

Industry 4.0 – challenges & prospects in the management accounting area

12th November, 2018

Agenda

1. Industry 4.0

- Key Drivers
- Challenges and Scope

2. Changing role of Management Accountants

3. Business Partnering – Need of the hour

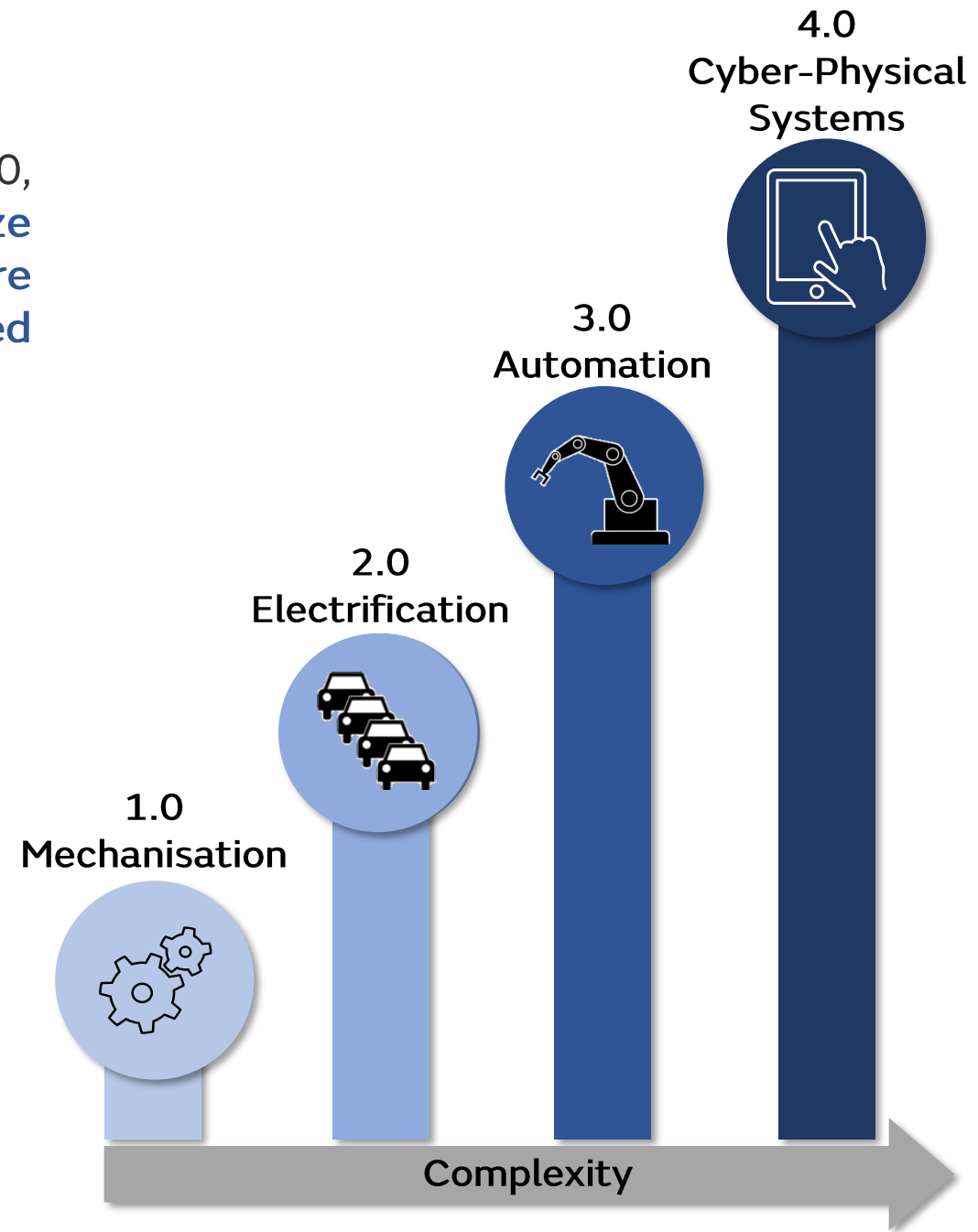
4. Role & Expectations of Contemporary CFO

5. Actionable approach for the Business Partners

Industry 4.0 – Key Drivers

The rise of new digital industrial technology, known as Industry 4.0, is a transformation that makes it possible to **gather and analyze data across machines, enabling faster, flexible, and more efficient processes to produce higher-quality goods at reduced costs**. This manufacturing revolution will:

- increase productivity
- shift economics
- foster industrial growth
- modify the profile of the workforce
- change the competitiveness of companies and regions.



Challenges & Scope of Industry 4.0

Advanced digital technology is already used in manufacturing, but with Industry 4.0, it will transform production. Adapting to these technology trends will be the biggest challenge for the industries:

Big Data & Analytics

Cyber Security

Autonomous Robots

The Cloud

Horizontal & Vertical System
integration

Additive Manufacturing

Industrial Internet of Things

Augmented Reality

Challenges & Scope for Management Accounts

Managing Communication

Evolution of finance function is required to **deliver more relevant information, more quickly and with a forward-looking view**, to meet the needs of stakeholders as they seek real-time information which the annual report does not provide.

Managing Accounting & Regulatory Changes

The advent of big data and advanced analytics capabilities will provide opportunities to **enhance transparency**; produce **more relevant and insightful financial and non-financial reporting**; & standardized and automated reporting.

Financial Controlling

Understanding the future technology requirements to support reporting will make it **“fit for purpose”** to meet the challenges of increasing regulatory and compliance requirements.

Adapting to disruption in technologies

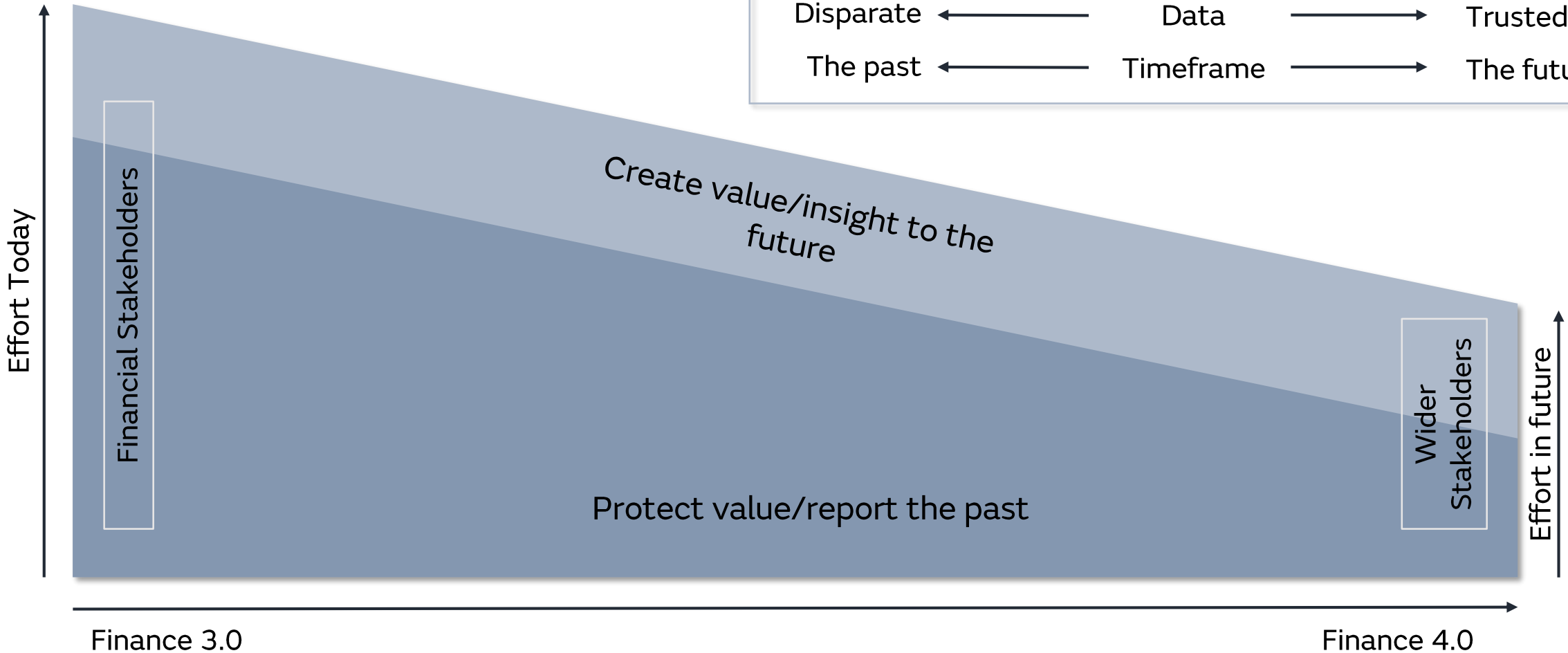
Data & analytics, cloud technology, robotic process automation, artificial intelligence & blockchain technology will help to **evaluate predicted outcomes; build connected & flexible system; and recognize patterns** to learn and adapt to new accounting or tax regulations.

Changing role of Management Accountants

Conventional Approach	Contemporary Approach
<ul style="list-style-type: none">• Maintenance of cost books	<ul style="list-style-type: none">• Help the top management in decision making and planning
<ul style="list-style-type: none">• Prepare & analyse monthly financial information	<ul style="list-style-type: none">• Change the focus from accounting controlling to business fundamentals
<ul style="list-style-type: none">• Budgeting	<ul style="list-style-type: none">• Use data and analytics to estimate company's competitive position
<ul style="list-style-type: none">• Variance analysis	<ul style="list-style-type: none">• Measure the performance of activities, managers and other employees within the organization
<ul style="list-style-type: none">• Cost audit for practicing cost accountants	<ul style="list-style-type: none">• Work as value integrator by involving efficiency and insight

Changes in Finance function

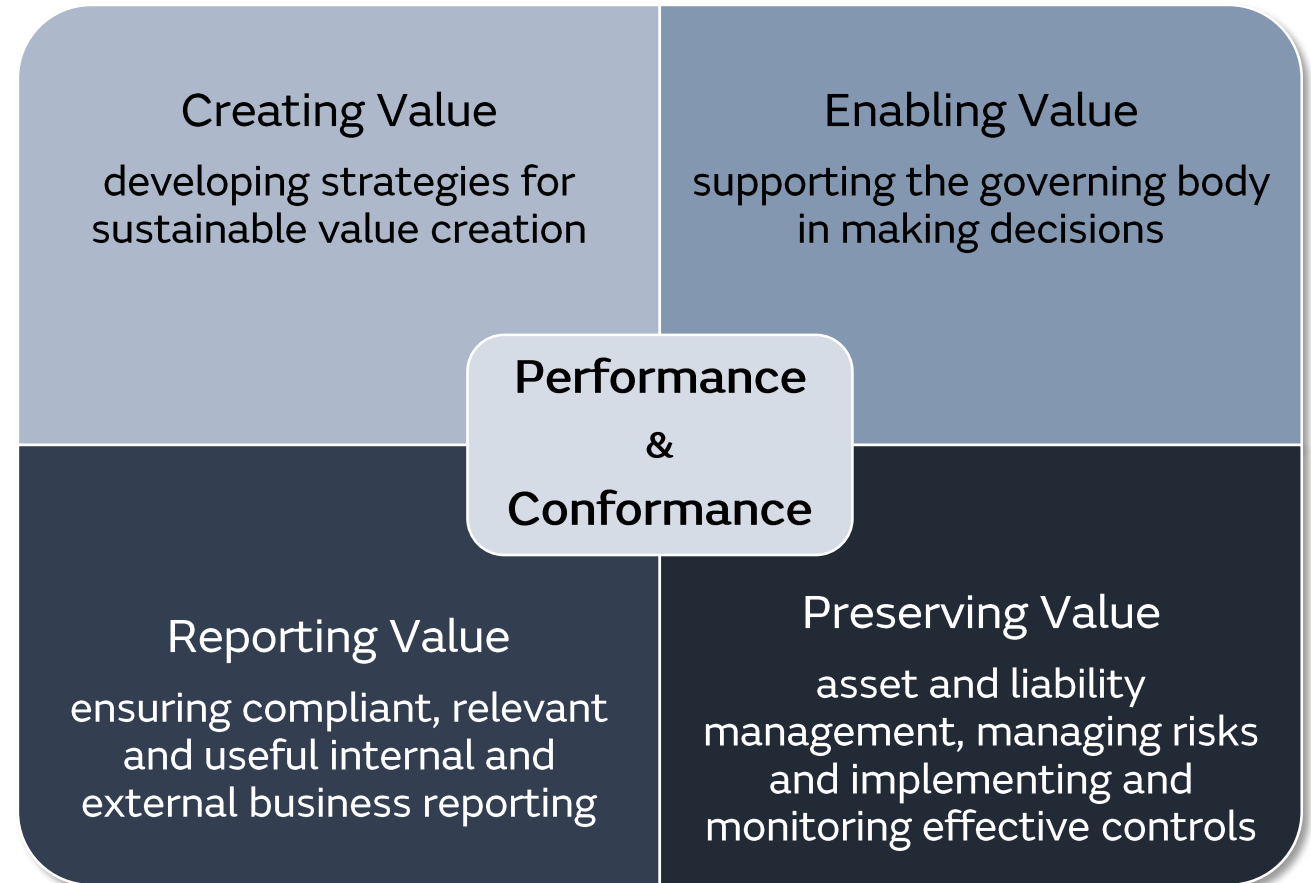
Finance 3.0		Finance 4.0	
Finance	←	Mind-set	→ Business
Inhibitor	←	Process	→ Enabler
Legacy	←	Technology	→ Digital
Disparate	←	Data	→ Trusted
The past	←	Timeframe	→ The future



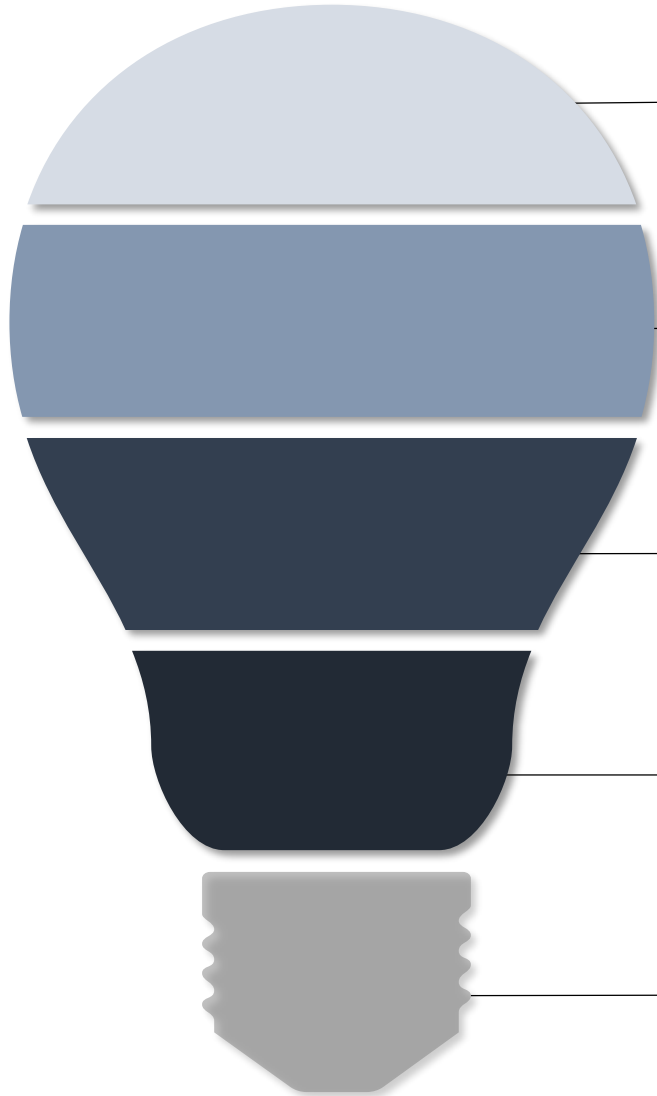
Why are we talking about effective business partnering?

- Rapid **technological change**, rise of **emerging markets**, more **empowered consumers** and **employees**, more **active government intervention** have all combined to disrupt traditional business models worldwide.
- As their influence has grown, increasingly it falls upon the business partners to not only **manage disruption**, but to also **identify and invest in the business models, products, and services** that will lead to sustainable, profitable growth.
- Volatility makes it more challenging to **set priorities and plan for future investments**.
- **Complex organizational structures** hamper the ability of business partners to gain visibility into performance across the enterprise.
- And disruptive technologies, such as **big data, cloud computing, mobile and social media**, have given rise to new forms of competition that are challenging even the most established enterprises.

Role & Expectations of the contemporary CFO



Actionable approach for the business partners





Get immersed in innovation by pushing the organization to understand the application of various technologies & their potential impact on the businesses

Build an ecosystem by assessing organization's digital maturity to understand what might be feasible & what steps should be taken to build the necessary technological capabilities.



Scale at the edges by selecting the projects which are at the "edges" of the organization, where the strategies can be tested and refined with relatively fewer consequences

Start with one or two transformations to prove it works. Prioritize areas that can unlock several waves of potential value, & consider then building on those successes for exponential growth.

Don't wait for perfect and keep reiterating. Learning from previous initiatives will help to prioritize the next set of initiatives.



When egg is broken from outside, a life comes to an end. But when the egg breaks from within, a new life begins. Great things and great Management Accountants as Business Partners always begin from within and do not wait for a knock from outside.



Thank You!!
