



Q&A: Press GO On Industry 4.0:
A Middle Market Roadmap

October 2018



CONTACTS - BDO

ESKANDER YAVAR

Partner, National Leader
Management Advisory Services and Industry 4.0 Co-Leader
eyavar@bdo.com

RICK SCHREIBER

Partner, National Leader
Manufacturing & Distribution Practice and Industry 4.0 Co-Leader
rschreiber@bdo.com

MALCOM COHRON

National Managing Director,
Digital Transformation Services
ccohron@bdo.com

CONTACTS - NAM'S Manufacturing Leadership Council

PAUL TATE

Co-Founding Executive Editor and Research Director
ptate@nam.org

QUESTION #	QUESTION	ANSWER
1	Thoughts on integrating multi-generational perspectives, particularly with regard to training, cross training, collaborative efforts in effective evolutionary change of workspace and culture?	We are currently in the middle of evolutionary changes in workforce, culture and technology. Given the amount of potential changes that should be aligned, it will be important for companies to take calculated steps to take on the amount of change that can be digested by the company. Unless there is comprehensive top down sponsorship, it is suggested to start with a specific use case (ie: On Time Delivery performance improvement) and prove out the value before embarking on larger change.
2	With regard to talent, how is management's perspective being re-educated to allow for effective inclusiveness & cultivation of workforce?	More and more, the up and coming generations are influencing the workforce both directly and indirectly. Particularly, emphasis on being in a meaningful work environment that adds "value" to their daily lives on an immediate basis is key. The re-education is key to both current and future generations and the level of "change management" should be adapted according to the dynamics of the company's particular workforce.
3	Can you provide a breakdown of locations where manufacturing is conducted? To what degree do locations (especially abroad) impact costs?	Manufacturing locations can occur throughout the world with costs of good sold components (labor, material, services...etc.) varying depending on the specifics of each bill of material and natural supply/demand considerations. Coupled with the ever changing tariff policies with the higher ranking trade countries, the best fit is a specific exercise for each company/product mix.
4	How will blockchain play a role in the Value Chain Integration?	Blockchain is already playing a role in Value Chain Integration (VCI). It is being heavily used in Supply Chain Management (SCM) by Walmart and Maersk are using it to track produce and goods; SKUChain and Provenance are industry blockchain initiatives for SCM. Many of the benefits generated for SCM are transferrable to VCI. For example, Work In Progress (WIP) can be written to a blockchain that provides transparency to parties involved in the manufacturing process. This has even more significance if WIP components requires subassemblies or the WIP processes span facilities and/or companies. This provides real-time status of processes as well as QA information can also be included on the blockchain to help ensure specifications are met throughout every step of the process.
5	Given the complexity of Industry 4.0, can you provide your thoughts on impact on business insurance and	Industry 4.0 is introducing a new realm of cyber security at the shop floor/device/IoT level. Each company should engage in a specific discussion around risk mitigation of cyber threats first

QUESTION #	QUESTION	ANSWER
	what insurance providers may now require of companies?	with their internal IT/Operations team and then with their insurance providers.
6	For smaller companies, it doesn't seem likely that benefits enjoyed by larger companies are available. Can you provide your perspective?	Smaller companies absolutely have the ability to benefit from Industry 4.0 opportunities. The costs associated with connectivity, sensors and business intelligence make access to those enablers very affordable. For the most part, Industry 4.0 changes will happen in incremental steps and what is most important is to identify and visible area of "pain" and drive a proof of concept that results in specific ROI.

BDO is the brand name for BDO USA, LLP, a U.S. professional services firm providing assurance, tax, advisory and consulting services to a wide range of publicly traded and privately held companies. For more than 100 years, BDO has provided quality service through the active involvement of experienced and committed professionals. The firm serves clients through 63 offices and over 450 independent alliance firm locations nationwide. As an independent Member Firm of BDO International Limited, BDO serves multinational clients through a global network of 1,408 offices in 154 countries.

BDO USA, LLP, a Delaware limited liability partnership, is the U.S. member of BDO International Limited, a UK company limited by guarantee, and forms part of the international BDO network of independent member firms. BDO is the brand name for the BDO network and for each of the BDO Member Firms. For more information, please visit www.bdo.com.

Material discussed in this tax alert is meant to provide general information and should not be acted on without professional advice tailored to your firm's individual needs.