

The Impact of Industry 4.0 towards Supply Chain Management

Faziana Azah Yaakub, Aisyah Muhd Radzi, Muhammad Shafuan Osman, Shahryar Sorooshian
Universiti Malaysia Pahang, Malaysia

ABSTRACT: This study is concerning the impact of Industry 4.0 towards supply chain management and the affect in the revolution of industry from the managerial perspectives.

Keywords: supply chain management; Industry 4.0, operation management

INTRODUCTION

Throughout the 20th century, our views on industry development has drastically changed globally. It was once thought to be an impossibility, as all we had seen such industries before the hype of Industry 4.0 which showed us a very slow paced business management back on the time but now the landscape in industries around the globe has changed and enhanced that we would recognize now as integration of management through Industry 4.0. In this study, we can see how the Industry 4.0 impacted to supply chain management in business world now.

1. SUPPLY CHAIN MANAGEMENT AND INDUSTRY 4.0 BY DEFINITION

1.1 Supply Chain Management

According to Felea and Albăstroi, 'supply chain' is an abstraction of a proficiently that constructed which is published and commonly being denoted as the conjunction of a certain company in conveying the goods or services in the market ^[1]. Manufacturing, suppliers, transportations, warehouses, wholesalers, retailers, etc. and even consumers are considered as a supply chain management. The developing of process, from the raw materials to the finished goods, which undertake a sequence of consecutively conducting the business to business market which occurs in any products or goods that is merchandise in market of products for the customers.

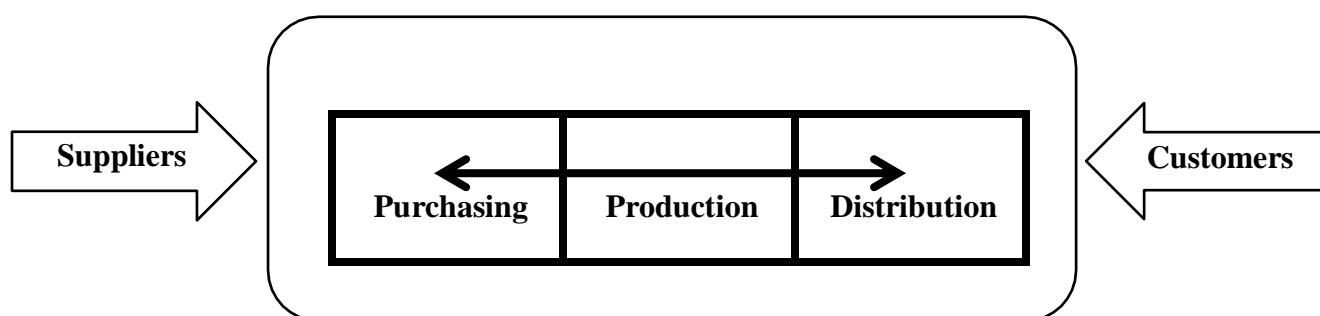


Fig 1: Supply chain management [2]

1.2 Industry 4.0

Industry 4.0 started from Germany in the year 2011 which was form from a program that was produced by the German government in advancing the computerized and innovative in the

manufacturing cycle. Most of the German companies have been using Industry 4.0 with an outstanding outcome, and has become a representative of the “Smart Factory” (Open Data White Paper Industry)

Industry 4.0 is alluding as the fourth Industrial Revolution. The major component in utilizing the capability of new convictions and technologies are:

- a. Accessibility and the use of the IoT and the internet
- b. Virtualizing and the digital mapping of the real world
- c. ‘smart’ factoring which comprising ‘smart’ which signifying of the production of the industrial and ‘smart’ which is meant by products

Industry 4.0 where the PCs and computerization will meet up in a totally new route, with mechanical technology associated remotely to PC frameworks outfitted with machine learning calculations that can learn and control the apply autonomy with almost no contribution from human administrators.

By linking Industry 4.0 and harnessing the likelihood in rising the profit within the industrial manufacturing is undefined and new opening need to be done. Industry 4.0 is also guaranteed as a good outcome. The establishment of just-in-time or JIT production can lowered the production cost through the practice of the idea of an incline production and with the countries that have a decrease work cost through the outsourcing production.

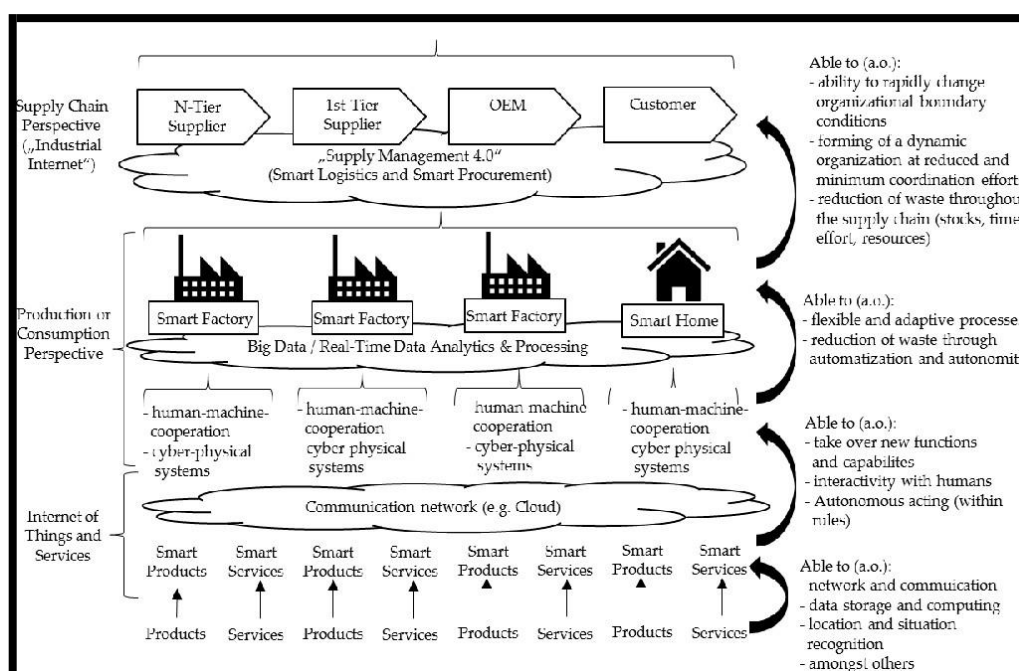


Figure 2: Industry 4.0’s “Hierarchy” [3].

1.2.1 The system to be considered in the Industry 4.0 including:

- 1) Interoperability – connecting and communicating to each other by using devices machines, sensors and other computer aided technologies
- 2) Information transparency – through the sensor data, helps the creation of a virtual copy resemble from a physical world.

- 3) Technical assistance – the system ability to help user in making decision and problem solving and ability to support with categorized as unsafe, harmful and too difficult for human kind chores.
- 4) Decentralized decision making – Digital physical framework capacity to settle on their very own basic choice and be as the self-sufficient as would be prudent.

1.2.2 Challenges in adopting Industry 4.0:

- 1) Issues in the security of a data are highly rising through the system integrated with more access into the system,
- 2) Reliability degree turns out to be high and soundness is genuinely necessary for a fruitful digital physical correspondence which is regularly can be hard to accomplish and keep up.
- 3) Less human sight in order to maintain the integrity of the production could be a difficulty.
- 4) Loss of lucrative human employments.
- 5) Expensive production is a caused when avoiding the technical problems.

2. HOW SUPPLY CHAIN IS AFFECTED BY THE INDUSTRY REVOLUTION 4.0

2.1 Management Approach

A successful Industry 4.0 is influenced by the competence of an innovation from a certain firm, which either in reengineering of goods or other related matters in the supply chain. Intellectual capability from the employees as well as atmospheric condition for the educating and innovation processes. Managing the Industry 4.0 is a very important matter and not many studies have been done regarding the management approach. With the purpose in expanding the proficiency in achieving a favorable outcome, to control the model of business, and the same time the holdings of the goods, in order to achieve a prospective consumers and market, in intensifying the chain of value in the practice and system, dealing with the cultural management that occurs due to the globalization and managing the risk and legal issues.

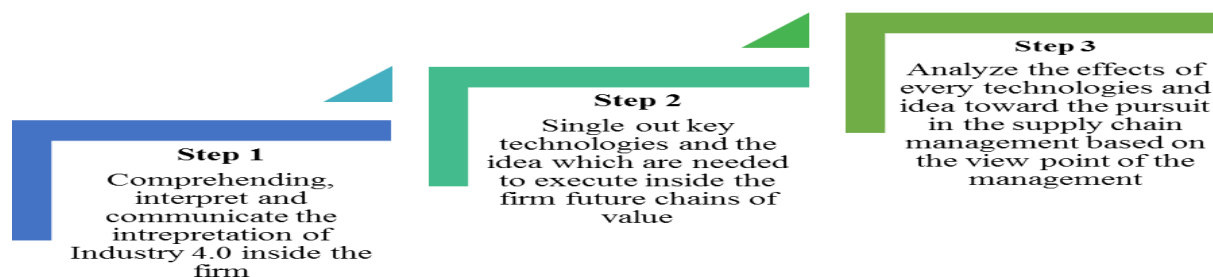


Figure 3: Steps in the Management Approach [4].

2.2 Smart Supply Chain Enablers

Hardship will occurs when a certain firm lay out to construct the smart supply chain; it also shows that it is unattainable except if the firm create an apparent strategy which is wholly reactive to the right set of circumstances with the proposition in a complete digital environment. It is not just form only on the existing operation of the firm but at the same time once the digitalized has been carry out, the new business model will be accessible.

2.2.1 *The principal proficiency*

2.2.1.1 *Managing the performance*

Create a direct business regulation to protect the supply chain management, and main execution which is the measure that is used to identify the result.

2.2.1.2 *Procedures*

Initiate the latest end to end procedure that linked between the customers and suppliers that is viable for digitization.

2.2.1.3 *Associating*

Concentrate on lifting capability in associating with other firms, as the entire merge of the supply chain may not be constructed with the lack of cooperation with a large diversity of allocators, suppliers and contributor of the technology.

3. DIGITIZATION IN SUPPLY CHAIN 4.0

Disruptive innovations are currently changing the landscape of many industries and their business models. Due to digitalized processes is increasingly and also in sensible data growth, supply chain also impacted by the Industry 4.0 revolution.

3.1 The Digitalization Leads to Some Improvements

3.1.1 *Faster*

With the new approaches in product distribution, the delivery time will also can be improved. The combination of advance forecasting approach (e.g predictive analytics, market trends) with machine-status data will resulting to more precise forecast of customer demand.

3.1.2 *More flexible*

The constant arranging in Supply Chain 4.0 enables the organization to react on the adaptably on changes sought after or supply, ready to limit the arranging cycles and solidified periods. Arranging has turns into a ceaseless procedure which ready to respond progressively to changing necessities or requirements.

3.1.3 *More granular/technical*

With the more buyers requests day by day, the organizations must deal with the request at a significantly more granular level, can be through strategies, for example, mass customization, more refined booking or advancement dispersion ideas. This will enable the organizations to deal with the last mile all the more proficiently for single-piece with high esteem and convey significantly speedier.

3.1.4 *More accurate*

The execution management frameworks give ongoing, end to end straightforwardness all through the store network process. The incorporation of that information which originates from the provider, specialist co-ops and all through the system ('production network cloud') guarantees that the observing and choices can be made in light of similar actualities. The execution administration frameworks ready to distinguish consequently the dangers or special cases and that can change production network factors to alleviate harm. This subsequent the nonstop change cycle and near the effectiveness

3.1.5 *More efficient*

To help the store network proficiency, it originates from the computerization of both physical undertakings and arranging. Those system setup persistently improved to guarantee an ideal fit to business prerequisites. A perfect workload in the store network, the framework use the high level of straightforwardness and dynamic arranging approaches.

4. OPERATIONAL EFFICIENCY BY LEVERAGING SUPPLY CHAIN 4.0

The advantages of Industry 4.0 could be more prominent on the worry for some generation offices. In extremely unsafe workplaces, wellbeing and security of human representatives could be enhanced enormously and significantly. The supply chains could be all the more promptly controlled where we can discover the information at each level of assembling and conveyance process. These could deliver more solid and reliable efficiency. Therefore, in the business, the income, benefit and piece of the pie could be expanded.

All areas in Supply Chain Managements will affect due to the Supply Chain 4.0. The enhancement produce a step change in the service agility, capital and also cutting cost.

41 Planning

It brings a colossally advantage in the enormous information, investigation and computerization. An intensely mechanized, completely incorporated request and supply arranging has breaks the customary in the middle of arranging steps and change process into an adaptable.

42 Physical flow

Coordination in logistic will make an enormous strides for better network, progress examination, added substance assembling and computerization and stock procedures. The independent and keen vehicles prompt the noteworthy of task cost decrease.

43 Performance management

Immensely changing and turning into a genuinely operational procedure to the constant taking care of and nonstop change contrasted with the review work out

44 Order management

This has been enhanced through a few measures which are no-touch arrange preparing coordinates the requesting framework and the constant re-arranging. Towards this, it can lessen cost (by means of expanding the automation), enhance unwavering quality and better client encounter.

45 Collaboration

The Supply Chain Cloud framing the level of joint effort in the system. This system comprises of clients, organizations and providers where an offer calculated foundation gave. Those in the non-aggressive system, will found the production network assignments together will spare the regulatory cost and gain from each other.

5. Contribution Note

This work was a MBA class project. The first 3 authors wrote this work; Dr Shahryar was lecturer of the course who taught and advice the topic.

6. REFERENCES

- 1) Felea, M. and Albăstroiu, I. (2013). Defining The Concept of Supply Chain Management and its Relevance to Romanian Academics and Practitioners. *Amfiteatru Economic*, [online] (33), pp.74-88. Available at: http://www.amfiteatruconomic.ro/temp/Article_1176.pdf
- 2) Chen, I.J. and Paulraj, A. (2004) Towards a Theory of Supply Chain Management: The Constructs and Measurements. *Journal of Operations Management*, 22, 119. <http://dx.doi.org/10.1016/j.jom.2003.12.007>.
- 3) Glas, Andreas & C Kleemann, Florian. (2016). The Impact of Industry 4.0 on Procurement and Supply Management: A Conceptual and Qualitative Analysis. *International Journal of Business and Management Invention*. 5. 2319-8028.
- 4) Pfohl, Hans-Christian & Yahsi, Burak & Kurnaz, Tamer. (2015). The Impact of Industry 4.0 on the Supply Chain. 10.13140/RG.2.1.4906.2484.
