

Reigning in Industry 4.0

How agile manufacturing CFOs
thrive in the age of adaptation



SYSPRO™

Contents



01

The consequences of COVID-19	4
So, where are we now?	5
Business is on the mend	6

02

Operations and aspirations	8
The age of innovation	9
Business disruption and the war for talent	11
Quality over quantity	12
Risky business	13
Table of continents	15

03

The digital re-revolution	20
Top digital goals of tomorrow	21
An eye towards eCommerce	23
ERP: Ahead in the Cloud	24

04

The role of today's CFO	25
Business needs its navigators	26
The way forward	28
Conclusion	30

Executive summary

We're operating in remarkable times. While COVID-19 continues to stifle the global road to recovery, businesses in the Manufacturing and Distribution sectors have had to find new footings in what has, perhaps over-eagerly, been dubbed "The New Normal".

As we continue to evolve, we turn our attention once again to the prevailing systems and strategies that are helping keep our industries on course while everything else around us seems so uncertain.

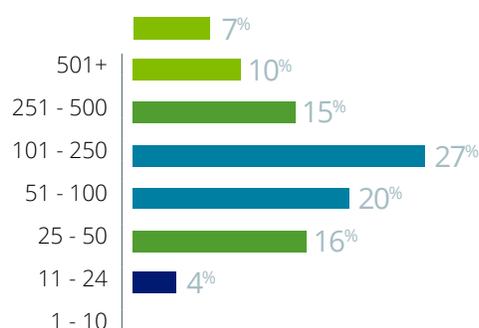
But, with shifting scenarios and an ever-changing paradigm, how then must today's financial leaders adapt to face an unprecedented future? Fortunately, time has shown empirically, that the move towards greater security has already begun.

The SYSPRO Manufacturing CFO 4.0 2021 survey was conducted across an extensive global Manufacturing and Distribution network, covering a wide variety of businesses, services, nations and operational climates. Our participants included financial leaders across both SMEs and larger enterprises, indicating that these results reflect the insights of a wide range of players in the Manufacturing and Distribution space. The report's intention is, of course, to underline key phenomena and trends prominent in the tumultuous climate of COVID-19's "New Normal", with the hopes of spotlighting the golden threads of today's best practices.

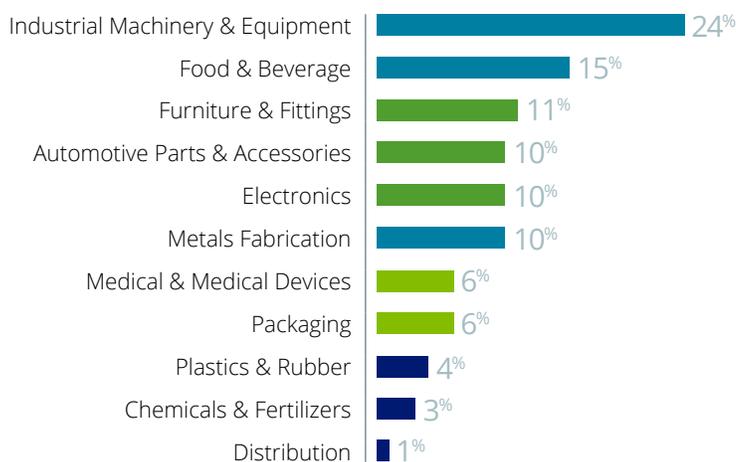
As evidenced in this survey, today's financial leaders find themselves, now more than ever, obliged to evolve into more flexible, forward-thinking roles. CFOs and their counterparts are beginning to take up the mantles of, not only financial decision makers, but business navigators – spearheading innovation and diversification on a fundamental level, all across the world.

Meet the respondents

Average company size based on number of employees

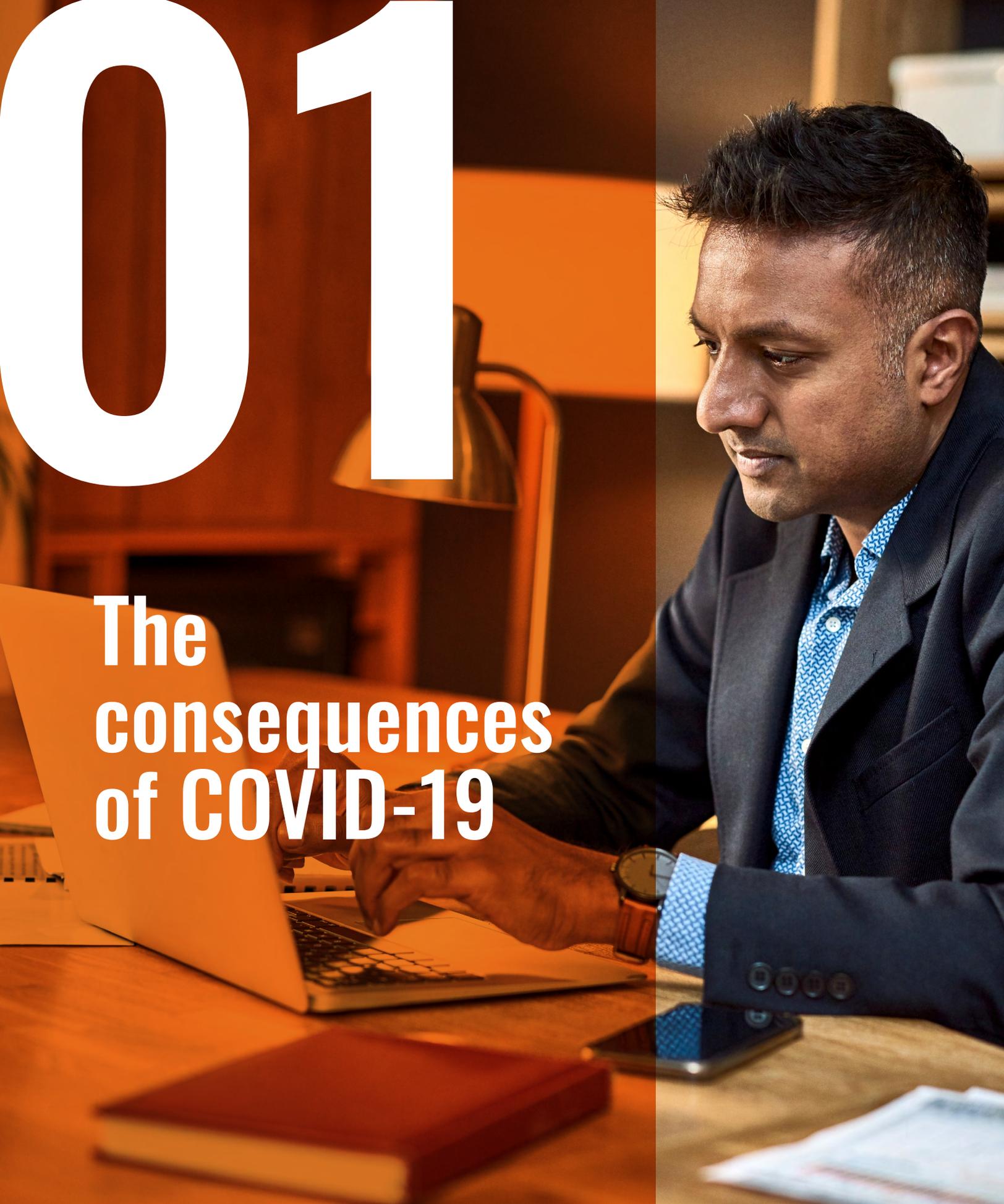


Industry make-up



01

The consequences of COVID-19



So, where are we now?

In many ways validating the findings of SYSPRO's 2020 Report, the Manufacturing CFO 4.0 Survey 2021 continues to spotlight a growing imperative in business to pursue both new markets and novel innovations. The lessons gleaned over the course of the past year and a half are those of obligation: Companies must diversify their products, offerings, and services to survive, both in present and post COVID paradigms.

Did your business diversify as a result of the pandemic?



Whether as a product of excitement, anxiety, or both, this philosophy has been broadly accepted across the globe with **65%** of all businesses surveyed diversifying through the shifting of expenditure into new markets, product lines, and technologies.

Which areas did your business expand into?



33%

Expanded to new markets



29%

Innovation of a new Product line



19%

Invested in new Product lines (e.g. expanded into PPE)



19%

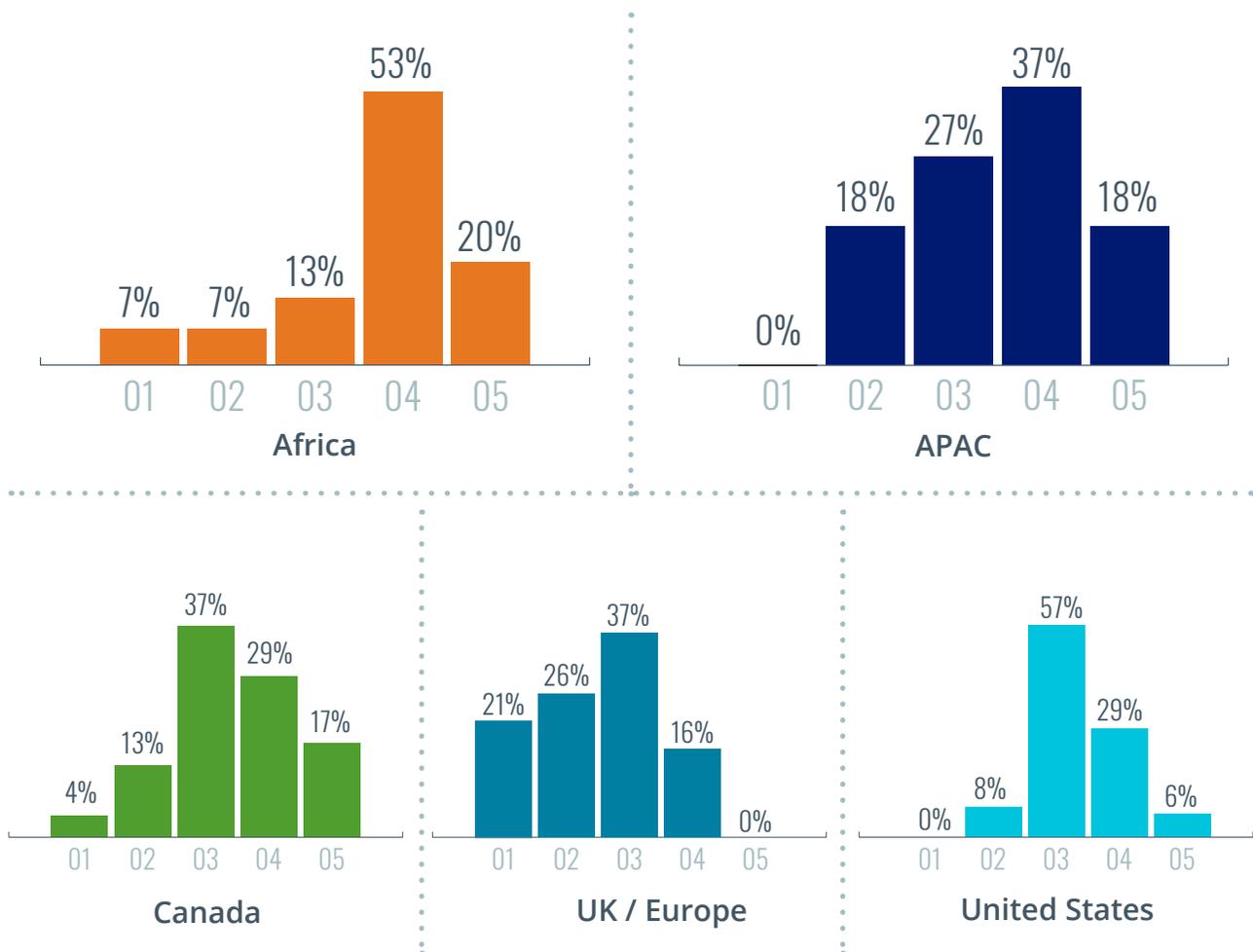
Invested in technology that resulted in improved productivity/efficiency

We are seeing COVID-19 to be the ubiquitous catalyst for financial change; one that will have a profound impact on the global market for many years to come.

Business is on the mend

Adaptation has been instrumental in keeping business on course - so much so that, today, many companies have already acknowledged a shift from fair trading conditions, to good and beyond. Up to **40%** of all businesses surveyed expressed a healthy return to pre-pandemic trading conditions.

How business has fared throughout 2021



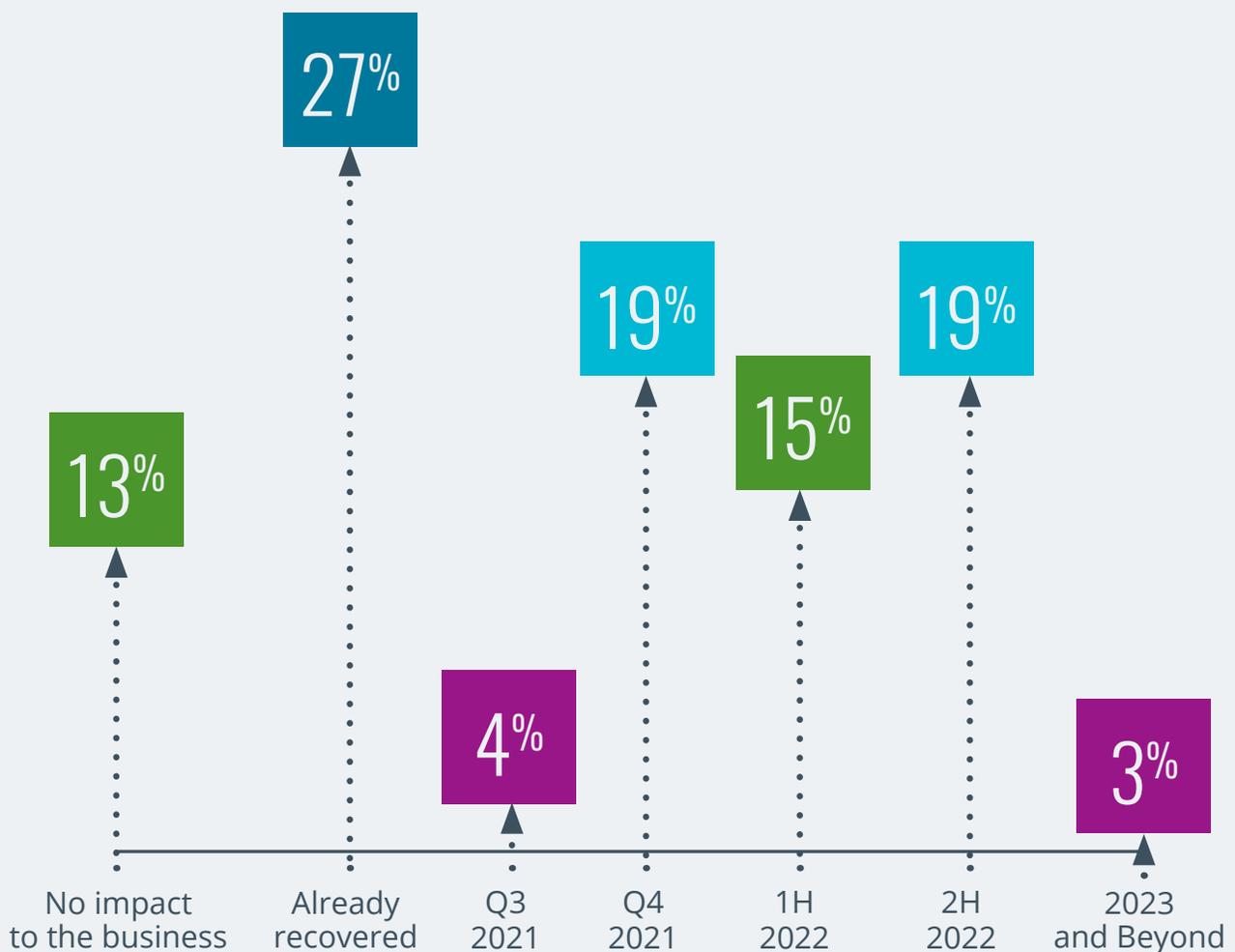
Surviving 01 — Managing well 02 — 03 — 04 — Thriving 05

The Food & Beverage (F&B) and Chemical & Fertilizer industries, in particular, have fared exceptionally well, indicative of a prevailing need globally for primary sector production. Industrial Machinery & Equipment (IM&E) and Electronics too are enjoying relatively stable trading (despite some logistical challenges) – a likely result of a world living and working all the more at home.

Yet as this **40%** of Manufacturing and Distribution businesses ease into their newfound fair weather, we should not forget that this number is down from 2020 (wherein **47%** of those surveyed expressed the same result). Additionally, and as a possible consequence of ill-preparedness for the 2nd and 3rd waves, only **37%** of businesses today believe recovery to come beyond 2022.

Still, these projected early returns to pre-COVID conditions are encouraging and do imply that spirits remain high. COVID's cost to companies has been on the decline for some time now, and the **13%** of today's companies in the "no impact stage" (VS only **4%** from last year) denotes a sense of resilience and eagerness within a new, opportunistic atmosphere. As such, optimism seems to continue to grow.

When do you expect your business to return to pre-pandemic trading conditions?



As such, optimism continues to grow.

02

Operations & aspirations



The age of innovation

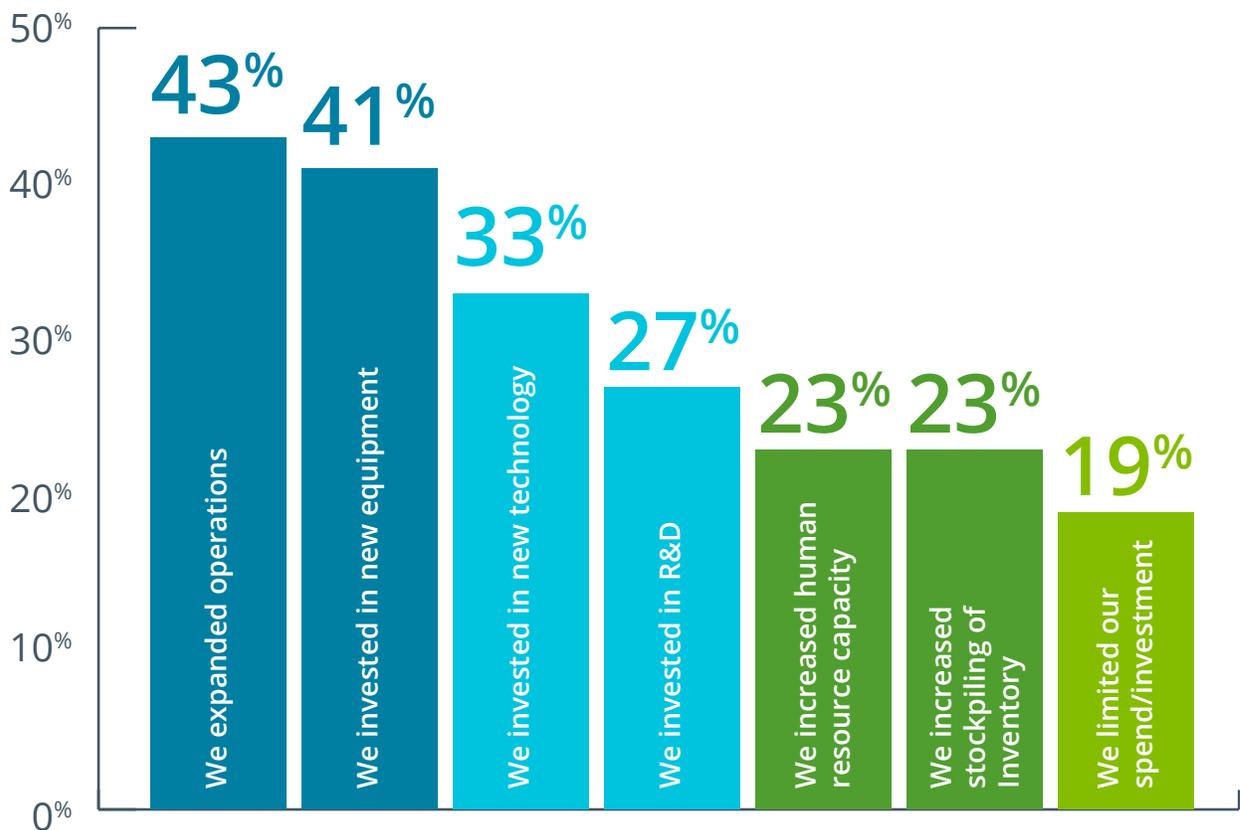
The impetus from Manufacturing and Distribution financial leaders to fundamentally refocus can largely be seen as a result of today's renewed interest in the promise of innovation.

COVID-19 has been the catalyst for change: a chance for industries to reflect on the need for transformation and a wake-up call to cast an eye even further down the road for the benefit of everyone's operational aspirations.

As novelty becomes necessity, new frontiers enrich from shifts in expenditure. Today, expanding operations and investing in new equipment dominate the spending metrics globally (ranging between **41%** and **43%**, respectively).

This is, however, not true for IM&E, which, conversely, appears to be spearheading the charge towards funneling capital into equipment, technology, and R&D - though mostly in developed regions. Unsurprising given the nature of their business as a secondary and tertiary goods supplier.

Over the past 18 months, where has your business focused its spending?



It's all been highly stimulating

Today there is a profound sense that one needs to diversify in order to survive in this new environment. This is forcing business to be more creative in terms of their expansion, digital transformations and investments overall - the commitment to which can also be seen even in the allocation of stimulus funds.

Businesses utilized government stimulus offerings over the height of the pandemic period as an opportunity to expand into or invest in new innovations (machines, tech, R&D, people).

How has government supported business over the past 18 months internationally?



This finding goes a long way in shedding light on (at least) one reason for slower diversification in certain developing regions. Only **7%** of African businesses, for example, received government stimulus. Compare this finding to a region like Canada, in which **83%** of businesses received cash injections, and we start to see how just how uneven the development playing field can be.

The consequences of which being that developing nations have had to finance digital operational migrations out-of-pocket, resulting in smaller scopes and greater hesitation.

We're in it for the long haul

Critically, however, is the lasting change, with **89%** of financial leaders agreeing that these new initiatives will receive support well beyond the scope of today's pandemic. This means that we aren't simply analyzing a short-term, interim solution; it means that COVID-19 has incurred a fundamental shift in business protocol: a change that promises to be with us for many years to come.

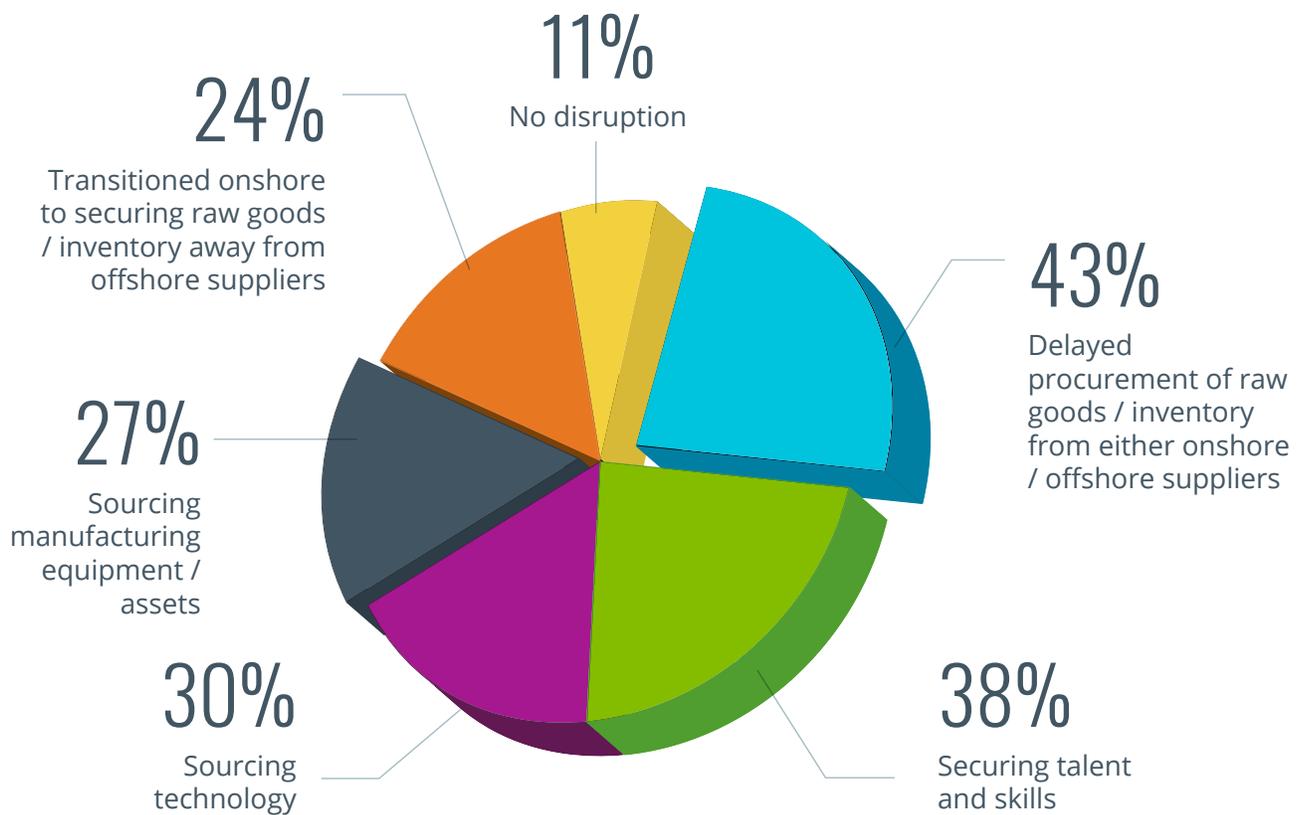


Business disruption and the war for talent

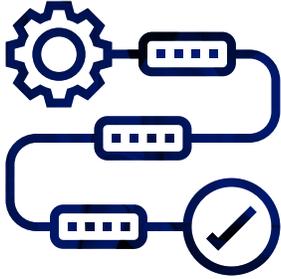
As we know, COVID-19 continues to be a logistical obstacle well into 2021. Inconsistent lockdowns and border closures have naturally impacted trading environments – negatively affecting supply chains and procurement the world over.

This has resulted in the procurement of raw goods and inventory remaining the leading business disruptors in 2021 at **43%**. Not surprisingly, however, is that this figure is followed closely by the procurement of talent and skills, which comes in at **38%**.

The biggest supply chain disruptions over the past 18 months



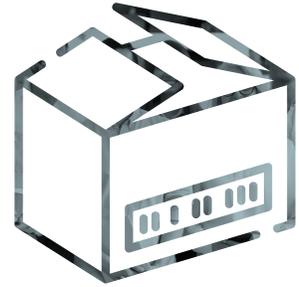
Today's biggest bottleneck



Process
41%



People
30%



Product
30%

But why? When we investigate bottleneck trends, we are able to identify a new - though slight - shift from our 2020 report. Product is on the downswing **-12%**, with People rising **+9%** overall. This phenomenon has been particularly felt on the African continent, where upskilling has become a bigger focus over the past year (perhaps as a result of high levels of retrenchment).

And, while respondents in Africa, the UK, Europe, and the US found Process the biggest bottleneck overall, this is only likely to herald a bigger call for upskilling staff in the near future – so as to either alleviate process or radicalize inefficient systems.

This is particularly true when considering the growing interest in ERP migration. As an effective cost-cutting mechanism, ERP systems radically optimize many of the roles and responsibilities in business, allowing for a shift in focus from the procedural to the analytical. The end result being the more efficient use of human resources and a greater removal of lingering redundancies.

Quality over quantity

People are beginning to play a huge part in the success of today's diversification – or, at least, the right people. The skills vacuum is vast and companies have acknowledged a growing need to onboard fewer but highly specialized individuals (or rapidly upskill their current staff bodies). This “quality over quantity” mentality does not necessarily mean a larger pool of available employees, however. COVID-19 has made it extremely difficult to import new skills, and the good ones go fast. Therefore, the race to reskill is now becoming an urgent path towards continued profitability.

Risky business

2022 should prove to be a telling year for the future of financial leaders too. With logistical pressures currently being placed upon supply chains, companies have noted that the costs of inventory management have the potential to rise to unforeseeable levels. As such, **40%** of our participants noted it as the biggest risk for the next cycle.

Top 5 business risks

	Inventory	Cashflow	Margins	Supply Chain	Invest In R&D
Global	40%	36%	35%	35%	33%
Africa	67%	47%	73%	60%	7%
APAC	55%	45%	36%	82%	36%
Canada	46%	50%	46%	21%	17%
UK/Europe	47%	21%	11%	26%	47%
USA	31%	33%	30%	30%	38%

Note that managing cash flow and margins remains a key objective once again (a similar finding was uncovered last year). If history is any guide, this phenomenon promises to remain consistent moving forward as trying trading conditions continue to linger.

In terms of countenance, the respondents in the US and UK/Europe expanded spend, while those in Canada, Asia Pacific, and Africa elected to curb it.

Indeed, Africa and APAC display greater commonality than the rest of the world when earmarking risk as highlighted in managing cashflow and protecting margins.

In today's market, it has become synonymous with adaption, redistribution and, most importantly, agility.

Top business priorities 2022

	eCommerce	Margins	Visibility	Managing cashflow	Supply Chain	Inventory
Global	39%	38%	36%	34%	34%	33%
Africa	13%	67%	27%	27%	60%	33%
APAC	18%	55%	73%	36%	64%	36%
Canada	25%	67%	25%	67%	21%	38%
UK/Europe	32%	26%	47%	5%	42%	42%
USA	51%	26%	33%	32%	28%	30%

The top business priorities of today reflect similar responses to managing business risks. Upon closer inspection of the numbers, we note two important, divergent, trends.

The first being that the management of global and local supply chains has become a major focus for Africa and APAC (a likely result of their stronger reliance on sourcing offshore).

The second that the USA, followed by the United Kingdom and Europe, are investing in expanding and developing their distribution channels, and investing in eCommerce.

The table of continents



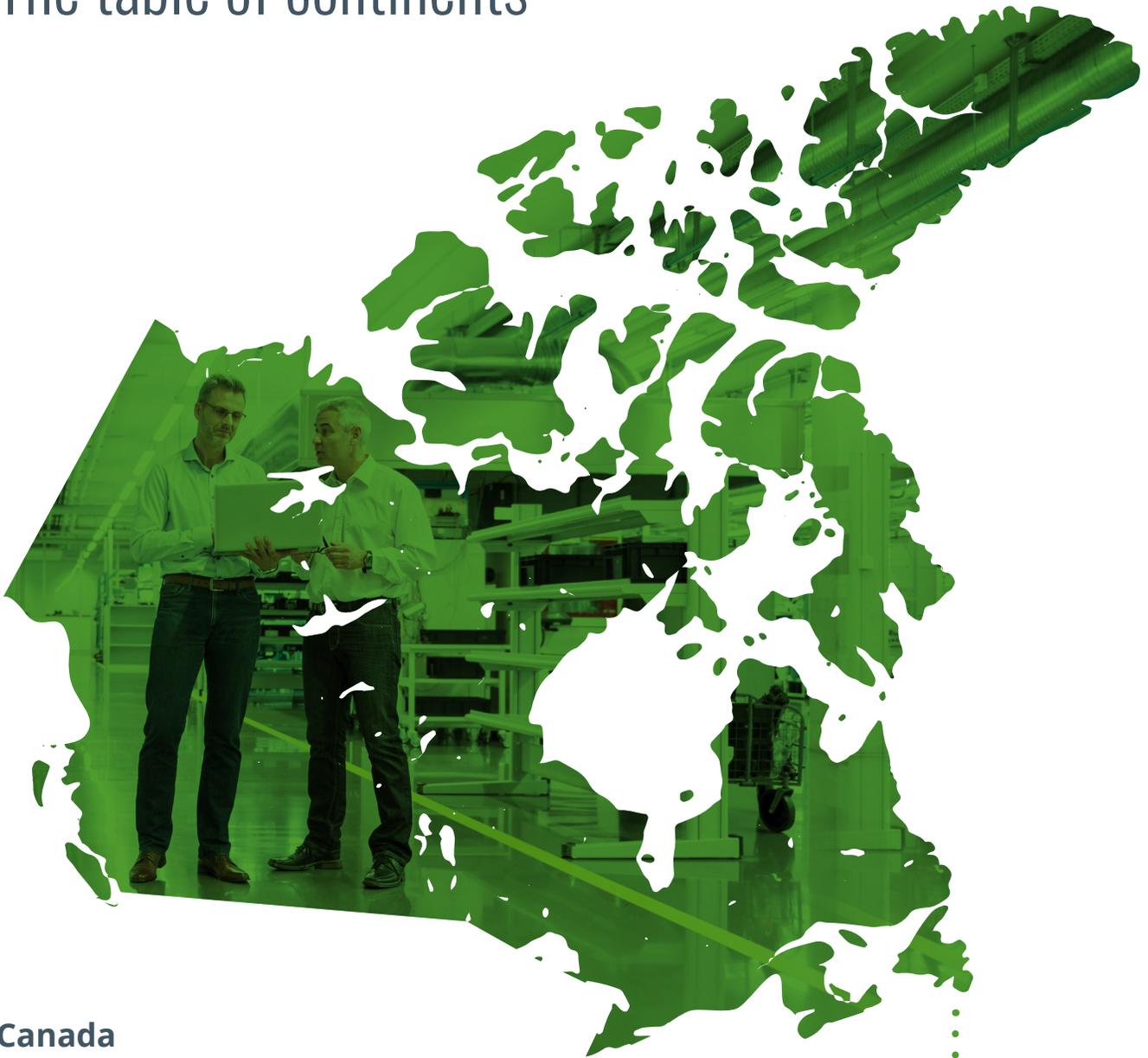
The United States

The United States' recovery from pandemic varies by industry but reveals **79%** of total respondents anticipating recovery by the first half of 2022. The pandemic sparked diversification across all US industries, with **50%** expanding product lines, and the other half either expanding into new markets or investing in new technologies.

Priorities have been set for 2022, with **51%** planning to invest in eCommerce platforms, and **40%** looking to manage working capital vs. investments. Looking forward into the next 5 years, **over half** of the US finance executives surveyed expect to expand into new markets, followed by a focus on increasing marketing and sales (**37%**), and investing in R&D/introducing new products and services (**37%**).

Ultimately, **60%** of respondents agree that to stay competitive, today's CFO must be able to monetize the benefits and ROI of digital acceleration. This requires a deeper understanding beyond top-line growth into operational efficiencies to be gained.

The table of continents



Canada

While the United States demonstrates an equal interest in robotic technologies and automation, Canada has remained largely focused on the protection of its profit margins and cashflow, as well as investing in enterprise technology tools, (such as ERP, BI, and CRM).

They have not diversified their offerings as much as the US, instead investing heavily innovating new product lines **(67%)** and expanding product lines **(33%)**, as their chosen means of cost mitigation.

The table of continents



UK & Europe

The UK and European regions have closely followed the United States' trend of technical innovation as well, with both regions having expanded their investments into automation and robotics as a whole.

Where they differ, however, is in Europe's seemingly greater drive towards R&D **47%**. But this is a business risk, not a top priority. The continent has demonstrated a clear commitment to a firm product diversification policy, with new markets entering the mix at **37%**.

Today, they also display the greatest comparable interest in B2B trading (**74%**), which is being used as an effective strategy to generate operational efficiencies between businesses.

The table of continents



Africa

The African continent, on the other hand, seems to be primarily concerned with Upskilling (**87%**). Experienced employees seem to be in short supply, meaning that the region has had to upskill staff in order to adopt newer operational initiatives.

Interestingly, Africa also stands apart as a unique outlier globally, ranking as the most optimistic operational region in terms of recovery and the return to profitability. **53%** have recovered and a further **27%** expect to return to pre-pandemic conditions by first half of 2022. This is in stark contrast to the relatively ponderous upswings felt in the US and Europe.

Remarkable when considering that the continent has weathered the crisis with little-to no governmental support or stimulus packages (**93%** received no direct financial support). Perhaps then this is a hallmark of the region's resilience and entrepreneurial mindset; either way, the lessons learned here should prove to be to the benefit of all moving forward.

The table of continents



Asia Pacific

Finally, the Australasian and Asia Pacific regions have, conversely, approached today's climate with a far greater sense of caution and conservatism. Here, business diversification has taken more of a backseat (**45%**), with greater emphasis being placed on cutting costs (**45%**), maintaining margins (**55%**), managing the global and locals supply chain (**64%**), and improving overall visibility (**73%**).

Fortunately, this appears to be a short-term phenomenon as the region should look to catch up to its global counterparts once business has experienced a near-full recovery. Asia Pacific has already committed to a focus on robotics, property, plant, equipment, and warehouse automation in the medium term; now it's just about waiting for the right time to strike.

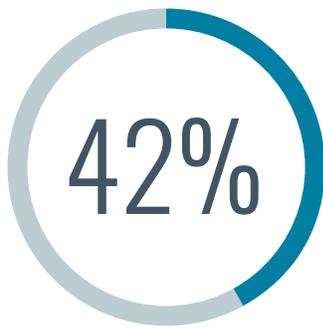
03

The digital re-revolution



The top digital goals of tomorrow

The next five years promise to be a crucial decider in the continued success of industries. Most regions have committed to tech upscaling, with the leading areas of focus being:



Warehouse Automation



Migration to
Cloud-Based Services



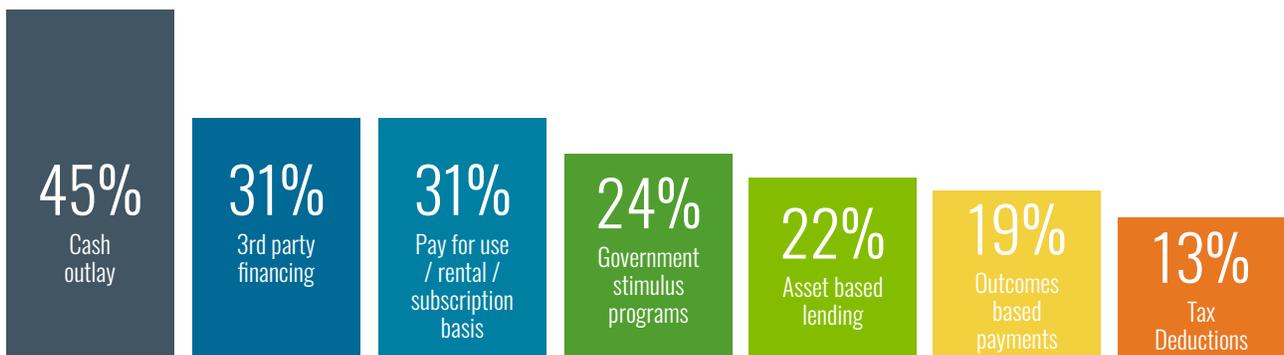
SMART
Technologies

Strategies used to generate operational efficiencies

	Warehouse Automation	SMART Technologies	ERP/BI/CRM etc
Global	56%	45%	47%
Africa	13%	7%	53%
APAC	55%	36%	64%
Canada	17%	17%	50%
UK/Europe	84%	74%	68%
USA	67%	54%	39%



Additionally, these initiatives will be primarily funded through:



SMART technologies in particular have garnered intense interest from the North American region this year. A likely result of the need for ROI safety nets, this investment avenue aspires to shift operations from a cash purchase option to borrowing or subscription models.

This is because, while initially costly, SMART technologies are broadly accepted as the optimal long-term investment option, as they provide the frameworks for increasingly efficient infrastructures further down the road.

An eye towards eCommerce

As lockdowns and restricted trade continue to hinder business growth, more and more companies are opting to take their trading operations into the digital space. This has the knock-on effect of shrinking overhead too, as fewer goods and resources then exist to require storage, maintenance, or indeed a manufacturing cost until the order is made.

Investing in eCommerce platforms

39%

Expanding revenue models such as distributor networks / eCommerce channels / new products

36%



ERP: Ahead in the Cloud

The need for agility is evident. In times of crisis, companies require greater real-time visibility of their operations, so as to be able to pivot and manage accordingly. To this end, ERP remains as the backbone to centralising manufacturing and distribution operations.

By capturing insights from the factory floor coupled with smart technologies, such as robotics, ERP enables businesses to easily adapt and scale to generate further operating efficiencies.

It then becomes apparent just as to why these systems have become so popular. ERP trims the fat of financial overhead, obsoleting outdated tasks, and roles while garnering increased managerial autonomy. It is the way in which today's financial leaders see key savings opportunities. In countering burgeoning human resource bottlenecks and cost-cutting concerns, it has become virtually essential.



“
At least 40% of all businesses will die in the next 10 years if they don't figure out how to change their entire companies to embrace new technologies.

- John Chambers, CISCO

”

04

The roles and responsibilities of the modern CFO

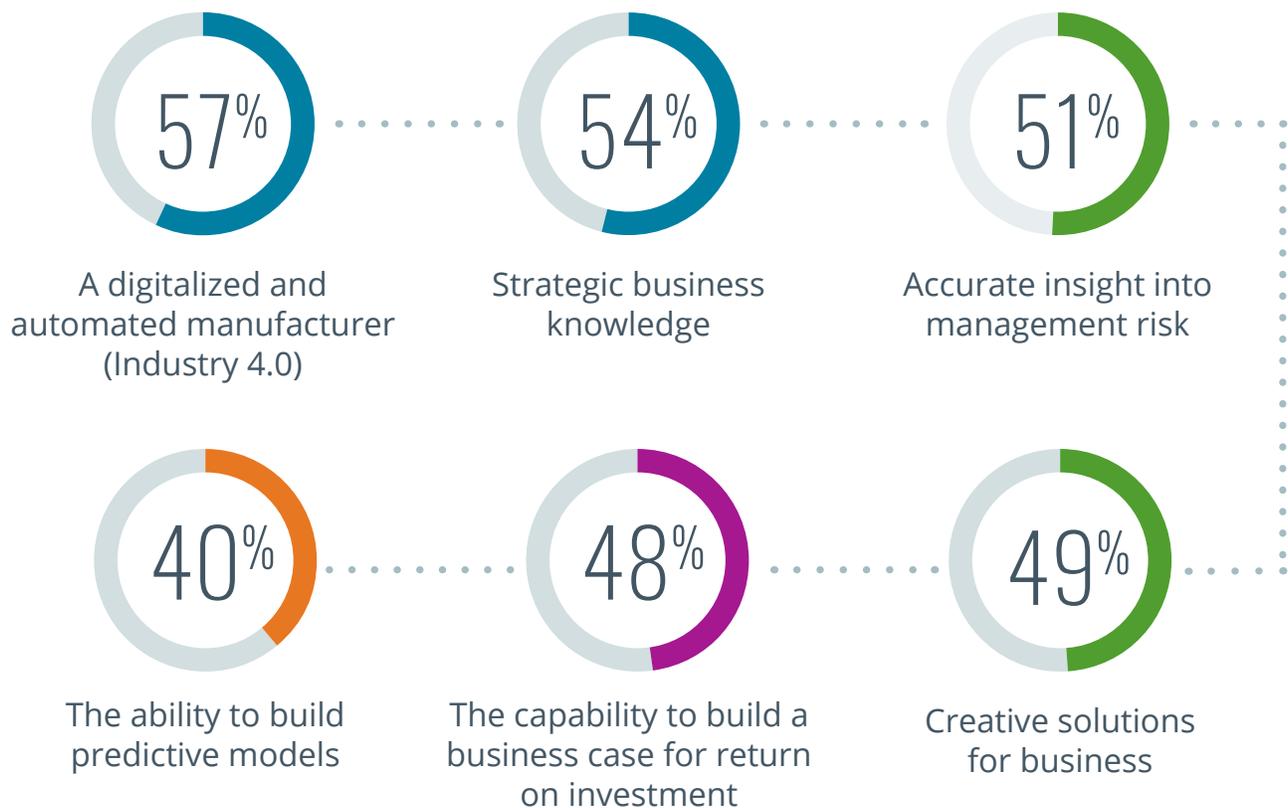


Business needs its navigators

Today's financial leaders have had to undertake a more flexible role than in years past. The tumultuous trading climates of 2020 and 2021 have necessitated agility. As such, CFO 4.0 bears the onus of spearheading strategic, innovative, and risk-based financial focuses.

“Proficiency and knowledge to create an effective plan to operationalize and transition the business into a digitalized and automated manufacturer” is understood to be the most critical factor globally in determining the success of tomorrow's financial leaders, with **57%** in agreement.

The skills believed necessary for CFO 4.0 to remain competitive



This speaks, once again, to the principal post-COVID idea of pushing into digital spaces and diversifying operations. To this point, many companies' Legal, Cyber and Supply Chain spaces are growing more complicated, and so require more specialized, now frequently outsourced, skillsets.

Rather, it's in Risk Management (87%), Business Strategy and Board Engagements (77%), Internal Audit (74%), Regulatory Compliance (71%) and Investor Relations (66%), where financial leaders are currently thriving.

What areas of the business are you currently and will be responsible for?

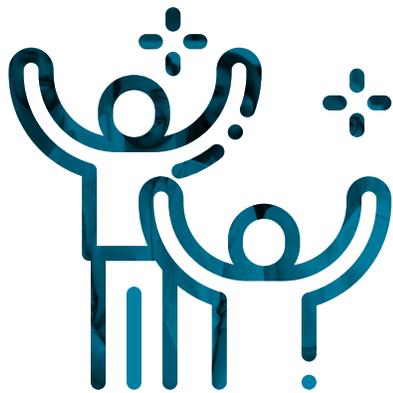


Today's shift means that financial leaders have had to become nimbler. The position has begun to align more closely with that of a navigator. Now more than ever, CFOs and other financial leaders are tasked with charting corporate courses alongside their CEOs and other major stakeholders. They will need to find newer talents to on-board, both locally and abroad. They are the coaches and the taskmasters, ready to conceptualize and spearhead sound financial decisions and future focused paths.



“
In today's era of volatility, there is no other way but to re-invent. The only sustainable advantage you can have over others is agility, that's it.
- Jeff Bezos, Amazon Founder
”

The way forward



Embrace the change

Yes, it is easy to feel dissuaded or disconcerted in the face of so many fundamental shifts, but the modernization of process and protocol stands head-and-shoulders above the rest as an effective means of combating the challenges presented in 2020 and 2021. Nurture new familiarities and accept that your agility will be key to surviving the next five years.

“

The new ERP system is already bringing in much greater levels of visibility and stock control, which has improved our procurement operation. For our customers, it will enhance our service levels and overall satisfaction with more accurate and timely billing.

- Hazel Barton, Fiddes Payne, Financial Controller, UK/Europe

”

People equal profit

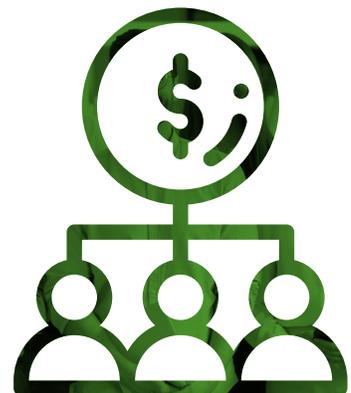
The drive towards new initiatives can only be facilitated with the onboarding of appropriate skills. While talent recruitment has proven challenging in many regions, upskilling is a feasible alternative – and one that can help take the current pressure off of you as well.

“

SYSPRO is super flexible. With their team, we have a partnership that has allowed us to create processes and customizations that work really well for us and help us meet the requirements of our customers

- Hazel Barton, Fiddes Payne, Financial Controller, UK/Europe

”





ERP is the digital backbone

ERP is a tried and tested solution to financial fog and has fast-tracked its way into becoming an essential tool for CFOs around the globe. Now more than ever, intelligent solutions will precipitate greater ROI in both tumultuous or stabilizing conditions going forward. Simply put, it's the best way to streamline managerial autonomy. By putting centralized data at their fingertips, it is able to afford financial leaders greater agility, smarter decision-making and well-considered cost cutting solutions.

“

Having one totally integrated system has enabled us to significantly improve our operational efficiencies as we have a holistic view of all facets of the business.

– Ronnie Baijan, Financial, Manager, Barnes Fencing, South Africa

”

Don't fall into old patterns

Innovation is keeping business on course. From American robotics to African upskilling, logistical survival hinges on accelerated adaptation. And the end of COVID won't end the trend. Delineate your future focused plan, study up on new necessities, and implement with a steadfast confidence.

“

We've had 100% improvement in our results over the past couple of years, and a great deal is related to being able to use the information out of SYSPRO to give us better decision-making capability in the business.

– Leon Nash, Chief Financial Officer, AF Gason, Asia Pacific

”



“

There's an old saying that goes,
**Never waste
a good crisis.**

”

Conclusion

COVID-19 was an opportunity, one that the Manufacturing and Distribution industry certainly hasn't wasted. With so many sectors floundering in the face of the pandemic, it stands as an outlier, still with access to burgeoning opportunities and the potential thriving new frontiers.

The pandemic has been seized as a chance to renew. Difficult operational conditions have accelerated the wants and needs of business diversification and technological innovation to the nth degree. As such, transformation has become the imperative – financial leaders have had to instigate a shake-up of outdated and obsolete systems; shifting away from the “mechanical” and into the “virtual”.

Still, success isn't one-size-fits-all, and financial leaders' ability to understand the unique positions, strengths, weaknesses, and needs of their respective regions remains, now and always, an equally important imperative.

Helmed by smart, capable CFOs and financial managers alike, we're witnessing the genesis of a new age in Manufacturing and Distribution – a true Industry 4.0. Adapt and thrive or resist and stumble – now and always.



syspro.com

Copyright © 2022 SYSPRO. All rights reserved.

All brand and product names are trademarks or registered trademarks of their respective holders.

724894.1121