

Key Takeaways from Western Region CEO Session – Building a Resilient Business: Industry X.O – Manufacturing of the Future

Industry X.O/ Industry 4.0/ the connected enterprise or even enterprise of the future are some of the terminologies that are floating out there. At its core, Industry X.O or 4.0 is about keeping the business at



the center and leveraging new age digital technologies to meet business objectives which could ramp up production, reduce operational costs, be more compliant to regulations – all to serve your clients in a more effective manner.

The business environment has always been challenging, and even more so now with demanding customers, ambiguous state of macro economy, corporate responsibility and governance and increasing regulations.

Industry X.O is catalyzing the manufacturing and distribution process of businesses across the world. Firms are innovating on how to navigate through these challenges, identify opportunities, and build a resilient and sustainable enterprise that can thrive in the times to come.

Some of the key pillars for this journey are

- Business and goals at the center
- People: Skilled workforce and customer centricity
- Technology innovation
- Strong compliance to risk and governance
- Operational efficiency

Policy, regulation and social impact

The **Government of India** is taking cognizance of the **digital penetration** in the industry and how it is shaping the way of doing business. Through progressive initiatives such as **ONDC** which is an open network digital commerce platform that help SMEs to showcase their products at a national level and policy interventions such as **NLP 2022**, which is a framework to make logistics industry more efficient and lower costs; they are lowering the competence gap with some of the other countries viewed as a **manufacturing hub**.

As processes and operations go digital, redundancy is the question on everyone's mind and this gives rise to the debate whether IX.O will be viewed as a complement to the workforce or a replacement. Workforce may perceive technology as a threat and hence there is hesitancy for companies in adopting IX.O.

The way we should look at **technology** is that, its adding value but **still requires human supervision and intelligence to operate**.

We will also have to keep in mind the short supply of appropriate skillset in the market. Many firms have initiated **upskilling and training their workforce** not only retain the employees,

but to enhance their contribution to the firm. There is a need to integrate the Skill-India initiative for upskilling the workforce on newer

technologies and can evolve to do more value-added work.

Business at front and center

Firms are fast including **Industry X.0 in their strategy roadmap**. Traditional process engineering, and manual interventions were able to squeeze about 5-8% benefit, while armed with digital intervention and integrating them in the processes, these **benefits in operational efficiency and cost optimization goes up significantly**. This has very limited precedence and hence there is humongous potential to derive value via these technology interventions.



One such real example is how a manufacturer of electronic goods which mostly had traditional old-school warehouses, **setup a new digital warehouse facility** on a pilot basis. The experience and differences between the two couldn't be clearer, specially with regards to technology and how the business is benefiting from it.

Logistics firms today are no longer a connection between the manufacturer and the market, but essentially an **extension of the manufacturer and its operations**. They have now evolved their business and operations with digital interventions to **increase transparency and tracking across the supply chain**. With the speed and trust brought in by digital, the organizations in the ecosystem are witnessing lot more benefits. One such interesting benefit is how this whole system is reducing credit cycles, freeing up working capital which can then be in turn pumped in the system, thereby driving topline growth. This has hugely benefited the ecosystem where on one hand the **Industry X.0** is reaping benefits and on the other hand **increasing trust** in the system.

Financing IX.0 adoption



Different avatars of Industry X.0 were being tested in the industry but sparse and far in

between. The pandemic acted as a **catalyst to accelerate** the whole digital journey. While this was adopted as a necessity, it has shown potential and growth in business benefits and improving customer experience so much so that scale of **digital operations is now a vital aspect of financing evaluation**. Financiers today are evaluating assets as an investment who have adopted digital to a high degree.

One such example is of a **PE firm** who is considering **digital-first warehouse** for its assets for a **faster and resilient ROI cycle**. Another is of an **investment banking firm** which is engaged in a strategic partnership with an Agro company and collaborating with OEMs to increase farm

GRC

In this fast paced business environment, where businesses are picking up **speed for tech adoption**, the government is supporting with policy introductions and amendments, stringent adherence and compliance required are **guardrails**. There are some interesting use cases

Technology

Some of the commonly heard technologies in the space of Industry X.0 are IoT, ML/ AI, robotics, 5G, Cloud, M2M communication etc. These are the ones which have certain **level of maturity**; however these are not even 10% of all the technologies available that **industries are experimenting** with. At a time where **technology is evolving at breakneck speed**, how do businesses ensure the right technology to **adopt**, run a **pilot**, ensure they **don't get locked-in**, create a **business case** for investment and delivery **ROI to business!** Easy answer is to develop an innovation mindset!

The interest and intrigue about Industry X.0 was apparent and so was the flow of questions and ideas for successful adoption. The Government's cognizance and progressive policies gives an overall assurance to the industry . The role of technology powering the Industry X.0 revolution was clear as interesting use cases discussed, where firms have been able to enhance top line growth, productivity, customer centricity, trust in the product lifecycle and in some cases even adopt new business models. Some firms and industries were visibly ahead of the curve on adopting the Industry X.0 and rest were in active discussions on the how and when. The key takeaway from the discussion was the availability of policies, regulations, financing and the maturity of technology ecosystem for Industry X.0 adoption.

yield. What is interesting is that such one of its kind interventions are at the **tip of innovation** and that they won the prestigious Adam Smith award for implementing digital invoice reconciliation solution for a large CPG player.

where **technology has been deployed** to ensure **zero deviation, automated compliance and adherence to governance**.



One such successful case is of a **Steel plant** which runs a state-of-the-art **technology innovation center** for its business. By attracting the right skills, developing the **innovation mindset**, the plant has been able to **increase its production 10X** over the years, while not increasing the real estate space.

References and additional reading material

- <https://www.hfsresearch.com/research/kpmg-industry-4-0-services-capabilities-2022/>
- <https://globalsmtseasia.com/kpmg-industry-4-0-report-urges-companies-to-be-bolder-with-digital-manufacturing/>
- <https://home.kpmg/xx/en/home/campaigns/2018/11/industry-4-0.html>
- <https://home.kpmg/xx/en/home/insights/2017/05/beyond-the-hype-separating-ambition-from-reality.html>
- <https://home.kpmg/xx/en/home/insights/2018/11/industry-4-0-case-studies.html>
- <https://home.kpmg/xx/en/home/insights/2017/11/industry-4-0-explained.html>
- <https://www.fortunebusinessinsights.com/industry-4-0-market-102375>
- <https://www.mordorintelligence.com/industry-reports/industry-4-0-market>
- <https://miningdigital.com/digital-mining/what-industry-4-0-and-why-businesses-should-move-towards>
- <https://assets.kpmg/content/dam/kpmg/xx/pdf/2021/08/place-your-billion-dollar-bets-wisely.pdf>
- <https://home.kpmg/xx/en/home/campaigns/2018/11/industry-4-0.html>
- <https://manufacturingdigital.com/smart-manufacturing/kpmg-global-manufacturing-outlook-following-covid-19>