



Four trends driving high tech manufacturers to collaborate with non-high tech companies

The lines have been increasingly blurring between high tech and non-high tech manufacturing—in large part due to the proliferation of technology into everyday consumer and business products, coupled with the transformation of society's infrastructure from pervasive Internet connectivity. This has major implications for how high tech manufacturers operate today and how they'll need to operate in the future. C-level executives at high tech manufacturing companies need to respond to this shift by transforming their business strategies and operations to effectively collaborate with non-high tech companies.

The first step in managing this transition is to understand the forces driving the integration of high tech manufacturing and other industries. Read on to learn about four trends that are compelling high tech manufacturers to collaborate with non-tech companies, and what manufacturers can do to make the collaboration work.

1. Technology has been democratized

Over the past 25 years, technology has progressively moved out of the back office of businesses and other organizations—first into the front offices of business, and then into everyday consumer products. The resulting growth of the personal computer and mobile phone markets over the last few decades have been followed more recently by the increasing acceptance of bring-your-own-technology (BYOT) policies at many organizations and institutions. According to a report by market research firm, Global Industry Analysts, this trend shows no sign of slowing down: **“The global market for embedded systems is expected to reach US \$234Billion by 2020**, driven by the steady growth in the production and sales of consumer electronic devices and increased investment in automation technologies in the manufacturing sector.”¹

2. Society has been permanently transformed

The integration of technology into what were traditionally low-tech products has not only changed how people use those products, but also transformed how people communicate with each other and with businesses (such as via social networking), and even how people communicate *with* products (such as via intelligent personal assistants and other artificial intelligence-based interfaces). Technology helped create the self-service society in which people are accustomed—and often more comfortable—handling interactions with businesses and government institutions without direct support from another human being.

Four trends compelling high tech manufacturers to collaborate with non-high tech companies:

- Technology has been democratized.
- Society has been permanently transformed as a result.
- Major industries have been transformed.
- High tech companies can no longer rely purely on innovation.

3. Major industries have been transformed

The democratization of technology and the transformation of society that it facilitated are impacting virtually every major industry. In high tech manufacturing, the trends are causing an upheaval. According to a recent report by the MPI Group, very few manufacturers can manage all facets of manufacturing if they want high tech in their products: **“High tech companies have evolved from sellers of electronic components to developers of modules and systems that offer solutions for manufacturers in need of digital functionality**. This is critical because there isn’t enough high tech capability (e.g., intellectual property) and capacity (e.g., equipment, processes) at most lower-tech manufacturers to embed electronics into their products.”²

This puts growing pressure on leaders of high tech companies. Chief executive officers (CEOs), chief financial officers (CFOs), chief marketing officers (CMOs), production executives, and supply chain management executives now face a different set of business challenges. It's essential they understand the impact of major trends on their individual roles and responsibilities.

4. Innovation alone isn't enough for high tech

Not long ago, high tech manufacturers could depend on the continuous development of innovative new products and capabilities to assure their success. Innovation is still important, of course, but high tech companies are increasingly being held to the same standards for deliverability, quality, and cost that have always been the critical success factors for their counterparts in non-high tech industries.

It takes more to impress today

A few years ago, launching non-tech products with Internet connectivity would have been seen as truly innovative. But today, connectivity is a parity capability for a wide range of products. For example, [consumer electronics products with the ability to connect to the Internet accounted for 91% of industry revenues, according to a report by Strategy Analytics](#).³ As a result, product companies need to offer more sophisticated technology-based innovation to differentiate their companies and their products.

Companies are being held accountable for their marketing claims

There have been several examples in recent years of companies being exposed for making misleading or fraudulent claims about the capabilities of their products. The most notorious and costly example is Volkswagen's use of software that was designed to detect when a diesel vehicle was being tested for emissions, and then adjust the vehicle's carbon dioxide (CO2) emissions so that it would meet emissions requirements. In an October 2016 settlement with the US Federal Trade Commission (FTC), [Volkswagen® agreed to give owners and lessees of affected Volkswagen and Audi 2.0-liter diesel vehicles up to \\$10 billion USD as a remedy for making the false claims](#).⁴

Another example is the March 2015 settlement with the FTC, where Sony® and its advertising agency for the PlayStation Vita®, Deutsch LA, were barred from making misleading advertising claims about the Vita handheld gaming console. [Sony was found to have made false advertising claims](#) about several technology features of the device and was ordered by the FTC to give anyone who bought the console before June 1, 2012 a \$25 cash credit or \$50 merchandise voucher.⁵ The FTC also alleged that Deutsch LA misled consumers by urging its employees to promote the product on Twitter without the employees disclosing their connection to the advertising agency.

These are just two examples of emboldened regulators holding companies accountable for misleading the public. Such actions can prove costly to the business results and brand images of companies that get exposed.

High tech companies are getting called on quality issues

No matter how innovative, flashy, or anticipated a product might be, high tech companies can also get punished in the marketplace if those products don't measure up to quality. For instance, despite early reviews that claimed the Samsung Galaxy Note7 was **"one of the best smartphones on the market,"**⁶ Samsung was soon forced to recall the device due to potential **overheating** issues.⁷ This resulted in a recall of one million devices in the US alone.

The right technology can help make things clearer

Fortunately, advances in information technology (IT) have kept pace with these changes and can help leaders at high tech companies better understand how major trends are impacting their companies and what they can do about it.

For instance, a new generation of collaboration capabilities embedded in traditional enterprise solutions allow a manufacturer's employees and (when appropriate) a partners' employees to share information, streamline workflows, and better understand the business context and implications of their actions. Big Data analytics and cognitive computing (such as data mining, pattern recognition, and natural language simulation that mimic the way the human brain works) are some of the other tools available that can help manufacturers develop effective responses to these external changes.

Adopting a cloud computing strategy can help high tech manufacturers significantly reduce IT capital investment requirements to free up resources to invest in other initiatives that help facilitate business transformation. With a cloud strategy, manufacturers can scale IT infrastructures faster to respond to new business opportunities. These advanced capabilities can be deployed to support a new "as a service" business model. According to an Accenture report: **"Cloud, analytics, and automation architectures behind 'as a service' accelerate innovation, reduce costs, and grow revenue.** Enabled by these plug-in, scalable, consumption-based services, high tech companies can achieve significant, measurable business outcomes."⁸

But the same Accenture report also offers words of caution: "Despite ongoing digital investments, **few high tech companies have a clear and disciplined focus on growth and transformation.** Without redefining how they plan, make, sell, and manage, many high tech companies are surrendering future growth potential for short-term gains."

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What to do next

To successfully address prevailing industry trends, high tech manufacturing executives need to understand the significant role technology can play in building synergy between their companies and companies of other industries.

This will likely take a multi-step approach. First, high tech manufacturers need to gain insight into the root causes of the changes taking place in their markets. Manufacturers then need to use this insight to help uncover where there are new opportunities. Only then can manufacturers seek out new partnerships in new industries to better position their companies for the industry's changing dynamics.

The situation calls for bold actions. High tech manufacturers will likely see increasing opportunities to partner with non-high tech product companies that are attempting to meet their customers' demands for enhanced technological capabilities. Of course, these high tech companies' competitors will also be presented with the same opportunities. By investing the time to truly understand the market forces requiring partnerships between the high tech industry and other non-high tech industries, and then using this knowledge to develop a strategic response, manufacturers will be able to turn a challenge into an opportunity.

Learn more about
Infor High Tech & Electronics



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