

# Digitise production? Estimating the impact realistically

09 November 2023, 12:24

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## Stay competitive, digitise your production - tips & tricks (Part 3)

Companies can increase their competitiveness by digitising their production processes. The many claims and slogans surrounding Industry 4.0 sometimes make it seem like double-digit profit percentages are within reach and that roll-outs are ‘a piece of cake’. But is all this realistic? We will try to separate fact from fiction for you.

The competitiveness of manufacturing industry in Flanders has been under pressure for years. The shift from mass production to smaller series of customer-specific products, the high labour costs, the geopolitical situation and the requirements of the Green Deal mean that manufacturing companies must continuously adapt to a changing situation. Digitising the various (production) processes can be one way to increase competitiveness. What are the facts and what is fiction when we look at the many promises made in the context of Industry 4.0?

### Industry 4.0: is the sky really the limit?

During the various phases of an investment process, an attempt is made to assess the impact that digital technology could have on the company and its customers. This is based on an estimate of the possible costs and benefits. However, calculating the ROI and realistically estimating the impact/added value is not a simple exercise, for several reasons:

- The possible impact domains of a digital technology are qualitatively different: shorter lead times, increased reliability of delivery, a more pleasant working environment with less stress, increased customer satisfaction, environmental impact, etc. Some things can be estimated in a substantiated way (often expressed in euros), but other impact domains are more difficult to quantify - the impact of a more pleasant working environment, for example, is harder to make tangible.
- At the same time, costs are not limited to hardware and software but include such things as maintenance, training and hiring extra highly-skilled personnel (programmers), as well as costs related to such things as cybersecurity.
- Certain technologies and applications- such as connecting machines - require a relatively large initial investment. The added value of this investment will only materialise in a later phase, such as when the available data is applied intelligently to optimise production. The investments that will have a major impact later are not obvious.
- Depending on the source you consult, you can get different impact figures. In various use cases, people bring up figures such as 90 percent quality improvement and 70 percent lead time reduction. Such figures often raise suspicions: is it actually realistic or feasible?

## Tips for a realistic assessment

Based on our experience in guiding companies in digitising production, we would like to provide some tips to help you estimate the impact more realistically.

1. Be circumspect about (commercial) claims. The motto ‘If it sounds too good to be true, it probably is' certainly applies here. Dig deeper into the claim and assess its plausibility. What do other sources say? What do the standard values in the literature say about the impact?
2. Look for concrete examples in a similar context: fortunately, you’re not the first company that wants to digitise its production. There are several examples available of successful cases. Take a moment to read through and analyse them. Also take the time to visit leading companies. If you’ve found an interesting case and would like more information, be sure to contact the company. You would be surprised how many companies are open to sharing their experiences.
3. 'Test before invest': when you are faced with a large project with an uncertain impact, you can start small tests or a proof-of-concept. Involve your employees and keep the tests as short as possible (it’s better to use a number of short cycles that clarify certain problems). Digital tests, such as simulations or calculations, can also be useful.
4. Look for online tools: online ROI tools are available for many technologies. These can quantify as well as identify the impact domains for a particular technology. Naturally, a critical eye is also needed here. Such tools include AGV ROI calculator and Robotics ROI calculator.

Sirris has the necessary know-how and experience to help you make a realistic assessment and answer all your questions. Don't hesitate to contact us.

There are also various obstacles that must be overcome during the practical rollout of the digitisation process. We have already combined our experiences in this area into ten practical tips.

### Come to Manufacturing Day!

Would you like to hear what the realistic impact of digitisation is from a fellow entrepreneur? Curious about the do's and don'ts? Then be sure to register for our Manufacturing Day!

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