



How leaders are navigating the Fourth Industrial Revolution

by Punit Renjen

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How leaders are navigating the Fourth Industrial Revolution

INDUSTRY 4.0 HOLDS THE PROMISE OF A NEW ERA OF GLOBALIZATION. YET WHILE OUR LATEST SURVEY IDENTIFIES COMPANIES SUCCESSFULLY IMPLEMENTING INDUSTRY 4.0 TECHNOLOGIES, MANY SENIOR EXECUTIVES REMAIN LESS PREPARED THAN THEY THINK THEY ARE

by Punit Renjen

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A YEAR AGO, Deloitte's inaugural survey assessing private and public sector readiness for the Fourth Industrial Revolution observed a "tension between hope and ambiguity." We found while executives conceptually understood the profound business and societal changes Industry 4.0 may bring, they were less certain how they could take action to benefit. The Fourth Industrial Revolution enables an increasingly globalized world, one in which advanced technologies can drive new opportunities, diverse ideas can be heard, and new forms of communication may come to the fore (for a detailed definition of Industry 4.0, see *What is Industry 4.0?* on page 63). But how are leaders adjusting? Our new survey suggests many who think they are ready may still not be as prepared as they need to be. But the good news is leaders seem to be gaining a much deeper understanding of Industry 4.0, are increasingly aware of the challenges before them, and are viewing the actions needed to succeed more realistically.

Our latest survey polled more than 2,000 C-suite executives across 19 countries, coupled with select interviews. The goal was to uncover how leaders are taking effective action, where they are making the most progress, and what sets the most effective leaders apart. Among our findings:

1. Executives express a genuine commitment to improving the world

Leaders rated "societal impact" as the most important factor when evaluating their organizations' annual performance, ahead of financial performance and customer or employee satisfaction. In the past year, three-quarters of respondents said their organizations took steps to make or change products or services with societal impact in mind. Many are motivated by the promise of new revenue and growth, but leaders are split on whether such initiatives can and will generate profit.

2. Executives are struggling to develop effective strategies in today's rapidly changing markets

Faced with an ever-increasing array of new technologies, leaders acknowledged they have too many options from which to choose and, in some cases, they lack the strategic vision to help guide their efforts. Organizational influences also challenge leaders as they seek to navigate Industry 4.0. Many leaders reported their companies don't follow clearly defined decision-making processes, and



organizational silos limit their ability to develop and share knowledge to determine effective strategies.

3. Leaders continue to focus more on using advanced technologies to protect their positions rather than make bold investments to drive disruption

Although many of the businesses that have made investments in technology are seeing payoffs, others are finding it difficult to take the step toward investing—even as digital technologies are engendering more global connections and creating new opportunities within new markets and localized economies. Challenges include being too focused on short-term results and lacking understanding, business cases, and leadership vision. Leaders acknowledge the ethical implications inherent with new technology, but few companies are even talking about how to manage those challenges, let alone actively putting policies in place to do so. Further, business leaders and governments continue to wrestle with how to regulate Industry 4.0 technologies.

4. The skills challenge becomes clearer, but so do differences between executives and their millennial workforces

Last year, most leaders (86 percent) thought their organizations were doing enough to create a workforce for Industry 4.0. This year, as more leaders recognize the growing skills gap, only 47 percent are as confident in their efforts. On the bright side, twice as many leaders indicate their organizations will do what they can to train their existing employees rather than hire new ones. And they're more optimistic than last year that autonomous tech will augment, rather than replace, humans. But research from Deloitte Global's annual millennial survey suggests leaders and employees (particularly younger ones) differ on which skills are most needed and who is responsible for developing them.

Four types of leaders

The general ambiguity expressed in last year's survey has subsided into a clearer, more tempered perspective in which leaders better recognize the many dimensions—and ensuing challenges—the Fourth Industrial Revolution brings. These include societal and ethical implications, the importance of clear vision and collaborative organizations, the tradeoffs of investing in technology for the short term rather than the long term, and addressing the talent gap. Yet, among these myriad issues, we see a subset of leaders forging a path forward. They include:

- 1. Social Supers:** Some leaders have figured out how to do well by doing good, generating new revenue streams by developing or changing products and/or services to be more socially or environmentally conscious. *Social Supers* believe societal initiatives, more often than not, contribute to profitability and those initiatives

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are fundamental to their business models. *Social Supers* also exhibit greater rigor around decision-making and believe their workforces are ready for the Fourth Industrial Revolution.

2. Data-Driven Decisives: Certain executives are far more likely to say they have clear decision-making processes and use data-driven insights. They're almost twice as likely as other surveyed leaders to say they are ready to lead their organizations in capitalizing on the opportunities associated with Industry 4.0. *Data-Driven Decisives* are also more likely to invest in disruptive technologies, to be concerned about the ethical use of new tech, and to train their current employees to access the skills required for Industry 4.0.

3. Disruption Drivers: We call executives who reported both investing in technologies to upend their markets and competitors, and making technology investments that have achieved or exceeded their intended business outcomes, *Disruption Drivers*. These leaders are more confident they can lead in the Industry 4.0 era (45 percent versus 32 percent) and more assured their organizations are prepared to capitalize on the opportunities associated with Industry 4.0, and they take a more holistic approach to decision-making.

4. Talent Champions: Leaders who are further along in preparing their workforces for the future than the rest of the field are *Talent Champions*. They believe they know which skill sets their companies need and that they have the correct workforce composition, and they embrace their responsibilities to train their employees for the future of work. About two-thirds have been able to generate new revenue streams through socially driven initiatives, versus half of all others surveyed.

Encouragingly, this research shows that these personas are contagious. While leaders may start on any one of these paths, they often embody a number

of characteristics that might offer lessons for those still trying to define their approaches. These leaders share a commitment to doing good, with a clear vision of the path forward. They take a long-term view of technology investments and are leading with regard to workforce development. Finally, their organizations are growing faster (that is, more than 5 percent annually) than their counterparts',

and they're more confident in their ability to lead their companies in the Industry 4.0 world.

While leaders with these characteristics stand apart, over the past year leaders generally seem to better recognize the many dimensions—and ensuing challenges—of the Fourth Industrial Revolution. Our hope is this clarity will now give rise to progress. ●

This is an exclusive preview of Deloitte Global's second annual survey assessing business and government readiness for the Fourth Industrial Revolution. The full results will be released at the World Economic Forum Annual Meeting 2019, held January 22 to 25 in Davos-Klosters, Switzerland. To read our full report upon release, visit www.deloitte.com/insights/industry-4-0-survey.

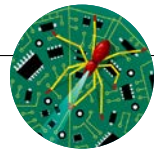
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