Figure 1 – ROI for a Fixed Technology Frontier

### **Decision motivators**

Economic outlook

Demand outlook

Cost of capital

Payback period

Accept/reject issue

View of short-run market conditions

## ROI

		Costs		Benefits		
•		Cost of capital Time for implementation	1. 2.	Revenue Market share		
,						
		Accent		Reject		

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1.	Net benefits over a fixed period > net costs	1. 2.	Initial costs too high Acceptable payback period
2.	The company's hurdle rate is cleared		too short for technology capacity and market conditions





### Figure 2 – ROI for an Expanding Technology Frontier

### **Decision motivators**

Shift in production cost pressures

Shift in product quality pressures

Network/supply chain impacts

# Costs 1. Risk associated with unknown technologies 2. Stranded costs 3. Labor force adjustments 2. Increased productivity of capital 4. Increased workforce productivity

ROI

# Accept/reject issues

- Dependence on acceptable payback period
- 2. Accept "now" versus accept "later"

Accept

Reject

Costs of not investing are too high
Appropriately flexible payback period

Reject

Cloudy corporate vision
Dumanageable up-front costs
Unmanageable workforce issues

Source(s): MAPI Foundation

