

Manufacturing Executives:

The #1 reason why technology is limiting your profits -- and what to do about it

By Matt Kallman

It's true! Your current technology could be significantly limiting your company's profits. You have probably experienced this first-hand. You heavily invested in technology with a goal of greater productivity or better information or more efficiency, yet the technology turned out to be a significant hassle with minimal results and no clear bottom-line benefit.

This scenario is all too common. The #1 reason? Technology won't solve your company's problems. Or more accurately, technology **alone** won't solve your company's problems.

If it is true that technology alone can't solve problems or create results, how do we evaluate technology investment opportunities? We can't merely assess them on technical information.

There is no way to tell if the technology is a good investment based on technical information.

Will I get a good return?

Why? There isn't an obvious connection to the one measurement that is ultimately important to your business. Namely, will I get a good return by investing my company's money on this technology?

In essence, technology does one thing. It increases speed. Technology can automate a process, but it can't make the process work well. Technology can increase the speed of ordering; it can't make someone buy your product. It can make communicating your marketing message faster and increase your audience; it can't create an offer that matters to your market.

Increasing the speed at which your company can make, build and sell your product is vital to developing a strong competitive edge. While technology can increase speed, technology cannot generate success by itself. And you should not spend any money on technology solutions that won't increase your company's profit.

Successful implementation of technology requires critical thinking on the front-end to ensure that the purpose of the technology is clear and aligned with your company's goal. Technology only derives its value from the problems it solves (and/or the results it creates).

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Myth:
The web is mostly irrelevant for Manufacturers

Fact:
According to B2B Magazine
90% of buyers turn to the Web first when sourcing products and companies

I recommend considering three criteria when evaluating a technology investment opportunity...

1. The technology should be fairly easy to implement

If the chance of actually realizing positive results from the technology is small, the project should be avoided. Murphy's Law seems to strike technology projects particular hard and often. If the chance of success is small or uncertain, the project will probably fail.

2. Success should be quick

Your company should be able to see positive results in a short time after the technology is implemented. This is criteria number one's twin brother. If neither of them is present in an opportunity, the chance of success decreases exponentially.

3. Provides long-term sustained results

For a technology project to be a wise investment, it should provide sustainable benefits. There may be exceptions to this rule, but generally if you are going to invest the time, energy and money into the technology's development it should get results both now and into the foreseeable future.

Let me give you an example we recently encountered. Mill Steel (based in Grand Rapids) is a mid-sized steel slitting company with 4 plants in the United States and Canada. They had an opportunity to automate a portion of their hiring process that involved processing tests for potential employees.

We proposed a technology solution that was easy to implement (#1). It required an investment of just a few thousand dollars and the project moved from concept to active use in only a couple of months. The technology provided more than \$25,000 in cost savings in its first three months of use (#2).

The plan for success must be effectively executed

As Mill Steel was in a phase of growth, the technology increased their ability to filter a larger pool of job applicants which resulted in a higher quality talent pool for managers to choose from. With Mill Steel's strong retention rates, the new employees will provide benefit to Mill Steel for many years to come (#3).

Critical Thinking is not quite enough to allow technology to solve your company's problems. Once the critical thinking has been done, the plan for success must be effectively executed. Effective execution depends on strong project management, good development processes and excellent technological expertise. However, the critical factor to success with a new technology project is good communication.

Poor communication among the implementation team members can cause a promising project to quickly get a negative status on all three of our stated criteria. Technology allows us to reduce or eliminate limitations in our businesses. But along with the new technology we must change the rules put in place to cope with the old limitation. Good communication is required among everyone the new technology influences not only those who are implementing the project.

With our clients we use a technology solution (that meets all three criteria) to aid our project communication. We find it to be an elegant and effective solution for our (mostly) smaller scale projects.

*Good
Communication
is required*

But as an added vote for the importance of good project communication a recent Business Week article captured the importance of this communication technology. It detailed the work of a premier New York-based identity and design consulting firm's project with a Michigan based manufacturing company.

The project was redesigning the branding for their major retail brand. The Business Week article indicates that according to the company's General Manager, they "slashed the overall time to complete the massive redesign project from at least two years to about eight months."

Thinking critically about how to effectively translate technology opportunities into bottom line results and then following through with good project communication are the key components to using technology to effectively solve your company's problems.

Investing in technology without these important factors is like throwing a dart in a dark room. If you want to hit the bull's-eye, you must use the light of critical thinking and add the steady aim of good communication.

Matt Kallman is working with Manufacturers to use web technology to increase their profits. He knows that technology alone can't solve real business problems. It requires critical thinking and excellent communication. He loves helping smart manufacturing companies find opportunities to create positive results.

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