The ROUNDTABLE RECAP

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By The FSO INSTITUTE

Scaling Digital Transformation and SaaS Adoption in Manufacturing

The May 2026 Manufacturing Health Roundtable (MHRT) focused on two closely related themes shaping the future of industrial operations: the adoption of Software-as-a-Service (SaaS) solutions in manufacturing and the broader challenge of scaling digital transformation across organizations. The session drew on survey findings from MHRT members, insights from the Velotic Accelerate 2026 Conference, and practical experiences shared by manufacturing leaders.

A central theme throughout the discussion was that digital transformation is no longer primarily about technology deployment. Rather, success increasingly depends on organizational readiness, data quality, change management, cybersecurity, and alignment of business and operational objectives.

SAAS ADOPTION CONTINUES TO GAIN MOMENTUM

Survey results presented by Phaedra Martin and Roman Havriliak indicate growing acceptance of SaaS-based manufacturing solutions among MHRT members. Most respondents reported having an established digital transformation strategy, and a majority said SaaS solutions align well with those strategies. Participants generally view SaaS platforms as enablers of key operational objectives, including improved visibility, faster scalability, reduced deployment complexity, and enhanced support for manufacturing KPIs.

Importantly, respondents showed greater interest in operational outcomes than in adopting technology for its own sake. Cost reduction, security, operational efficiency, and speed-to-value ranked higher than emerging technologies such as AI. This finding reinforces a broader trend across manufacturing industries: organizations remain

focused on solving practical business problems before pursuing more advanced innovation initiatives.

Participants also identified production planning, maintenance, and external partner integration as manufacturing functions that could significantly benefit from SaaS-enabled capabilities. Extending data visibility beyond the traditional four walls of the factory and collaborating more effectively with suppliers, customers, and partners were highlighted as particularly important future opportunities.

FINANCIAL MODELS REMAIN A BARRIER

Despite growing interest in SaaS, participants acknowledged that traditional financial models continue to slow adoption. Manufacturing organizations are accustomed to capital expenditure (CapEx) models based on perpetual licenses and depreciable assets. SaaS shifts spending toward operating expenses (OpEx), creating budgeting and accounting challenges that many finance organizations are still learning to navigate.

Manufacturers must proactively educate financial stakeholders about the value proposition of SaaS. Without that understanding, ongoing subscription expenses may be viewed merely as increased operating costs rather than as strategic investments that enable greater flexibility, scalability, and reduced technology debt.

This challenge reflects a broader transformation occurring within manufacturing organizations as they adapt not only their technology infrastructure but also their investment and governance models.

CYBERSECURITY AND DATA GOVERNANCE ARE CRITICAL CONCERNS

Security emerged as one of the most significant considerations in SaaS adoption decisions. Participants expressed concerns about data access, cybersecurity, and the increased exposure that comes with moving critical manufacturing data outside traditional on-premises environments.

At the same time, presenters noted that many SaaS platforms offer advantages over traditional deployments, such as continuous monitoring, dedicated security teams, and more frequent security updates. The discussion suggested that manufacturers may need additional education and transparency about SaaS security architectures to build confidence and address lingering concerns.

Data governance was deemed equally important. Survey results indicated uncertainty among respondents about their organizations' readiness to manage data effectively within SaaS ecosystems. Speakers emphasized that digital transformation initiatives depend heavily on high-quality, well-structured data, making governance, ownership, and security foundational capabilities rather than optional enhancements.

REGULATORY REQUIREMENTS CANNOT BE IGNORED

Several participants emphasized that regulatory compliance remains a major consideration when evaluating SaaS solutions. Requirements such as FSMA 204 and other emerging regulations increasingly require rapid access to traceability and operational data. SaaS platforms may help organizations meet these requirements more efficiently, but regulatory expectations for cloud technologies remain somewhat undefined in many industries.

It was cautioned that regulators often allow technology adoption to advance before issuing formal guidance, creating potential risk for organizations that move too quickly without considering future compliance implications. Manufacturers were encouraged to stay closely aligned with industry-specific regulatory developments as digital technologies evolve.

SCALING DIGITAL TRANSFORMATION REQUIRES MORE THAN TECHNOLOGY

Insights from the Velotic Accelerate Conference highlighted several recurring themes across successful digital transformation programs.

One of the most important lessons was the need to address organizational culture and change management from the outset. While technical implementation challenges are often manageable, resistance from employees and stakeholders can derail even the best-designed initiatives. Speakers repeatedly emphasized that "culture trumps everything." Employees must understand how new technologies will improve their work and feel ownership of the transformation process.

Another key lesson was to avoid "pilot purgatory," in which organizations repeatedly test technologies without scaling successful pilots. Panelists recommended setting clear business objectives, success metrics, and value-realization strategies before launching pilots. Agile implementation approaches that deliver incremental value and measurable outcomes were considered particularly effective.

Successful programs also require close collaboration between business and technology teams. Rather than allowing either group to dominate decision-making, organizations should focus on jointly developing business cases and ensuring that transformation efforts directly support strategic objectives. Executive sponsorship remains critical, but leaders must clearly understand how projects contribute to both business performance and their own organizational goals.

DATA QUALITY REMAINS THE FOUNDATION

One MHRT member emphasized the importance of data quality and organizational maturity in digital transformation. While technologies such as IoT, machine learning, and generative AI continue to generate excitement, he argued that success ultimately depends on the quality of an organization's underlying data and content libraries.

In this member's experience, organizations often underestimate the importance of establishing robust master data management, semantic models, and content governance before pursuing advanced analytics initiatives. Poor data quality inevitably leads to poor outcomes, regardless of the sophistication of the technology deployed. He encouraged manufacturers to view early pilots as opportunities to identify data weaknesses and strengthen foundational capabilities, rather than expecting immediate transformational results.

He also highlighted workforce challenges as a major driver of connected worker initiatives. As experienced manufacturing employees retire faster than replacements enter the workforce, organizations increasingly need digital tools to capture institutional knowledge and support operational decision-making.

PRACTICAL LIMITS TO SAAS ADOPTION

While acknowledging the benefits of SaaS, another MHRT member offered an important counterbalance to the discussion by outlining situations in which SaaS may not be appropriate. He cited highly regulated industries, such as pharmaceuticals and infant nutrition, where software updates can trigger costly revalidation requirements. In these environments, manufacturers often require stable, "pinned" software versions rather than continuously updated SaaS platforms.

He also noted the mismatch between IT and operational technology lifecycles. Manufacturing assets often remain in service for decades, whereas software

ecosystems evolve much more quickly. Legacy PLCs and control systems may be incompatible with modern SaaS architectures, creating practical limitations that manufacturers must carefully evaluate.

CONCLUSION

The MHRT discussion revealed broad consensus that SaaS, cloud-based manufacturing solutions, connected worker technologies, and AI-enabled capabilities will play increasingly important roles in the future of manufacturing. However, successful adoption depends far more than selecting the right technology. Manufacturers must address cultural readiness, stakeholder alignment, cybersecurity, regulatory compliance, financial models, and data governance simultaneously.

The session's strongest message was clear: digital transformation succeeds when organizations focus first on business value, workforce engagement, and data quality. Technology is the enabler, but sustainable transformation is ultimately driven by people, processes, and disciplined execution.