



Seven steps for building a digital strategy for your manufacturing enterprise

Manufacturers face increasing pressures to adopt digital strategies in order to keep pace with innovation and customer expectations. Unfortunately, **according to IDC Manufacturing Insights**, manufacturers are also reluctant to be first movers. Only 15% have a digital strategy in place now. 37% Want to be early adapters, but not first movers—because there may be risks. And, 35% say they prefer to wait until they see proven results before they deploy digital technologies.

Here are seven steps every manufacturers should take right now to develop a sharp, focused digital strategy.

1

Understand your goals

Digital strategy has to be grounded in broader business strategy, and that means understanding where your business is headed. Start out by reviewing your company's mission statement and goals, but bear in mind that the language on the page might be quite broad—a commitment to delivering the best service, boosting company growth, expanding services, delivering the highest quality, or becoming a leader in the market.

To get a more in-depth sense of what you're trying to accomplish, review more detailed business plans, meet with executives, and conduct some informal interviews to pinpoint your company's key differentiators. Keep in mind digitalization may create new target markets, new differentiators, and new products. Do not constrict yourself to your current product mix. The details of your business plan will become the cornerstone of a targeted digital strategy. And by grounding your digital plan in the objectives that guide your business, you'll be able to dramatically increase the odds of executive buy-in—and give your in-house stakeholders (and yourself) a solid benchmark for judging the success of the effort.

2

Identify and engage stakeholders

Your project will only succeed if you obtain stakeholder engagement. According to the Project Management Institute, **companies fail to make the change they intend approximately 70 percent of the time** ” due to lack of stakeholder engagement. You'll want to ensure that senior management supports your strategy. That IT is behind it. That other department heads understand how important it is to get your digital strategy right. Then there are the change agents—people who are passionate about making things better, and comfortable with change. You're looking for new ideas, so definitely include younger employees who will see your strategy from a different perspective.

Just as important, you'll need an executive sponsor to help you drive timely decisions, get your budget approved, and help you deliver on the changes in your digital strategy—changes that could transform the company in ways that no one has ever imagined before.



Your effort to engage stakeholders must be a conversation, not a monologue. You'll get so much more engagement if you ask others for their critical comments, embrace their knowledge and experience, and build their feedback into the next draft of your plan. That's how you build a living, breathing strategy that can propel your company to digital success.

3

Review your processes

A slow or obsolete process can choke off the most innovative business strategy. Remember that digitalization means thinking out of the box and applying new technologies in innovative ways. The often means developing new business models and new revenue streams. Data generated from smart sensors and Internet of Things Technologies can be packaged and monetized. A manufacturer can branch into services and leverage data for new trend-based research and projections. The possibilities are broad and exciting.

But there's a risk in trying to address too many operational issues in the midst of a broader strategic review. Important as it is to optimize your day-to-day processes, you can't lose track of the big picture. The solution is to cover as much ground as you can, without sacrificing focus or momentum. That means reviewing your business processes, but being realistic about what you hope to achieve. You don't want this step to take so long or get so granular that you never complete the strategy. But it's essential to dig a little deeper, review existing processes in the areas that are essential to achieving your goal, and include that gap analysis in your plan.

4

Take a 360-degree view of your goals

You have to consider any and all interactions that support your stated goal, or impede your ability to achieve it. What can you do better? What results are you ultimately looking for? How can you set yourself apart from the competition? How can you remain competitive and relevant in the face of growing global competition, sometimes from start-ups who are copying your idea and flooding the market with knock-offs?

A digital strategy will shape and reshape every aspect of your business, from sales to finance to warehouse operations. You need to look at each area of the operation, understand how they interact, and spot the opportunities to transform your operations.

5

Evaluate people and interactions

A successful business strategy for any business can depend on hundreds to thousands of people and thousands to millions of interactions. Your digital strategy must be built on a keen understanding of those dynamics.

What are the demographics of your customers, your suppliers, and your employees? How are those demographics changing, and what will each audience look like over the next five, 10, 15 years? How will those interactions change over time? Where do you want to be in the future? And what technology can you leverage to get there? And finally, how can your digital systems give you the data you need to enrich every interaction and drive business success?

The answers to these mission-critical questions begin with people and end with technology—which only underscores the importance of the comprehensive digital strategy you've set out to build.

6

Evaluate your digital footprint

Manufacturers rely on technology for both their business and operational functions. Both Information Technology and Operational Technology will be affected by digitalization, and manufacturers need to apply modernization strategies to both sides of the business. The shop floor will see changes in use of smart sensors, Machine-to-Machine connectivity, preventive monitoring of assets, and tracking of time and labor for more accurate understanding of costs. The escalating demand for product personalization will also change the way manufacturers will manage MTO processes and assemble goods. It is critical for manufacturers to keep with changing operational best practices—many of which require cloud technology.

The question is whether the systems you rely on today are driving you forward or holding you back. A digital strategy isn't complete (or comprehensive) unless it looks at the technologies you currently have onboard, and how well they serve your goals—today and tomorrow. You may find that older systems are holding you back, or that the gaps in your wider software ecosystem are making it tougher to deliver a personalized customer experience. Your system might have only limited extensibility, making it very challenging to maintain tight integration between different between different components. The extensive use of smart sensors may require cloud

storage and advanced analytics to aggregate and make the vast amount of data consumable. You won't be able to change out all your IT operations overnight, but the first step is to identify the gaps.

7

Prioritize and develop your plan

Chances are that the process so far has left you with a *long* list of potential projects. To complete your digital strategy, you'll have to set priorities. You may decide to start with those projects that deliver the fastest results. That way, you can focus on a few priority areas, implement and assess outcomes, and decide on the best path forward. Also, fast turnaround projects can deliver immediate results and help build buzz and adoption around the wider strategy.

Many manufacturers choose to place a high priority on the issues that will impact customer satisfaction. Often, customer centricity is a key differentiator and important tactic for building loyalty.

Your prioritized plan is also a tool for addressing the competitive threats you face today, and the ones you can foresee for tomorrow. If you've designed projects that respond to competitive activity that could harm your business, those will be the projects that just can't wait. Only after careful consideration will you know the best possible way forward for your company to succeed.

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