

Oak Universe

# What is holding the 4IR transformation back?

The future came sooner than we thought

# What is holding the 4IR transformation back?

Technological progress in artificial intelligence, cloud computing, connectivity, and materials science has matured enough to be successfully implemented as of now. Industry 4.0 technologies will help enterprises survive in the long run and help them minimise the risks of the challenges that lie in the future.

Fourth industrial revolution solutions will help companies survive the risks that are emerging from the horizon. Geopolitical tensions can cause issues in global supply chains. Political outcomes cause turmoil and create new industry regulations. And with COVID-19 we are currently living through a global pandemic and experiencing its risks in real time – and the current pandemic won't likely be the last one to strike us.

## Four points of transformation failure

These four failure points reveal the common issues that companies face.

1.

**No budget for acceleration**

2.

**Lack of leadership and collaboration**

3.

**Not investing in long-term achievements**

4.

**High cost of scaling**

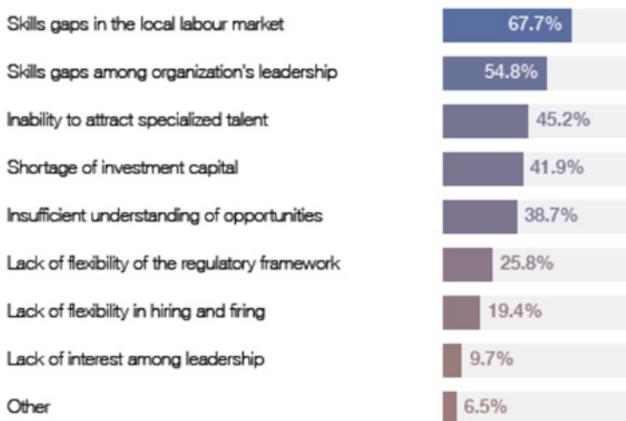
**Failure 1:**

# No budget for acceleration.

Budget issues are often caused by the lack of budget or the lack of commitment. Taking initiative and completing a full transformation into utilising 4IR models will often take about 5–6 years. Shareholders won't often approve 4IR investments, and instead, they prefer short-term investments for a quicker profit.

### Barriers to adoption of new technologies

Share of companies surveyed



Budget issues can also be caused by more complex underlying challenges. Enterprises have to identify new skills that the 4IR transformation requires, find the right people with the right expertise, and also be more open about partnerships with academia and government.

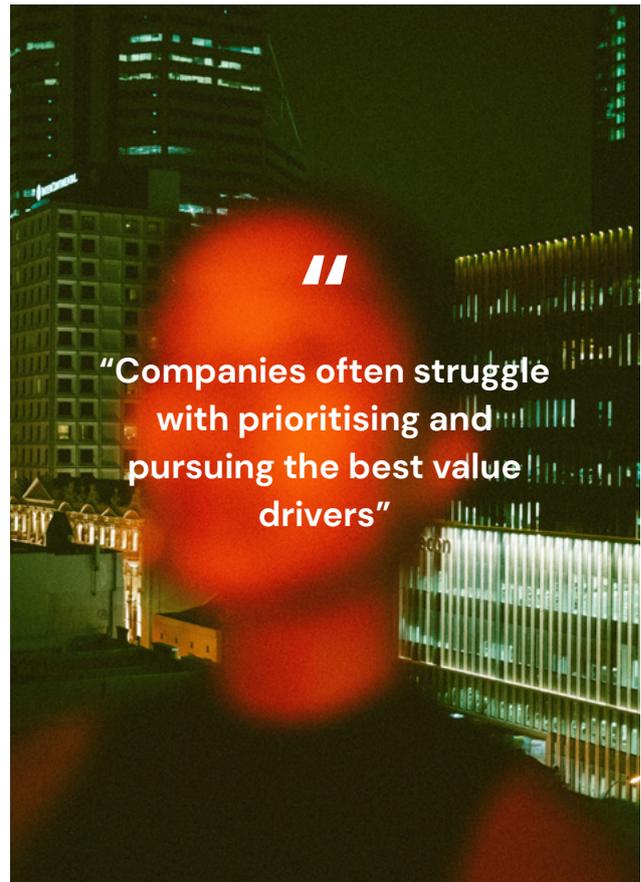
The World Economic Forum (2020) performed a survey to identify the barriers that hinder companies of introducing and adopting new technologies. According to The Future of Jobs Report the top three barriers in adopting new technologies are a lack of skills in both the local labor market and among the organization's leadership, and the inability to attract specialized talent. Investments were the fourth most common barrier.

The economic and social barriers the surveyed organizations have experienced make it clear, that it's not just about money, but also about discovering new skills and new business models and having the know-how on how to implement them.

**Failure 2:**

# Lack Of Focus.

Companies often identify many use cases, but struggle with prioritising and pursuing the best value drivers. Focusing on the supply chain has the potential to provide huge benefits for the consumers while simultaneously reducing operational costs.



But supply chain disruptions often get disregarded as just operational issues, even though they have an effect on the income statement. Let's take a look at COVID-19 and the lack of Health protection uniforms in Europe for example.

If companies would have invested in localised manufacturing, they would have ensured the supply of products, quick problem solving, and reduced operational costs. But because companies didn't have localised factory environments, it resulted in a lack of supply of Health materials and equipments.

### Failure 3

## Not investing in long-term achievements.

Many Industry 4.0 use cases require investing into new technologies, which won't amortise during the same year. That's why shareholders won't often approve supply chain investments, but instead they invest in short-term solutions like improving the customer service. But by using the minimum viable product (MVP) approach the upfront investments in the supply chain could be minimised.

In order to utilise the MVP approach, identifying the catalyst and the problem helps figuring out which tools lead to the best solution and provide value for the company. The catalyst could be a demand for locally produced products, and the problem then might be higher operational costs. With the right tools, such as IoT, the company can reach a solution that solves the problem in a cost-effective way.



## Failure 4

# High Cost Of Scaling.

Companies often hesitate to make high upfront manufacturing IT investments. But manufacturing issues could be solved efficiently with 4IR models. For example, when raw materials can't be accessed on time it affects revenue. In order to battle this uncertainty companies usually hoard inventory to match the demand and supply. But hoarding brings new risks to the table – whereas IoT (Internet of Things) could offer a better insight by improving the connectivity between the factory floor and the office.



## SME's that don't invest in transformation will fail

How does it work? IoT takes real-world data and turns it into digital data. For example, it can digitize factory temperature measures into digital data that is ready to be utilized on the go. With AI and Cloud Computing this data can be turned into actionable information.

Big companies are already utilising these kinds of solutions. The development of technologies is still quite recent, and it will take a few years to create value for small and medium

manufacturers. Still, the time to invest is now. These new technologies will inevitably become the new norm in manufacturing – if you don't invest, you won't exist.

## The potential of adopting 4IR

Rapid tailoring of manufacturing and supply systems to changing consumer behaviour

Agile manufacturing and supply system set-ups enabled by advanced technology

Logistics coordination across and within global value chains

Adoption of new ways of working and governing to increase manufacturing resilience

Minimising future risks by creating more resilient supply chains requires a digital strategy that takes into consideration 4IR models. Companies need to plan and implement long-term changes in the supply chain, including finding alternative suppliers, localising product manufacturing and investing in automation technologies. Companies will benefit from a digital-first mindset to their physical business by investing in industry 4.0.

## Contributors

Our mission is to act as a catalyst for the 4th industrial revolution by investing capital and expertise in companies – that either benefit from 4th industrial revolution transformation – or enable it.



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