

Digital Mid-Term Planning: The business transformation handbook for surviving in the manufacturing industry

As the world moves toward business innovation through the use of digital technologies, we will restructure corporate business models from a strategic perspective

- With digitalization, business models and their provided value are being questioned

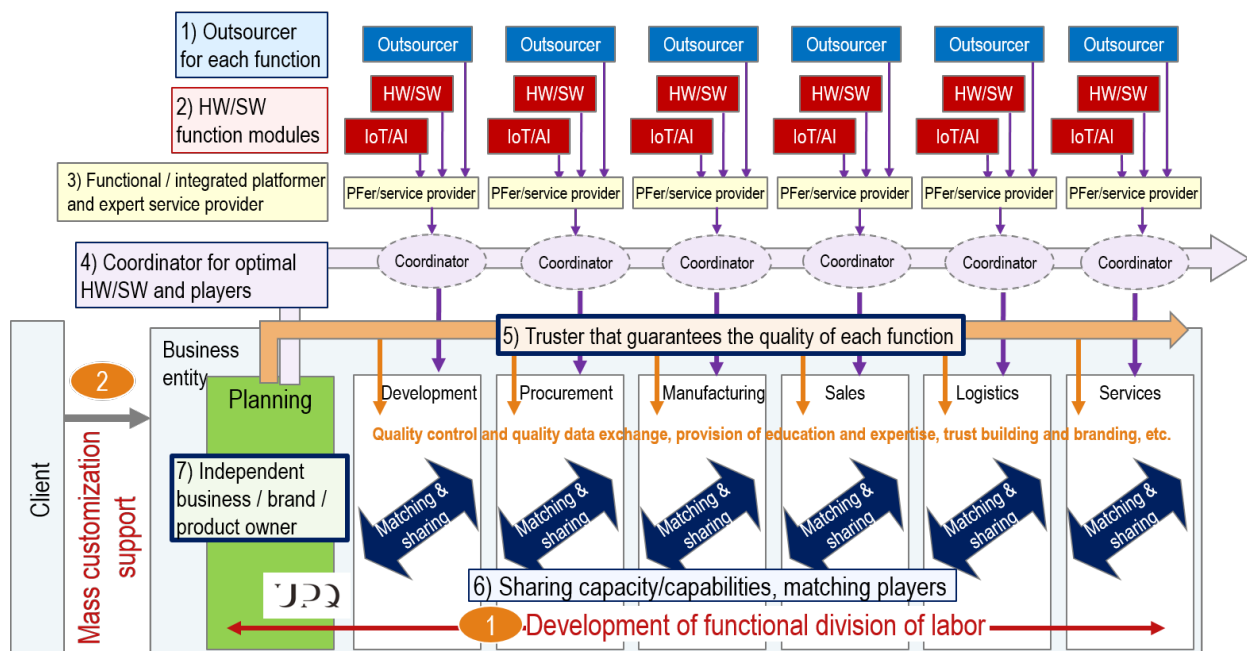
Digitalization of industries has begun in earnest all over the world, such as Germany's Industry 4.0 and China's Made in China 2025. The manufacturing industry, which has been in charge of everything from development to manufacturing and sales, is about to undergo major changes with the development of digital technology. For example, new value providers are emerging, such as line builders that handle the design, procurement, and installation of plants and lines as full turnkey operations, platformers that provide services by integrating various functions such as development, manufacturing, and services with software and IoT, and servicer providers that share their in-house expertise with platformers. In the midst of these functional divisions, the business model and the way in which value is provided by the manufacturing industry through the use of digital technology is being tested more than individual technologies and functions themselves.

- Japanese companies, with their local and short-term approach, remain stuck at trying to visualize the workplace

Japanese companies have limited their efforts to local optimization, and most of them are yet to take steps to upgrade their management and business models. The background for this is as follows:

- ❑ Studies restricted to local level due to lack of leaders who grasp the overall picture
 - ✓ Gaps in business scope, capabilities, and understanding among the management, business, and IT departments, and tendency to form organizational silos
- ❑ Short-term investments due to RoI uncertainty and risk aversion
 - ✓ Reluctance to invest in businesses that take time to become profitable (PF businesses, etc.) and those in which the RoI is not clear (data infrastructure development, etc.)
- ❑ Lack of open innovation and insistence on technical PoC
 - ✓ Focus on closed innovation, vendors' goodwill and past performance
 - ✓ Lack of perspective on business model PoC using technology

■ Disruption of the manufacturing industry value chain and creation of new value due to digitalization



It is necessary to consider the company's new value and role in the manufacturing industry in the future

NRI supports the formulation of mid-long-term business transformation strategy, as well as determination of policy steps, roadmap, and organization design for digital transformation

- Support for strategic changes, policy roadmap formulation, and organizational design with digitalization

- Case study: Support for the formulation of a company-wide mid-term digital strategy for a Japanese auto parts manufacturer

When considering business transformation and management strategy based on digitalization, it is important to consider the questions of what we would actually achieve and what kind of business model we would like to build, rather than the technology itself. With our digitalization-based approach to business model transformation and deep understanding of the current status of manufacturing industry operations and the obstacles therein, we provide support for business model and business transformation through the use of digital technologies, from strategy to policy formulation and organizational design promotion. Along with working to establish consensus regarding strategy formulation among executives and management, we support the formulation of action plans for the implementation roadmap through in-depth discussions with key division heads and department/section managers. We will then help in designing a smooth organizational structure, including fostering leaders to execute those strategies and actions, as well as operations and governance.

NRI helped a Japanese auto parts manufacturer to formulate a company-wide mid-term digital strategy. In the strategy phase, we established a long-term digital management strategy, including the ideal business model and value to be provided, through a training camp for executives. This was done keeping in mind the changes in the structure and competitive environment of the client's industry due to digitalization. In the formulation phase, we used the above outline to create a roadmap for implementation of measures through discussions with key division heads and department/section managers. Based on the results obtained, we established a mid-term digital strategy and defined the roles of all executives at the training camp. We then assigned digital promotion executives and designed organization structure and teams to implement each of the measures respectively. Thus, by creating a forum for executives and key personnel to agree on strategies and action plans for digitalization and designing a smooth organizational structure, we smoothly formulated the digital mid-term management plan.

■ Characteristics of NRI's Digital Mid-Term Planning Service

