How To Drive ROI With Your Tech Investments

A Blueprint For P&L Payback

REPORT

Shorter projects with quick paybacks are not only possible, but the most efficient path to better ROI.

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Introduction

Making tech investment decisions is easier than you think. Manufacturers are often frustrated by the challenges associated by embarking on new tech projects, a frustration made very clear in our recent survey. 76% of respondents say they struggle to prioritize tech investments, and the majority say quantifying ROI on those investments is a challenge.

We put together this short guide to help you create a pathway to overcome those problems. Finding tech investments that are both quick to implement and provide a quick payback is not only possible, but the best way to prioritize your investments. We've seen outstanding improvements using this approach.

This process is much simpler than it may seem at first glance. Our approach will help you create a clear course of action that will quickly see positive results.

CONTRIBUTIONS FROM:

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Kevin Hall

> "
> We have examples where we have made the investments and we've seen improvements in product scrap by nearly 25%, reduction in machine downtime by 20%, and an improvement in throughput by nearly 30%.
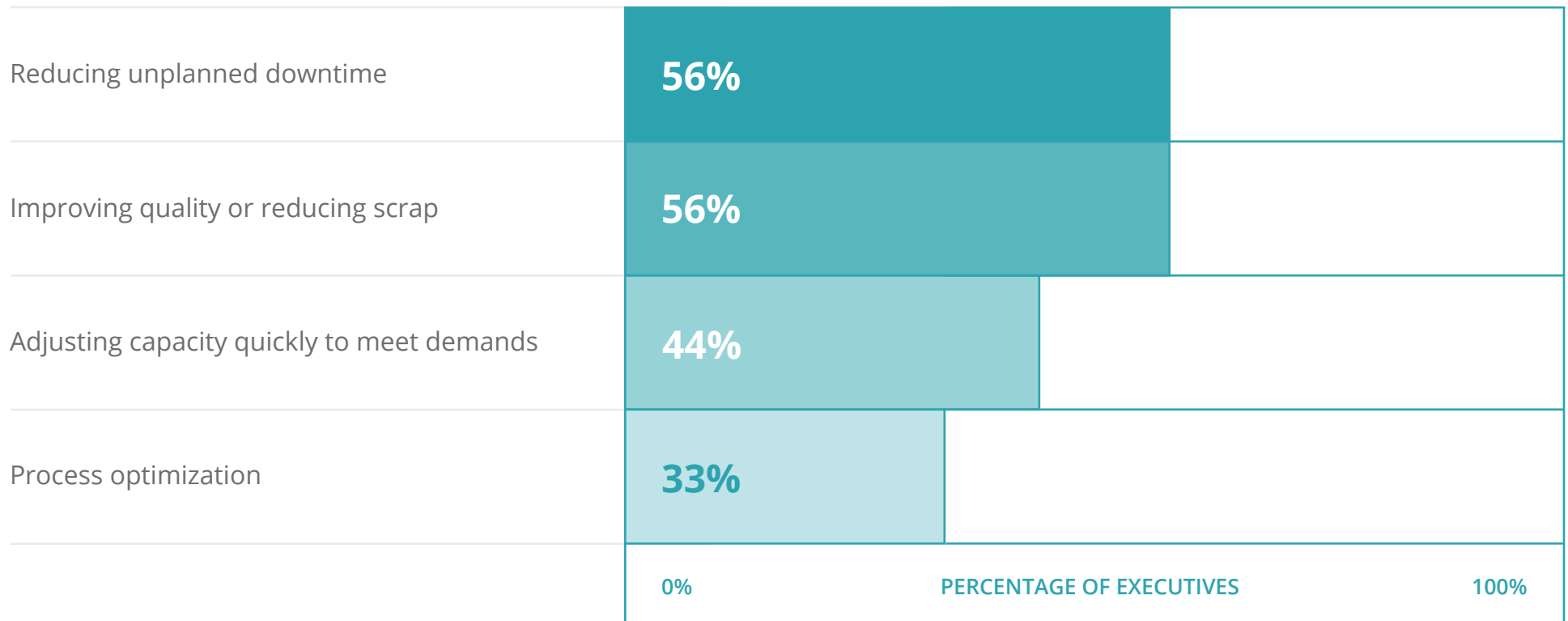>
> **Richard Baker,** *Prysmian Group*

In this actionable report, we look at:

01   Diagnosing the right problems to solve

02   Quantifying ROI of tech investments

03   Evaluating tech vendors and partners

04   Driving usage and adoption among teams

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Diagnose Your Problems, Identify The Technology

Diagnose Your Problems, Identify The Technology

Surveyed Manufacturers' Biggest Challenges

Challenge	Percentage
Reducing unplanned downtime	56%
Improving quality or reducing scrap	56%
Adjusting capacity quickly to meet demands	44%
Process optimization	33%

0% PERCENTAGE OF EXECUTIVES 100%

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Diagnose Your Problems, Identify The Technology

Find The Right Tech In Four Steps

STEP 1: DEFINE

The first step is defining your problems. Look at business cases and goals, and zero in on the specifics. How much money are you losing to quality failures? What would you do if you could increase throughput by 10%? What pain points can be solved the quickest, and what is the fastest way to improve quality and/or performance?

STEP 2: REFOCUS

Manufacturers often worry about unplanned downtime, but there are more problems related to process variance and opportunities for improvement. A quick and effective way to address process variance is to shift focus from unplanned downtime to performance optimization. This streamlines production to improve production capacity, increase first-pass yield and/or minimize material consumption. All of these significantly impact contribution margins.

> ❝
>
> ## Let data steer your decision-making.
>
> **Kevin Hall,** *Ripcord*

STEP 3: BE AGILE

The key to successful digital transformation is agility. Digital transformation equips manufacturers with the ability to streamline process changeovers and empower different teams to work together on the same page. Agility is also crucial to quickly adapt to changing markets. If one business unit is affected by supply chain disruptions or decreases in demand, agile manufacturers are able to quickly shift focus to where demand is increasing.

Diagnose Your Problems, Identify The Technology

PRODUCTION CHANGE — **YIELD OVER TIME** (graph with 2% line and 15% line)
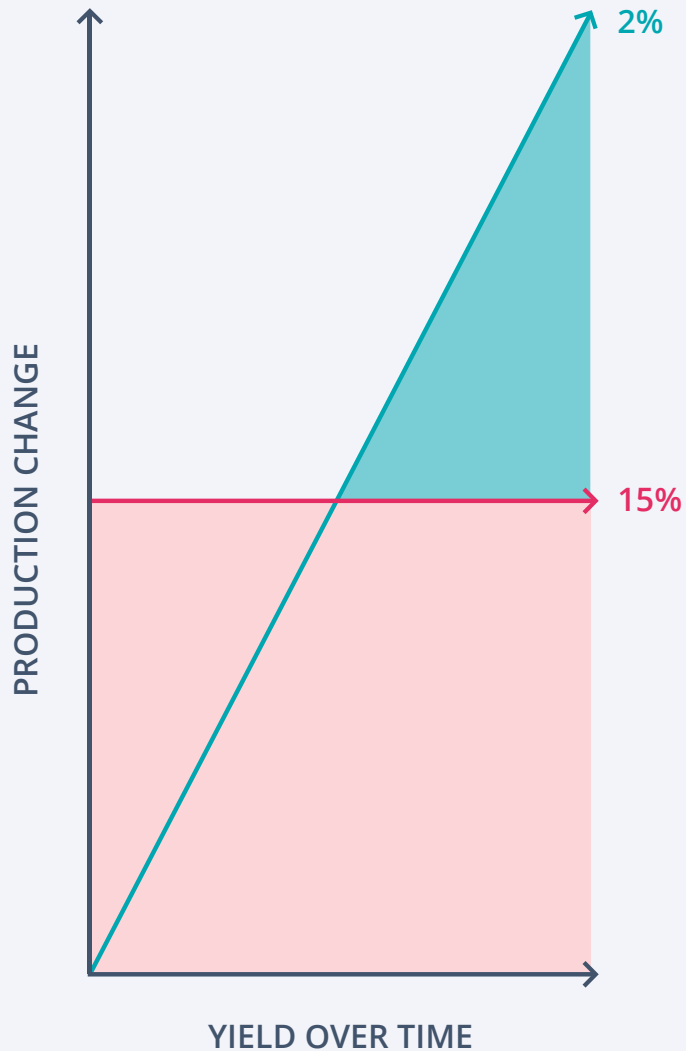
STEP 4: THINK INCREMENTALLY

Instead of choosing one big recommendation that will deliver a 15% increase in yield, it's better to implement a 2% change over a longer period of time. You'll be able to implement faster, but with smaller progressions. You'll also gradually change user behavior and gain support for your overall objective.

Baker says that getting tech investments prioritized at a strategic level is important, especially when limited capital is available. He also emphasizes that in many cases, there simply isn't a one-size-fits-all solution. There is no single solution that solves every problem.

Hall says that where Ripcord chooses to invest its focus is on time and monetary investments that drive the most value for the company, in terms of increasing offerings, improving costs, and enhancing its technology offering.

"For us, it's about the value we're able to deliver to our customers, and improving our technology," says Hall. "It's pretty clear when we look at different investments that yes, this tool or new piece of software, is going to fundamentally improve our ability to go faster and provide better service. Then we've been able to make those decisions quickly."

Quantify ROI

Quantify ROI

Top Challenges When Prioritizing Investments

01   Quantify biggest ROI

02   Align operations & engineering teams

03   Coordinate business outcomes

04   Get buy-in on new technology

05   Conflicting IT/OT priorities

> It's identifying the ability to actually implement. Do you have the people skills in the organization? Are you going to get the support from the vendor that is providing the tool? What's the risk of this implementation? If you put this money in, are you going to get the return you expect?
>
> **Richard Baker,** *Prysmian Group*

Most manufacturers need to rethink how they quantify ROI. Times for recouping investments have changed. **Returns on capital investments used to be one year; now they're usually 2-3 years.** In contrast, returns on operational investments can be very quick, sometimes within a month.

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Quantify ROI

Look for solutions that have a fast time-to-value for quick ROI generation and a minimal payback period. Focus on what will increase products and service offerings and improve costs, and look for investments that provide better access to information.

Also, consider time-to-value, time-to-action and time-to-answer as ways to change the workflow for the user. Even if your equipment sits in a wide range of age spans, that shouldn't stop you from investing in systems that will work with your newer components and machinery. Then you can start on a gradual evolution towards complete integration.

> It's extra critical when you're making decisions around where to invest and what systems to use that you always work towards that Northstar of having the systems connected, and use data to help you make decisions. This makes quantifying ROI, or measuring the impact of a new tool, much more straightforward.
>
> **Kevin Hall,** *Ripcord*

Three Major ROI Validators

LABOR EFFICIENCY

Will the investment help your workforce be more efficient?

MATERIAL EFFICIENCY & PRODUCTIVITY

Will the investment improve production?
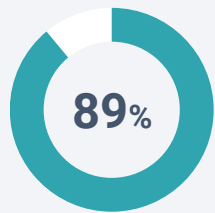
VARIABLE COST-EFFICIENCY

Will the investment improve how effectively you use consumables and support services?

These types of questions are important because the answers will tell you if you're actually able to implement the tech investment.
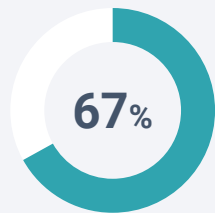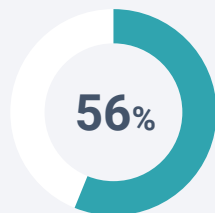
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Evaluate Tech

Evaluate Tech

We Asked Manufacturers' Preferred Evaluation Tools

89%

89% use ROI to evaluate tech investments

67%

67% use functional requirements

56%

56% use ease of implementation to value/ payback period or capital

> "Is it just another job, a 'make it work' project, or is it an actual valuable support tool that really saves time, improves the operation and helps the operators?
>
> **Richard Baker,** Prysmian Group

Once you identify your desired business outcomes, you must define specific evaluation criteria to compare solutions and vendors.

Avoiding silos and creating cross-functional value are two areas to focus on when evaluating vendors and investments, says Kevin Hall. "We've had to make more tactical short-term decisions, but when you look at the medium to long-term, we're always pushing ourselves towards a common set of platforms. Using similar tools and embracing the methodologies we set as a company has been a priority."

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Evaluate Tech

Five Questions To Help Define Success

01   What are the capabilities needed to drive business outcomes?

02   What companies provide tools that support these capabilities?

03   What resources are needed to implement and integrate a new technology into your current environment?

04   What type of training and development is required (e.g. intuitive interface, self-sufficiency)?

05   What are the costs to implement and maintain a solution?

Evaluate Tech

Consider The Strengths Of Out-Of-The-Box Solutions

Quick And Easy To Implement

Out-of-the-box solutions are the only plug-and-play option that negate the need for extensive or full builds. Building solutions takes a lot of time and money, plus they can end up being obsolete, or uncomfortably close to obsolescence by the time they're fully operational.

The Most Flexible

Factories can have a greater degree of autonomy when it comes to machines and infrastructure. A high-level API or OPC UA as a communication protocol provides a common foundation for solving problems and allowing systems to work together.

Fast ROI

These solutions are typically based on proven applications, meaning you can start generating ROI fast. Performance and quality improvement solutions can analyze your data and highlight savings opportunities in under 60 days.
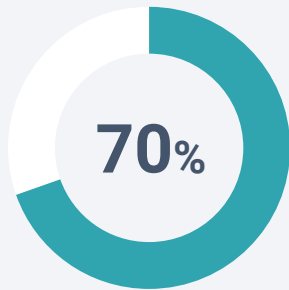
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Drive Adoption

Drive Adoption

We Found Top Employee Adoption Challenges

60%
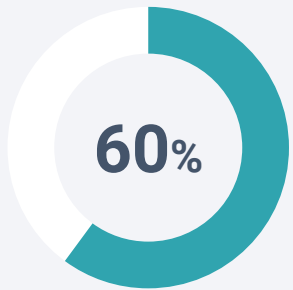
60% say **adoption** is a major challenge when it comes to driving results

70%

70% say **cross-functional execution** is a major challenge when driving results

Drumming up employee enthusiasm for new technologies can often be a challenge. There can be wariness, adoption fatigue if they've been involved with implementing and/or using a multitude of new programs and platforms, and concerns that the time-to-add and learning a new system will take away from their regular work.

> We have an internal product organization that treats employees like customers to understand requirements and their user stories so we know what features will lead to the best progression and the best roadmap for our internal customer-facing technology.
>
> **Richard Baker,** *Prysmian Group*

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Drive Adoption

Proven approaches to minimizing new technology pain points and smoothing the path for adoption:

CREATE CROSS-FUNCTIONAL TEAMS

These are absolutely vital for digital transformation, and help avoid silos and conflicting priorities. With alignment created across teams, there will be a single source of truth to help every department speak the same language.

FIND YOUR CHAMPIONS

Colleagues who are really enthusiastic and 100% behind the changes you're implementing will help spread that enthusiasm to others. Not only will this give you valuable input into different viewpoints, but also champions act as ambassadors to encourage adoption within their departments.

CELEBRATE SMALL WINS AND MILESTONES

Take these opportunities to celebrate the achievement of meeting incremental benchmarks and to create incentives to keep going. Marking moments of progress will help sustain commitment to the cause.

> You always need some steering team oversight, depending on the complexity of the project. You want some activity, and that's where you bring those skills together to make sure you're making the right evaluation.
>
> **Richard Baker,** *Prysmian Group*

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Summary: The Five Steps To Drive P&L Payback

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These steps will help you achieve the quickest tech implementation, the fastest payback and ROI generation, and make the case for tech investments.

Once you understand how straightforward this process is, you'll be able to replicate it for every new investment.

01   **Define business outcomes, be agile, and think incrementally. Let data be your guide.**

02   **Quantify the ROI. Use the three major ROI validators:**

- **?**   Labor efficiency: Will the investment help your workforce be more efficient?

- **?**   Material efficiency and productivity: Will the investment improve production?

- **?**   Variable cost-efficiency: Will the investment help you improve how effectively you're using consumables and support services?

03   **Build evaluation criteria. Use this 5-point list for success and tweak what isn't working as needed.**

- **?**   What are the capabilities needed to drive business outcome?

- **?**   What companies provide tools to support these capabilities?

- **?**   What resources are needed to implement and integrate a new technology into your current environment?

- **?**   What type of training and development is required (e.g. intuitive interface, self-sufficiency)?

- **?**   What are the costs to implement and maintain a solution?

04   **Foster teamwork. Put together teams with representative stakeholders across departments to help you get it right the first time, in addition to driving enthusiasm and adoption.**

05   **Find a partner. An out-of-the box solutions provider will offer guidance and flexibility that custom solutions can't.**

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Partner To Solve Pain Points

Defining ROI for your tech investments can be easy, it just requires some focus and planning. Make this process even easier by working with a partner like Oden to implement solutions that alleviate your biggest pain points.

Out-of-the-box performance and quality solutions provide a simple path to drive ROI.

- ✓ Performance improvements increase production capacity

- ✓ Reduce quality failures for less scrap & waste

- ✓ Low variability in production processes minimizes material consumption

And because implementation is so quick – less than 30 days – you'll start generating ROI and see payback in 6 weeks.

Ready to invest in technology that will drive competitiveness and deliver a quick payback?

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MAKE MORE.
WASTE LESS.
INNOVATE FASTER.

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