



GENERAL MANUFACTURING

Finding the confidence to embrace new technologies as an early adopter

Addressing five common concerns CFOs have over digital technologies

Digital transformation is dominating manufacturing news today. The media tells many tales of total transformation occurring in a wide range of industries, from ride sharing in the automotive industry to the influence of Amazon® in the retail industry. Whenever such an abundance of hype arises around a topic, misconceptions inevitably creep into the dialogue. CFOs who are faced with projecting return on investment (ROI) for digital initiatives are often left with concerns that have no easy answers.

Being an early adopter takes vision and confidence. Concerns over unproven components can stall a project and leave the organization in a seemingly perpetual holding pattern as the cautious CFO waits for firm answers. In today's fast-changing environment with aggressive competition, taking extended periods of time to approve digital projects can have far-reaching consequences. Manufacturers, contractors, and suppliers need to move with confidence, seizing opportunities that may have narrow windows of opportunity.

Identifying obstacles and overcoming worries

To maximize a manufacturer's growth potential today, the CFO needs to embrace modern technologies and overcome worries. Many traditional business standards, such as demanding a strong historical track record, examining case studies, and implementing well-defined best practices, no longer apply. Sometimes, a leap of faith is required.

To help make this leap more grounded, the CFO should conduct research. Five common worries that get in the way of sound decision-making follow. Additionally, you'll find guidance on a number of processes that a growth-focused manufacturer can use to formulate an effective digital transformation plan.

Worry 1: Digital technologies are disruptive, leading to chaos and confusion

The word "disruptive" can be intimidating. It can also evoke images of negative repercussions, from processes coming to a halt, to long-time customers being abandoned, with confusion infiltrating the workforce. This is far from true. While many digital technologies, like the Internet of things (IoT), can bring revolutionary changes, a plant's assembly line doesn't need to come to an abrupt halt when incorporating IoT components and processes. Embracing IoT doesn't mean that you have to leave your customers with unfilled orders while the plant retools or redefines its fulfillment strategy.

Like most technology launches, digital strategies can be deployed in a phased approach, with adequate ramp-up times for training of personnel and introduction of new offerings to customers. You set the timetable, controlling when and how you retire processes that are no longer needed. In many cases, operational changes, such as the way you process orders or predict demand, will be invisible to the customer. Your increased abilities will just be part of the many changes that become the new normal way of doing business. The main disruption to your business comes in the form of fresh thinking, bold innovations, and breaking down old barriers. These are all positives, welcomed by companies that are focused on the future.

Worry 2: Digital technologies are only for large enterprise-size companies with huge budgets

It's true that many of the dramatic success stories coming out of the digital transformation trend are from big names with budgets to match. Amazon, Apple®, Uber, Airbnb®, and Netflix™ are among those companies that have fundamentally changed the face of their respective industries, and continue to do so with sizeable budgets to fund their initiatives.

Like they do at all companies, these initiatives started as ideas. Manufacturers that use digital technology come in all sizes. In fact, mid-sized companies or even young start-ups are especially well-suited to the digital arena, since they can be more agile and more responsive to changes in the market. Larger companies often need to overcome the tendency to move slowly, encumbered by layers of approvals and methodical decision-making.

Cloud deployment, for instance, is a technology that can benefit companies of all sizes. The subscription model, rather than a large one-time capital investment, gives companies—even ones with modest cash flow—the ability to launch new locations, business models, and offerings, with minimal investment.

Worry 3: Digitalization is all about machines, robotics, and the IoT

A manufacturer doesn't need to invest in robots, drones, or augmented reality devices to move into the digital area. Digital is much more than high-profile IoT applications, like a refrigerator that emails when it needs a new filter or a car that automatically applies brakes to avoid a high-speed collision.

For many companies, the digital strategies are often about visibility and communication, or data-sharing. Networked intelligence and connected suppliers offer important opportunities today. Communicating with customers in real time, collaborating on designs, and partnering on innovative concepts are other ways companies can embrace digital concepts.

Worry 4: Digitalization is unproven, highly risky, and invites security breaches

Digitalization of a large company can mean deploying several tactics, dozens of integrated IT solutions, a variety of online tools, and a cloud platform for at least some of the solutions. Or, it can be one solution that provides the game-changing capabilities you need to revolutionize an industry—regardless of the size of your company. Consider all options.

Each tactic should be evaluated individually for its proven abilities and projected ROI. Some new technologies have yet to collect long histories. Case histories may be limited, simply because the technology is changing so quickly. Totally risk-averse companies can avoid those technologies that are still being proven, while still taking advantage of those applications that already have a reasonable number of early adopters.

New ideas often involve a degree of risk, as does taking a do-nothing approach. Many cautious-minded CFOs help mitigate risk by creating separate companies, protecting the original company's equity in assets, capital, and image. Other companies are going all-in, banking on big wins. Both extremes have merit, and the practical approach seems to be in the middle: Limit risk; but invest enough to give the new ideas room to take hold.

Potential security issues, though, always need to be considered seriously—in all aspects of business today—for companies of all sizes. From phishing schemes and malware to securing cloud-based databases and customer data, security is an important topic that deserves careful attention. When formulating a digital plan, it helps to work with a provider that has some expertise with the related technologies. For instance, a company that specializes in cloud services and security is going to have more expertise than one company trying to plan a security strategy alone. Turn to experts.

Worry 5: If we don't have a digital plan already then it's already too late

The pressure is on to jump into the digital journey quickly to avoid becoming irrelevant. In both business-to-business (B2B) and business-to-consumer (B2C) relationships, the buyer has high expectations for value, ease of doing business, and a positive buying experience. Keeping pace with the current market also means managing inventory, pricing, and order accuracy. Small missteps that may have been tolerated in the past are, today, considered serious flaws that can result in the loss of customers. It's important to ramp up modernization and improve your IT infrastructure. It's not too late. But the window of opportunity is narrow.

Digital disruption doesn't have to be disruptive

This digital evolution can occur through strategic, well-planned processes, in small projects tailored for an SMB's bandwidth and budget. You can also adopt a phased approach that breaks the larger goal down into manageable portions. The gains from phase one can even fund phase two. Your early wins will build momentum and gain support as you go.

So, what are some of the specific tactics the manufacturer can embrace?

- **Mobility:** Remote access to data, customer data, processes, and collaborating partners from anywhere, anytime
- **Visibility:** An end-to-end view of your entire enterprise, products, offerings, services, financial plans, suppliers, and partners—all in one system
- **Usability:** Simplified reporting, dashboards, and collaboration tools that make it easy for workers to be efficient and productive in multiple roles
- **Agility:** The ability to make timely, proactive responses to unfolding trends and market opportunities

Modern ERP solutions combine these capabilities into one solution. And with cloud deployment, known for easy implementation, you can have a new solution up and running in weeks, unlike the years that can be involved in a traditional, onsite deployment.

Final takeaways

The hyperbole often surrounding digitalization can generate misunderstanding. It's possible for a CFO to become mired in worries, thinking digital technologies are too risky or out of reach. The five worries discussed in this paper are just some examples of how common doubts can get in the way of acting in a timely manner and deploying sound digital strategies. Working with an experienced software provider can help a CFO and manufacturer to make smart technology decisions, prioritize investments, and increase confidence levels.

The CFO should, above all, understand the urgency of embracing digital concepts. Sticking with time-proven technologies and manual systems can make it difficult for your customers to engage with you. Ignoring digital technologies because you think they are unproven and high-risk, will keep you from achieving your full potential.

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