



# Behind the buzzword

## Why Industry 4.0 should be at the forefront of procurement

Words by: Ashray Lavsi, Simon Padget and Pauline Potter

**Almost everyone has heard of Industry 4.0, but few can articulate what it means and why it is imperative that procurement and supply chain professionals have a firm grasp of its implications for their organisations. That needs to change, because Industry 4.0 is likely to have a significant impact and influence on the future of supply chain and procurement including the practitioner skillset required.**

Every supply chain and procurement team should begin by taking the time to understand the challenges faced by their industry or organisation, and then realise how this suite of emerging Industry 4.0 technology – in collaboration with the right people, processes, and governance – can be flexed to solve those supply chain challenges.

### What is Industry 4.0?

Industry 4.0, also known as the Fourth Industrial Revolution, is based around four core principles:

- **Interconnection** – The ability for technology and humans to connect and communicate effectively via the Internet of Things (“IoT”)
- **Information transparency** – Providing operators with comprehensive information to make decisions and share data and information from all points in the process
- **Technical assistance** – The capacity to assist humans in decision-making and problem-solving, especially with complex or unsafe tasks
- **Decentralised decisions** – The capability of technology to make independent decisions and conduct autonomous tasks with little human interference

When applied well, there is real opportunity for the innovation of Industry 4.0 to drive step-change improvements to supply chains and influence the changing role of supply chain and procurement teams.

Industry 4.0 can have different implications depending on the industry and consists of several components, including additive manufacturing, cyber-physical systems, IoT, on-demand availability of computer resources, and cognitive computing. Benefits of Industry 4.0 include:

- Enhanced supply chain resilience through the various elements within the industry 4.0 “ecosystem”, including additive manufacturing and blockchain-based track and trace systems
- Improved business continuity through advanced maintenance and monitoring
- Enhanced quality of products through IoT-enabled improvement
- Enhanced productivity through optimisation and automation
- Improved time management by collecting real-time data for a real-time supply chain

## What does the future look like?

### Beyond cost savings

Procurement and supply chain professionals are well-versed in the practice of evaluating supply chains and delivering cost savings. But, as we look to the future, top-down businesses and governments require a wider set of benefits to be considered, including building supply chain resilience and embedding social value principles.

For example, the UK government recently introduced the **Social Value Model**, a mandatory consideration focussed on helping local communities manage and recover from the impact of COVID-19. This new policy places responsibility on organisations to support return-to-work opportunities for those who have found themselves unemployed or are part of a contract workforce, and particularly applies in sectors with high levels of employment or where there could be skills gaps in high-growth sectors.

Social value and producer responsibility are important for **Ashish Gadnis, co-founder at BanQu Inc**, the first non-crypto blockchain-based supply chain traceability and equitability platform, who says, "Ignoring extended producer responsibility and EPR compliance is no longer an option. There's a cost to not being compliant."

A wider social and compliant remit allows procurement and supply chain professionals to strategically position their importance in the sector. It presents an opportunity to work more strategically and less transactionally, making time for innovation, using data more effectively, and making decisions around contributing factors that could impact the business such as assurance of supply, carbon footprint, and supply chain transparency.

In this context, transparency in the supply chain can only be a positive thing. **Rohit Sathe, Chief Procurement Officer at Sunrise Medical**, a global manufacturer and designer of wheelchairs and mobility devices, agrees, "Interconnectivity and transparency [in the procurement process] will drive trust and the same level of information amongst the entire ecosystem and with each stakeholder, which in turn will help us drive autonomy of and efficiencies in procurement."

Transparency is also a critical element in building more resilience in the supply chain – especially important, given the multiple disruptions over the last year. Industry 4.0 would sit at the heart of this quest and will be instrumental in supply chain risk management.

### Evolving skillsets, dedicated roles

When properly implemented, Industry 4.0 is ideally placed to assist with this transition by automating more transactional decisions and guiding decision-making to ensure that procurement teams feel empowered, not overwhelmed by the data.

**Paul Crayford, Client Partner at Aera Technology** explains, "Currently, we are awash with information but not yet making better decisions. Billions have been invested in business technology over the last 15-20 years, and productivity within organisations hasn't improved. Every bit of technology, or let's say, 80-90% of the technology is pointed at process improvement, not decision-making improvement."

If procurement teams are spending 80% of their role just wading through the data, that dynamic needs to be flipped. Therefore, businesses need to use technology to become more agile and leave supply chain and procurement teams to focus on the longer-range strategic planning. The changing needs mean we will see the growth of more roles dedicated to data insight and analysis to help businesses bridge this gap. As Paul shares,

*"You need to have agility in your supply chain to be able to respond to challenges. Agility trumps planning. We see ten times the return on investment on agility. If it takes planners or your procurement team weeks to determine the root of a problem and make a decision, that's not agile."*

Paul Crayford, Client Partner, Aera Technology

In this agile environment, being able to translate data into actionable insights becomes highly valued. Many organisations are data-rich but lack the skill to process and share learnings and actionable insights with the business; therefore, supply chain and procurement roles will routinely need to distil data from a variety of sources and communicate insights to continue feeding into the strategy.



**Ashish Gadnis**  
Co-founder & CEO  
BanQu, Inc.



**Rohit Sathe**  
Chief Procurement Officer  
Sunrise Medical



Data-driven procurement roles are likely to complement more traditional skills, rather than replace them entirely. "We need more generalists who understand the basic building blocks of procurement," says Ashish Gadnis. "Climate change, gender inequality, child labour, unethical sourcing, everybody in procurement, no matter their role, needs to know these things."

Or you can choose to keep those roles separate, which is the route **Richard Trower, Group Procurement Director at British food manufacturer, Samworth Brothers** favours,

*"I would prefer to have someone who is a data analyst. I want someone who is going to be holding my feet to the fire about what they've analysed from the data and asking difficult questions."*

Richard Trower, Group Procurement Director, Samworth Brothers

Meanwhile, Rohit agrees that the role of leadership in procurement has to adapt to the changing nature of technology. "The role of procurement is going to be contributing to building and identifying the right technology and eventually selling and executing it," comments Rohit.

*"I think the biggest role is for procurement leaders is to embrace, execute and make your team aware that, in the near future, you may not be doing the job of negotiating but developing new technologies. That doesn't mean the loss of roles; you need to bring your knowhow about how it works in the space of procurement."*

Rohit Sathe, Chief Procurement Officer, Sunrise Medical

## Starting the journey

### Transformation is about more than tech

Industry 4.0 and digital transformation is about more than the tech. Organisations should consider how people are going to interact with the process by considering what adds the most value to your customer. As Ashish Gadnis explains,

*"At the end of the day, the people in our procurement [and] supply chains are just awash with information and data. They're at the point where businesses are reliant on them working outside of standard processes to get the job done."*

Ashish Gadnis, Co-founder, BanQu

He also suggests there is often a misconception that it requires vast amounts of data and capital expenditure to even get projects off the ground. "I think that's one of the biggest things that I get into with procurement in large companies because they have this false notion of massive amounts of investment, technology and servers. But you don't need new infrastructure to make your procurement process sustainable, cost effective or gender equal."

So, things don't need to be that complex. Big transformation projects aren't always the right approach. As Rohit Sathe indicates, "In the early stages a lot of technology adoption doesn't make sense, because you may not see the benefit."

Start by identifying your critical path to build up the right approach for your business. "In procurement, I would deploy technologies that can either drive significant revenue growth or where it can really make a difference in terms of efficiency," says Rohit. Here, he refers to the example of implementing a standardised ERP running across your business and institutionalising a demand forecasting and fulfilment process (SIOP Process). "That's going to bring a business a lot more value than having a control tower for visibility of my supply chain," he said.



**Richard Trower**  
Group Procurement Director  
Samworth Brothers



**Paul Crayford**  
Client Partner  
Aera Technology



## Prove the value

With a solid strategy in place, organisations can take strides to make progress in the right areas. Starting small also means that you can learn as you go and be quicker to address any issues. “My recommendation is start small in a way that you can mandate,” says Ashish whose projects lead to big consequences, particularly as their deep dives into the supply chain can uncover fraud. He recommends developing a critical path that delivers the value you’re looking for and addresses challenges within the business, beginning with small, pragmatic steps.

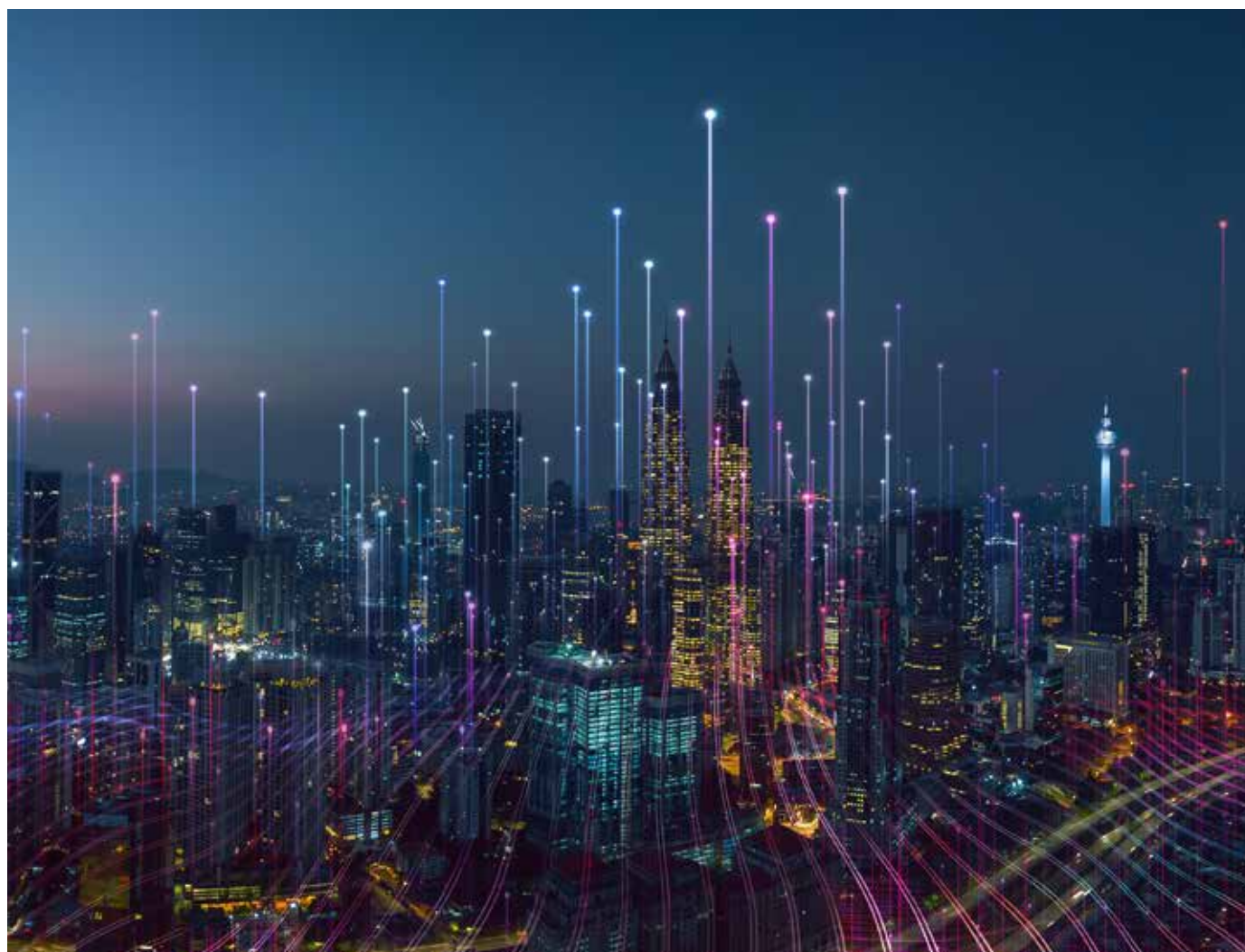
Sathe agrees that gradual adoption is key, especially for small and mid-sized businesses. “When companies are small, ideas are great, and you can actually run with them,” he says. Excitingly for supply chain and procurement teams starting the journey, “we’ve got the ability to influence what legacy you want to leave behind and what ambitions you want to have.” Starting with pilot projects is the best way to test adoption before committing inordinate amounts of time and spend.

## Build up the foundations

Most importantly for adoption of Industry 4.0 and digital transformation, supply chain and procurement teams should be mindful that people and processes within the organisation need to be brought along on the journey. It’s likely that your existing processes and systems are not yet up to the task, preventing your ability to progress with reliable decisions.

This is a common issue identified by Richard Trower, who says “unless you make sure that the processes work, that they feed data into the system, you’ve got a problem.” This can be addressed in many ways, such as updating your processes. You will find gaps in your processes and tools that make software investment necessary and by partnering with data providers who can bring expertise, you can create change that will help you in the long term.

You may also find in some cases that the skills required to implement solutions and process-relevant data simply don’t exist. In this scenario, businesses should be prepared to upskill and support the team through this period of change. Don’t be afraid to bring in external help and expertise. As Ashish explains, there are plenty of experts out there, all you need to do is talk to them: “Talk to people like Efficio, because at the end of the day, two things need to happen: first, you have to have courage. And second, you have to map your supply chain. If you don’t map the supply chain, you’re not going to implement the technology.”



## Advantage, Industry 4.0

No longer a buzzword, Industry 4.0 can have real impact on your organisation if understood and embedded correctly within existing teams and processes. Adoption of the right technologies within Industry 4.0 will translate into a massive competitive advantage. Additionally, it has real implications for the future of procurement and the potential to change the way we work for the better. It is clear that as organisations look beyond cost savings to supply chain assurance, resilience, and ESG that Industry 4.0 solutions will take centre stage in leading that journey.

As a first step, it is imperative for organisations to assess their procurement and supply chain operating models including their structure and practitioner skillset, so that they can embrace innovation and Industry 4.0 solutions. Supply chain and procurement teams should remember that implementation of Industry 4.0 solutions needs to be approached in a structured way, and never as a silo. Don't just consider the flashy tech, but also the expertise and new processes required to enable it and drive the business outcomes you want, as well as the ongoing requirements to continue delivering results long-term.

**Reach out to us to discuss how you can transform your procurement and supply chain operating model to be future-ready.**



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