

Analysis by ROI Management Consulting AG

The Engineering and Automotive Industries: No Roadmaps for Digitalization and Convergence

Munich, April 13, 2015 – Digitalization and the resulting sector convergence demand that classical industries adopt new strategic approaches and management tools. Many companies in the engineering and automotive industries have recognized this. However, only a minority of them have a long-term, integrated strategy. These are the findings of a new analysis conducted by ROI Management Consulting AG.

"Most companies in the engineering and automotive industries have set up projects and initiatives to look into individual aspects of Industry 4.0. However, this rarely happens based on an integrated roadmap, so that crucial overview of all relevant aspects of digital transformation is not achieved," says Hans-Georg Scheibe, Member of the Management Board of ROI Management Consulting AG. As a result it is not possible to fully exploit the potential arising from sector convergence and the increasing digitalization of development, production and logistics – a development that is dangerous particularly for medium-sized engineering firms and automotive suppliers.

"When players from several industries are able to launch a certain offering, the intensity and complexity of both a competitive 'free-for-all' as well as new forms of cross-sector cooperation are enormous," explains Hans-Georg Scheibe. "The resultant challenges are especially critical for those companies that failed to adapt to the trend in the past or that do not have the market power and resources of large corporations."

For this reason, Hans-Georg Scheibe advises companies to develop a long-term convergence roadmap as the basis for dealing with the issue of digitalization. ROI has developed six-step methodology as a route planner for this purpose. However, a sound roadmap will not only help to develop the right strategy for change, it will also create the required scope for experimentation. "A market environment that is undergoing such great change offers enormous opportunities to set new standards to those with courage and the drive to discover – even if they are not the biggest in their own sector."

Images for printing (convergence roadmap) can be downloaded from:

<http://www.roi-international.com/management-consulting/dialogue/press/picture-archive.html>

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CONVERGENCE ROADMAP

01

SCENARIO MANAGEMENT AND TREND MONITORING

If a trend can be clearly identified, it is often already too late to turn it into a sustainable advantage. Companies therefore need a so-called „before-fact approach“ in order to identify and interpret weak signals. The keys to this are provided by cultural and structural openness that allows the expertise and intelligence of widely differing network partners to be included and other industries and markets to be systematically observed.

02

TECHNOLOGY RADAR AND TECHNOLOGY STRATEGY

At the same time, in the course of convergence many questions relating to technologies aimed at increasing digitalization and using and processing data need to be answered. Which technologies are mature but uninteresting? Which ones have not yet matured but are especially interesting? Which ones can we influence ourselves and which ones are we unable to influence?

03

BUSINESS MODEL PORTFOLIO REVIEW

Economic, social and technological trends can have massive implications for existing as well as for potential business models. It is therefore important to develop a systematic approach to continually reviewing strategy. How modular and scalable are our business models and to what extent are they transferable to new markets emerging as a result of convergence and macro trends? Will it be possible to maintain our competitive position and profitability and achieve growth with them in future, too? What needs to be changed?

04

TECHNOLOGY STRATEGY DEVELOPMENT

The future structure of business models will form the framework for a technology strategy. How will the company be technologically aligned? Which technologies are required and what is their relationship to today's core competences? Can access to the relevant technologies best be achieved through acquisition, cooperation or in-house development?

05

STRATEGIC HR MANAGEMENT AND CONTINUOUS QUALIFICATION

The question about existing expertise and expertise required in the future also raises the question whether qualification and staff development are understood and set up as a permanent and professionally organized process. In addition, dealing with the issues of convergence, digitalization and hence also with the transformation of the company calls for a pragmatic and honest view of recruitment. Are we in a position to inspire the people that we need for our company? Can we hold our own against the career offers of cross-sector competitors?

06

STRENGTHENING AND ADAPTING PRODUCTION AND THE SUPPLY NETWORK

It is in the automotive and engineering industries in particular that no serious strategic decision can be made without a comprehensive analysis of the value-generating network. The question about what the consequences a future strategy will have on production and supply chain and how the existing partner network must be extended horizontally, vertically and into other industries is therefore critical to the success of the transformation process and the development of new business models.

About ROI:

With over 1,000 successful projects, ROI Management Consulting AG is one of the leading consulting companies for global footprint design, development and production. ROI helps industrial companies to optimize products, processes, technologies and global production networks in accordance with lean management and operational excellence principles and to adapt to changing market, customer and technology demands. As initiator and co-organiser of the Industry 4.0 Awards, which were first presented in 2013, ROI actively promotes the development of technological innovation in Germany.

ROI has won several prestigious prizes and awards for its highly implementation-oriented projects. The company has more than 100 employees at its locations in Munich, Beijing, Prague, Vienna and Zurich and is represented by partner offices in Italy, France, United Kingdom, Thailand, India and the USA. www.roi.de

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