

Consumer in practice

A consumer products and retail playbook series

Issue 4: Striving for ROI with digital manufacturing investments



Shape the future
with confidence



Why return on digital investments eludes manufacturers

From machine learning to automation and artificial intelligence (AI), digital enablement will soon change the way consumer manufacturing companies think about manufacturing. While this sounds compelling, for those companies that embraced digital early, the expected benefit has frequently fallen short. The question is why.

There are three primary reasons companies are not realizing the value proposition of digital manufacturing. First, there's a significant skills

gap in the current workforce. New, sophisticated technologies developed rapidly and, in many cases, beyond the current digital skill sets of shop floor and other workers critical to their successful adoption. A new AI-driven quality control system on a sneaker production line, for example, in the hands of undertrained employees who are hesitant to embrace it won't produce the desired outcome. Second, organizations have attempted to mainline new technologies without careful integration into

existing processes. A shop floor process that doesn't allow for real-time changes can't benefit from an IoT-based data-driven platform to adjust capacity or other variables on the fly. Lastly, challenges with solution scaling often blunt the speed and impact of digital transformation. High initial investments, the complexity of supply chain integration and access to new technology such as 3D printers at volume all impact how quickly and broadly companies can scale operations.


THE CHALLENGE

Unlocking value with digital and worker enablement

Many organizations are seeking ways to resize their manufacturing operations. Some have partially deployed programs for digital change without realizing full success. Whether it's a short-term stopgap to try and meet overwhelming demand or an operations restructuring to seize business opportunities, the answer lies in the same place. Emerging technologies and new digital tools are capable of bringing unrealized efficiencies to the shop floor and manufacturing processes throughout the organization that can effectively enable value.

Unlocking unrealized value comes from enhancing and simplifying the daily actions workers on the shop floor perform every day. To truly embrace the possibility and the scale of change, organizations must now focus on changing behaviors and evolving ways of working on the shop floor and manufacturing lines, as well as how workers engage with newly available digital tools to do their work.





Consumer manufacturers who want to move beyond the chaos of daily problem solving and firefighting to delivering more predictable outcomes must implement an effective, digitally enabled program by considering these three steps:

1

Make sure you have the right digital strategy, vision and KPIs

The best digital strategies will align workers, technology and processes into a singular strategic vision based on delivering value and solving business problems. Start by defining how you want your organization to change. Are you undertaking comprehensive transformation, incrementally building your business or setting out to change the way your

industry will operate? Set a strategy against that definition, considering both technology needs and operational systems requirements. Review production goals within your vision and start planning which digital tools, training of employees and process changes will need to be initiated to meet them, as well as the KPIs you'll use to measure progress.

TAKE ACTION



2

Create a digital roadmap for your journey

Bring your vision – what the organization is doing and why it's important – together with the crucial steps needed for change into one comprehensive roadmap for digital transformation. Make sure you're thinking about organizational structure as well as operating models, as both must be aligned

for success, particularly as ongoing advances in technology will soon drive unavoidable operational change. As part of the roadmap, it's important to review future roles to determine where resources must be added, built or reallocated.

3

Define organizational structure and governance to drive successful change

A digital transformation can't be successful without full alignment of leadership and business units across the organization.

As manufacturers begin their digital journeys to boost production capabilities and create efficiencies, they should:

- Set up a transformation and value capture office within the organization, including cross-functional representation
- Define governance and work processes (e.g., should a line worker be able to, or permitted to, turn off the overall vision system for production?)
- Seek ways to further integrate business units across the company by mixing personnel and skill sets from cross-functional teams
- Define and communicate to all team members the guidelines and responsibilities owned by each and set reporting mechanisms for accountability

Executive-level engagement across operations, finance and technology are the key differentiator to drive a people plus technology transformation journey for the organization and deliver better outcomes:

- COO: Sets the North Star or strategic vision and acts as the backbone throughout the transformation journey
- CIO: Responsible for digital enablement, systems, tech architecture and scaling system across facilities
- CFO: Determines business need and defines/tracks value coming out of investment – whether through cost, revenue volume or throughput
- CHRO: Understands the critical people capabilities required and develops a plan to upskill and qualify resources for more successful adoption and future success



As consumers increasingly shift away from traditional tobacco products, a legacy tobacco industry manufacturer sought ways to reorient its supply chain and production logistics to rapidly scale innovation and capabilities around introducing new products. An EY team began looking at different points of entry and, taking a broad approach, created eight proofs of concept for client consideration. The decision was made to create a digitally enabled shop floor that would improve employee satisfaction

and productivity and create greatly enhanced data processing efficiencies. The transformation program included digitizing all shop floor documentation, creating accessible and visualized data to improve production standards, and building operational excellence as a foundation for rolling out new processes across the organization. In all, digitization initiatives are expected to reduce manufacturing costs by \$63 million over five years and realize a year one capital deferment of \$21 million.

It is important to realize that the next phase of digital transformation doesn't necessitate changing every manufacturing process or technology. Effective enablement of technology, processes and people should improve weaknesses and capitalize on strengths in increments. Those organizations that integrate digital tools to create or enhance people-first workplaces will be best positioned to find efficiencies, drive high adoption of new tools and deliver an increased return on investment.

IN PRACTICE

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