



THE COST OF CLOUD

With new reports indicating Canadian manufacturers aren't reaching the full potential of their cloud investments, identifying a sound strategy is crucial

BY KRISTINA URQUHART

Cloud-based services have enabled rapid pivoting for manufacturers throughout the course of the COVID-19 pandemic, allowing them to quickly deploy production and supply chain adjustments – that is, if they already had a successful implementation of the technology in place.

For those that didn't, the pandemic has stressed the importance of off-premises solutions – not just for remote working, but to improve processes across the value chain. In the recent article "Making the Cloud Pay," McKinsey & Company highlights R&D, procurement, manufacturing, supply chain and sales as some of the areas the cloud can benefit.

According to a McKinsey survey of 750

respondents, company leaders face two diametrically opposed factors when it comes to the cloud. First, company leaders who already employ a cloud-based solution estimate that 30 per cent of their total spend is wasted on ill-advised solutions. Second, leaders expect to increase their spending on cloud initiatives by 47 per cent in 2021 in order to keep up with the marketplace.

With respondents reporting that 23 per cent of their cloud investments go over budget, the McKinsey authors identify several reasons why costs can balloon. Among them: applications that are too complex, time-and-materials models over as-a-service models, and hidden costs that come from add-on services or the company not fully understanding the technology.

Identifying business value

In December, Accenture released a similar study on maximizing cloud value that surveyed 750 senior leaders and IT professionals at large enterprises in 17 countries, including Canada. Just 34 per cent of Canadian companies reported they are reaching the full value they expected on their cloud investments, compared to 37 per cent globally.

"The reality is that not every company is unlocking the full potential value of the cloud," says Jennifer Jackson, managing director and technology lead in Canada at Accenture, in a statement.

"Our newest report shows a surprisingly small two-year improvement in returns on corporate cloud initiatives, suggesting that a more thoughtful and holistic approach is needed. Competing in the age of COVID-19 and beyond requires that companies implement a cloud-first strategy, in which every element of their business leverages the power of the cloud."

The cloud "really levels the playing field," says Jerry Foster, chief technology officer at Plex Systems, a provider of cloud-based

smart manufacturing software. "When you take what a cloud provider can give you as far as computing power and data storage – no longer are those things just for the large companies and enterprises that have massive amount of resources."

He agrees that there is often a disconnect between what companies want and what they eventually get.

"Customers are kind of excited about the next shiny thing, the new technology and they're actually not sitting down to do the correlation of, 'how does this relate to the business value?' Or, 'what's the ROI that I need?'" he says. "What's the business case that you want to solve? That's really important."

Manufacturing in the cloud

The cloud-based smart manufacturing platform from Plex Systems was designed specifically for manufacturers, incorporating enterprise resource planning (ERP), manufacturing execution systems (MES), quality control and supply chain planning for a number of industries, including aerospace, automotive, food and beverage, electronics, plastics and rubber, and precision metal forming, among others.

"Plex was actually born right on the shop floor next to the operators and the forklift drivers and the foremen and women," says Foster. "So we can provide all those capabilities from the shop floor-centric view."

Using data collected from PLCs, sensors and other industrial devices – all connected via secure protocols – the Plex platform connects machines, systems and operators in the plant with real-time information.

The software automates processes from job

scheduling to inventory management to error proofing, and, powered by the Industrial IoT (IIoT), analyzes the data produced by each.

Insights are then generated that can help manufacturers identify inefficient operations, high scrap costs, inaccurate inventory, lack of material traceability/supply chain visibility and limited production control.

Benefits of the cloud

In addition to enabling growth, the McKinsey & Company study cited reduced costs over time as one of the main benefits to cloud-based services. The cloud can automate business processes such as procurement, allowing for identification of sales opportunities or the building of quotes, and lead to efficiencies in the IT department, whether staffing or lower spend on hardware.

Subscription costs can also be added to a company's operational budget instead of its capital budget, which can fluctuate in times of crisis.

Visibility during COVID-19

And, as evidenced by the events of the past year, cloud-based services are what enable remote working.

Foster says that when widespread shutdowns were first ordered to combat COVID-19 in late March, Plex's customers were able to keep running with minimal disruption thanks to their cloud-based systems.

"The facilities that don't use cloud software – when the pandemic hit, they had to shut down. They basically went dark," he says. "They just didn't know what was happening inside the facility, as opposed to the ones that

had the visibility no matter where they were."

The companies that did keep the lights on were then able to continue producing their essential goods, or retool to make hand sanitizers, PPE, masks, face shields and parts for ventilators.

"All that COVID-19 has done is highlighted the need for cloud-based software and why it's so important," Foster says. "Being in the cloud really provides what I would call an innovation platform. When you're part of a cloud-based software community, the things that are being built into the software and delivered just inherently become part of [your] software."

Developing a cloud strategy

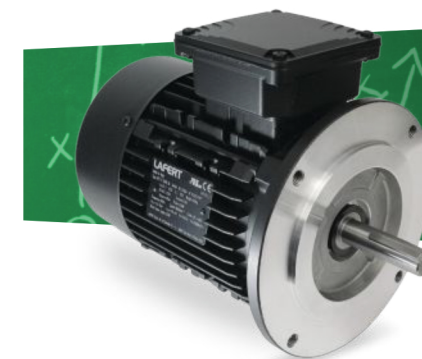
Finding a technology vendor that is stringent about security is a first step to developing a cloud strategy for your business.

The authors of the Accenture study offer several other takeaways for decision-makers: use business cases to identify revenue and cost efficiency opportunities, implement talent training and change management programs to get staff on board, and ensure technology partners offer valuable skills to the organization that will help to keep costs down.

Above all, the C-suite must recognize the impact that technology implementation has on employees, because it may be the difference between a successful implementation and an unsuccessful one, Foster says.

"Leading them through that as partners, and as engaged participants in installing and deploying new technology – whether it's cloud-based software or any other technology that you're putting in place – is so crucial." | MA

REDEFINE YOUR STRATEGY REDEFINE METRIC



IEC PM motors equipped with NEMA flange
We are still your best source for Metric

LAFERT
NORTH AMERICA

PTDA
Member

AWEA
MEMBER
AMERICAN
WIND ENERGY
ASSOCIATION

MEMBER
EASA
The Electro-Mechanical Authority

Toll Free: 1.800.661.6413 Fax: 1.905.629.2852
www.lafertna.com sales@lafertna.com



COPYRIGHT LAFERT NORTH AMERICA 2020. ALL RIGHTS RESERVED.