies, the most common ways we see companies accelerate their transformation are through engaged sponsorship, intentional process design, and enterprise data integrity.

1. Engaged Sponsors Help to Accelerate Change

Without the right sponsorship at the right level, you'll be met with resistance throughout the process that makes any substantial change unsustainable in the long term. In most cases, sponsorship means business executive sponsorship (CEO, CFO, vice president of operations, etc.).

In some scenarios, the c-suite is heavily present and engaged in the beginning. There's a large contingent of leadership at the kick-off event, but as things progress, their engagement diminishes until there's c-suite sponsorship really in name only. Project participants, team members, employees, and even other leaders take their cues from that. The risk of not having leadership commitment is you miss the opportunity to challenge and change processes that increase productivity and add value to the organization.

On the other hand, if there's active executive sponsorship, they are engaged in regular steering committee meetings and there's a sense of ownership that can be felt throughout the

organization. There's no question as to whether this is an initiative that is going to fizzle out next week because there's buy-in on all levels.

Leadership Considerations:

- More than one sponsor is key, especially for large, complex projects. Not only can a second sponsor act as a backup, but this also ensures that all areas of the project are covered by the appropriate functional leader.
- Make sure your sponsor has functional leadership over the area of the business undergoing the digital transformation. (E.g., If you're overhauling your accounting processes, your finance leader should be a sponsor.)
- Sponsors should be business leaders rather than information technology (IT) leaders. IT leaders will be involved, but the buck should stop with business leadership, ideally members of the c-suite.
- Be selective about who you choose as a sponsor. A good sponsor will be engaged from the earliest stages of a project through to its completion. A sponsor who is engaged at the beginning but can't be found when it's time to execute is not going to be effective in the long run.
- Have a sponsor-run plan in place from day one for cascading information to the front lines.

2. Improved Business Processes Are Enhanced by Modern Technology

When technology implementation alone is the driver of your digital transformation, it becomes more about checking a box to prove that you've modernized than about truly transforming your organization from the ground up.

Automation for automation's sake is not the answer. We're not suggesting you always have to do a full benefit realization or a business case, but you do need to understand what you're trying to solve for. Is it just one thing that's involved here or are there several elements at play?

You have to know what your goals are and what you're trying to improve. Especially with a digital transformation — the “digital” gets top-line billing a lot of the time, but in many cases, it's the underlying processes that need the most work for real change to occur. In many cases, companies have solved for gaps in their systems for years (decades even) by either throwing people or manual process band-aids at them (Microsoft Excel spreadsheets, extra FTEs, etc.)

When you undertake a digital transformation, the key to seeing a significant return quickly is to leverage the opportunity to review your processes and look for gaps before you layer expensive technology on top of a suboptimal process or system.

Leadership Considerations:

- Create an inventory of all current business processes. This will give you a starting point from which to determine which processes deserve a closer look as part of your initiative.
- Make sure you have a clear understanding of the business value you are hoping to deliver with your digital transformation initiative. This will help you to identify the processes that need to be reviewed thoroughly (and potentially overhauled) as part of the process.
- For each legacy process you look at, start with the end state in mind and work backward to construct the optimal process. Then solve for the “people” resources you'll need to execute this new process. And technology should be layered on last as an enabler.
- Think about how you'll measure the success of your new process. What metrics make the most sense to illustrate how the new process is performing? What needs to be tracked? How often? And by whom? How will you know if you need to course-correct?

3. Prioritize Enterprise Data Integrity from Day One

You can leverage the best technology in the world, but if you don't have data integrity, you will fail. The right time to start thinking about data integrity and conversion is on day one.

With a large majority of manufacturers still running 30-year-old technologies coupled with an industry with an active history of mergers and acquisitions, you end up with many entities running multiple systems with little to no data harmonization. So, companies are often faced with multiple static systems and disparate data sets.

In many cases, what we find when we help companies with their digital transformations is that they have a disparity in their data because they never truly set these technologies up to be effective with the correct data from the start. The data can become complex quickly in the transformational process without anyone understanding it because of all the disparate legacy systems and the manual intervention processes.

If this is a problem you're dealing with in your organization, it can be tempting to bury your head in the sand and keep moving because data integrity issues can feel overwhelming. But the sooner you work to understand the scope of the problem, the sooner you can start fixing it.

Leadership Considerations:

- All organizations undergoing a digital initiative must cleanse data and integrate sources to optimize their intelligence capabilities and provide the critical insights that enable transformation.
- Consider establishing a [Center of Excellence](#), a cross-functional team that establishes data governance, monitors quality, optimizes service delivery, and enables efficient resource utilization.
- Help your team adjust to the changes in the way they interact with data by integrating change management principles into your project.

When In Doubt, Ask for Help

At this stage of the game, most I&M companies are actively engaged in some sort of digital transformation initiative. How successful they are at actually affecting sustainable positive change likely depends on how strategic the project is, how much the company is willing to invest, and how engaged leadership and other relevant stakeholders are in its success.

If you're stalled or you're seeing less-than-stellar performance from your project, we'd invite you to do a quick audit of your initiative. Think about the three accelerators we outlined above, along with each leadership consideration. If this were an assessment, how would you rate your organization?

If you feel like your project is at risk of failing, you're not alone. Digital transformation can be extremely difficult to get right. There are people involved, and that always implies variability. Global or regional weather or health crises could impact your plans, as we've all borne witness to over the past few years. Unexpected turnover has been known to sink an otherwise healthy initiative, too.

That said, taking control of the things you can control (like the three things we outlined above) helps ensure you are managing the moving parts within your jurisdiction. Most importantly, ask for help. Advisory organizations can help define and execute a strategy aligned to your business goals as well as learning from your peers.



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