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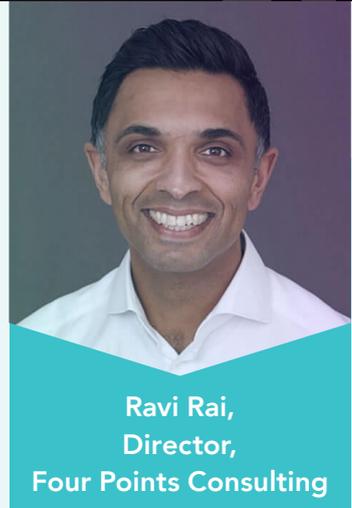
MANAGING THE CULTURAL IMPACT OF TRANSFORMATIONAL TECHNOLOGY



Backpedalling from big-impact technology change is expensive – as is the cost of getting it wrong. Success depends as much on the wider transformation piece as much as it does on the technology – so how can we avoid getting “lost in tech”?

The scope, scale and pace of change that Industry 4.0 technologies are bringing to manufacturing and infrastructure is unprecedented.

It can be tempting, when grappling with the challenges and the opportunities Industry 4.0 presents, to see them through the spectrum of technology innovation. However, as with any major change, people, process and policy play an equally important role.



Ravi Rai,
Director,
Four Points Consulting



VIDEO:

Accenture CEO Gives Strategy
for Digital Transformation

ADOPTION, INNOVATION & LEADERSHIP

The 2017 Made Smarter review highlighted the need to develop leadership in the UK that can drive forward the innovation and adoption necessary to ensure the UK realises the potential opportunities of Industry 4.0.

“The high-risk factor in Industry 4.0 transformation projects,” says Ravi Rai, Director at Four Points Consulting, “is that leadership will hook onto the most obvious part of the change – and that’s the technology.”

Vendors (aka technology implementation partners) have their own rollout methodologies. Typically, they’ll come in, see the opportunity, do the diagnostic, create a solution, put the kit in, train your people and get out – a process that is very familiar to them.

“It can be very alluring to hook into that,” says Ravi, “because it’s easy to get your head around ... it’s physical ... you can touch and feel it. And it is very important. But that only covers one part of the change.

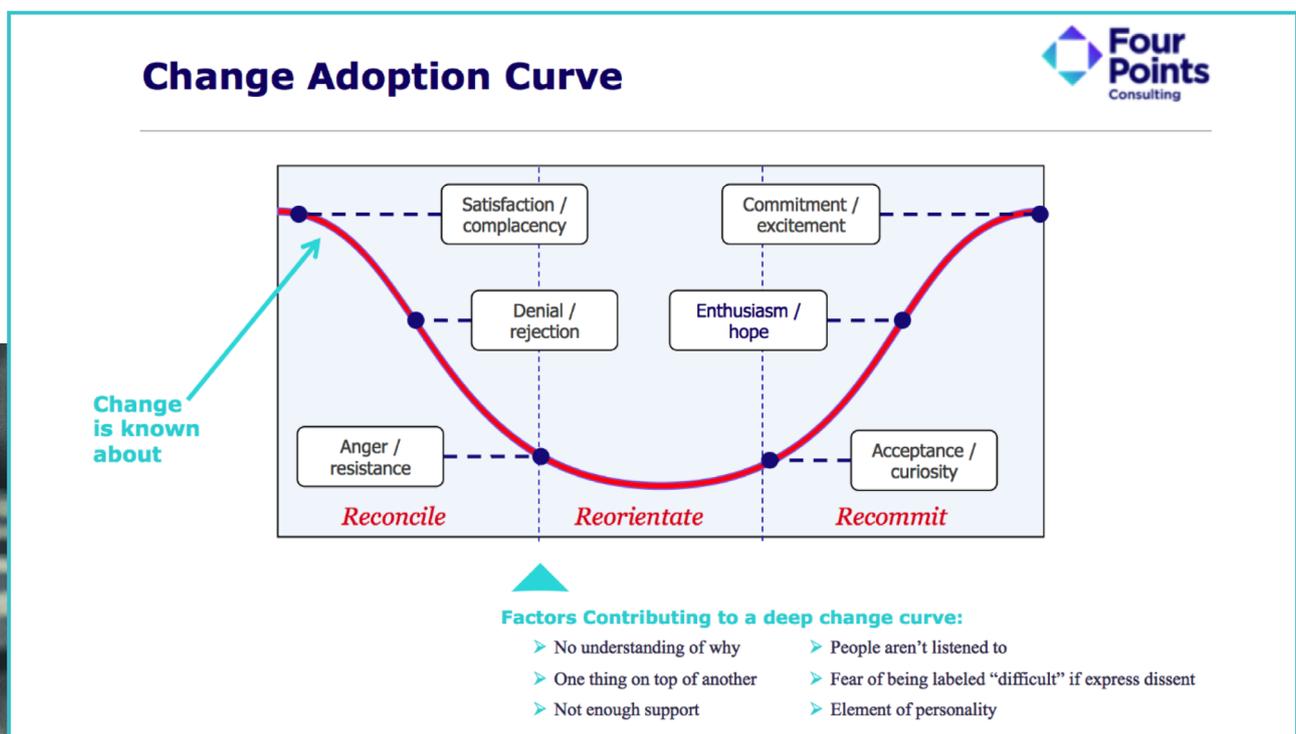
The whole piece around people’s emotions, skills, and engagement gets pushed down the priority list because there is enough other stuff to get your head around with the technology stack that’s coming in.”

This makes the leadership role even more significant.

Whether it is using highly sophisticated robots, automating workflows, or becoming more data driven, these are very different ways of running the business. Not only do leaders have to fulfil their traditional role of being ambassadors – creating a vision and bringing people along with them so they are committed to the change – on top of that, they have their own personal uncertainties and “don’t knows” to deal with.

Ravi makes the point, *“The big difference with digital transformation is that leaders are required to navigate in an area where they are unlikely to have been before themselves, and leaders will have their own concerns around what that means and how they are going to lead with conviction and credibility. How do you lead in such an ambiguous environment? In this uncharted territory?”*

Aahuti Rai, fellow Director at Four Points Consulting, says, *“With any change there is always a level of anxiety and uncertainty. Leaders are taking people into a new way of operating – and that is magnified with Industry 4.0 – where jobs may be replaced or will be fundamentally different.”*



THE SKILLS SHIFT

The UK manufacturing workforce has fallen from a high of 9.1 million in 1966 to 2.7 million today.

Industry 4.0 will bring further change: a 2013 Future of Employment study in the USA predicted that up to 47 percent of jobs are at high risk from automation.

However, the Made Smarter review proposed a more positive view of the future of manufacturing jobs in the UK.

It argued that Industry 4.0 brings with it the potential to create new, higher-paid, higher-skilled jobs that add value to society and positively offset the displacement of poor productivity and poorly paid jobs.

A CHANGING WORKFORCE

Employees will be hired for knowledge-based production roles, rather than manual work. These changes will come within an already challenging recruitment environment for engineers and software and data scientists.

Manufacturers, just like employers in other sectors, should embrace and integrate digital within their business and workforce strategies to both retrain their existing workforce and create new digital-focused roles that will support the digital health and competitiveness of the business.

Made Smarter Review 2017

Aahuti advises, *“Leaders are trying to manage not only the physical change in the business but also the transition in terms of people’s emotions. They are going through their own change curve – anger, denial, fear, acceptance ... all of that. And they also have to think ahead about the new set of skills and teams that they need in place.”*

“At the end of a technology project, you could end up with completely different jobs that didn’t exist before. Trying to anticipate what that looks like and therefore where the marketplace is for these new types of people is just one of the challenges,” emphasises Ravi.

The composition of the workforce is just one place where the intensity of change – in terms of scale, impact and pace – wrought by Industry 4.0 technology is expected to be significant but is, as yet, uncertain.

As a result, Industry 4.0 projects don’t require the traditional visioning exercise and a long-term strategy roadmap, says Aahuti.

“Even within two years so much will change,” she acknowledges, *“With this level of uncertainty, it’s rather like leaders are laying down one step at a time on the path, just one step ahead of where they are currently standing.”*

“Employees will be hired for knowledge-based production roles, rather than manual work. These changes will come within an already challenging recruitment environment for engineers and software and data scientists.”



OPERATING IN AN UNCERTAIN ENVIRONMENT

“A big part of the approach has to be about leaders being completely open to exploring and discovering,” says Aahuti. “In business there is often a sense of urgency to get something launched, to get the investment cases drawn up, and so on. But I think this type of change requires a little bit more discovery and exploration before you can have this kind of urgency.”

This means talking to businesses who have already successfully started their journey.

“Once you have seen the potential, you can start to layout the path that will future-proof your business,” suggests Aahuti. “The discovery is about fast-forwarding to a future point which is, perhaps, still a concept and not proven yet. Then taking a step back and saying, ‘if that’s our future world in our industry five years from now, what can we do today with what we know is currently possible with the technology?’. This way, the starting point is made with a view towards where you are heading.”

“Once you’ve got the visioning piece, you have to get super clear on the organisational impact. In some ways, this is easier in smaller organisations, because you’re negotiating with just a handful of people,” says Aahuti, “but each person will have their own fears.”

This means giving strategic thinking a dual focus: the longer-term “art of the possible” and the more immediate “what can we embark on today?”. The final stages of the journey might not be clearly defined, but at least the first step is in the right direction.

Strategies will be subject to the usual constraints, such as market, competition, expertise, budget, etc., but once you have reached an understanding of what you can embark on today, the traditional elements of change management and execution kick in.

Aahuti continues, “Each leader has to unblock their own uncertainties – because your own fears and anxieties about the change will directly translate into how you lead change. Change is only as good as the change leader is.”

THE IMPACT OF CHANGE

“It’s vital to keep an acute focus on it not becoming just a technology change,” agrees Ravi. “Organisations must consider the wider impact of the technology.”

This means looking at the potential impact on:

- Organisational structure
- Outsourcing non-core activities
- Decision making and authorities
- Processes
- Competencies
- Job design
- Locations where work happens
- How to measure success
- Data and information
- Managing staff

Aahuti argues that too often these aspects don’t get looked at comprehensively enough. Yet they can have a decisive impact on the success of a digitalisation or Industry 4.0 initiative.

“This is what a tech vendor won’t get involved with,” explains Ravi, “because they are focused on what’s inside “the box”, i.e. the technology.

But, for a leader, the surrounding structures, processes and roles will have implications and are at least as important for an effective and sustainable impact.”

Once you have explored the potential implications of the change, you can begin to pull together an execution roadmap to answer: how do we make these changes happen?

“I would strongly advocate coaching for each member of the executive team,” says Ravi.

The challenge is particularly acute for SMEs, says Aahuti: “Often leaders in smaller organisations are double-hatting or triple-hatting functional responsibilities, so they are grappling with day-to-day operations, and this can mean they lack the space for strategic thinking – they are pulled back into the process too often.”

THINKING ABOUT TRANSFORMATION

These key questions can help leaders think strategically about a transformation project.

- What business need or opportunity are we addressing? What makes it compelling?
- Who are the key decision makers and influencers and how we get commitment from them? What support will each of them need to drive the change?
- How will resistance show up around this change?
- Have we created a vision that inspires energy, enthusiasm and momentum?
- Can we describe our future state, at least in conceptual terms?
- How will we know that we are making progress?
- What do we need to change in our organisation (structures, processes, competencies) to ensure that this change is successfully embedded? Can operationalise it?



ABOUT FOUR POINTS CONSULTING:

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