CHALLENGES FACING MANAGEMENT PRACTICE IN THE LIGHT OF INDUSTRY 4.0: THE EXAMPLE OF POLAND

Radosław Miśkiewicz

Abstract. The article outlines selected challenges brought by Industry 4.0 as well as consequences for Polish businesses in the modern process of their management. The concept is based on a close connection between physical objects and information network. Sophisticated networks of businesses are being created, connected with smart resources communicating via the Internet. This means cooperation within implemented cyber-physical systems affecting a company's environment, its production model, value-added chain of business processes and organisational structure.

Keywords: industry 4.0, cyber-physical systems (CPS), robotisation

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Author(s):

Radosław Miśkiewicz
Silesian University of Technology, 26, Roosevelta Street, Zabrze, Poland, 41-800
E-mail: radoslaw.miskiewicz@polsl.pl
https://orcid.org/0000-0003-2370-4783

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1. Introduction

Today, the fourth industrial revolution which enables devices to be interconnected within digital ecosystems is contributing to deeper integration within horizontal and vertical value chains. In the economy, the challenges will include new jobs with high added value concentrated around automation, increased competition with an innovative international economy, more efficient use of energy and materials. As K. Schwab writes, attractiveness for investors will be perceived through building a positive feedback loop between competence development and capital inflow (Schwab, 2018). Under the influence of new technological solutions, the fourth industrial revolution has affected the shape of production functions. Today's production cannot limit itself to a simplified version consisting of two or even three factors, such as those defined by classical economics, i.e. labour (N) and land (L), and capital (K) included in the capitalist economy. At present, the key factor is information and knowledge about values that are difficult to measure and characterised by high amplitude of changes; so the production function taking into account additional values will take the form of a complex equation, with a general formula \( Y = f(N, K, L, SK, HK) \), where: N - labour, K - capital (financial), L - land (land on which the factory stands, natural resources), HK - human capital (knowledge, skills, know-how), SK - social capital (good law, good institutions) (Olender-Skorek, 2017). In this context, Industry 4.0 means new market models, new behaviour of businesses, a different perspective on competition and competitiveness.

Industry 4.0 encompasses a range of new technologies such as the Internet of Things, cloud computing, Big Data analysis, artificial intelligence, as well as additive printing, augmented reality and collaborative robots. This means significant changes in production management, business operations and value creation chain. A new architecture of production management systems is also being shaped, moving from linear processes and the traditional pyramid of production management systems to a network of connections and non-linear production. The combination of these innovations with new artificial intelligence capabilities should lead to a revolutionary change in manufacturing management systems which will operate in a highly autonomous way, dynamically changing their structure and functions within an organisation. Industry 4.0 is part of a larger megatrend of digital transformation, encompassing a wide range of industries, the financial and logistics sectors in particular (Miśkiewicz, 2019).

2. Literature review

Scientific literature in economics and management sciences provides a number of arguments relating to the substance of Industry 4.0. An attempt to identify them was made by Hermann M., Pentek T. and Otto B. in their work Design Principles for Industrie 4.0 Scenarios: A Literature Review. They noted that in modern global activities the competition manifests itself in all spheres of business activity of enterprises. This necessitates the need to make more extensive use of knowledge and on its basis professionally manage the changes in a company (Herman et al., 2015). Mass customisation in the business area as well as additive manufacturing may, as K. Liczmańska and M. Kuczyńska emphasise (Liczmańska &
Kuczyńska, 2016), further contribute to the development of a business model. Taking into account the theory proposed by J. Bis, it is the factor which, unlike product and service, is much more difficult to copy. This fact seems to be confirmed by the experience of businesses that have achieved a competitive advantage by changing and continuously adapting their business model to new possibilities and operating conditions in the face of dynamic technological development (Bis, 2013). Common features of available models and emerging similarities in terms of their behaviour have been analysed by M. Kardas, B. W. Wirtz, A. Pistoia, S. Ullrich, W. Gottel, A. Osterwalder and Y. Pigneur, to name a few, and their research results have become the basis for distinguishing five general business model schemes (Kardas, 2016; Kwiliński, 2018a, 2018b, 2018c; Osterwalder & Pigneur, 2013; Pająk et al., 2016; Wirtz et al., 2015). These included (i) unbundling into separate but complementary modules relating to infrastructure management; (ii) product innovation and customer relationships management (e.g. mobile operators); (iii) long tail - a new or additional value proposal addressed to a large number of niche customer segments that together generate a significant profit (e.g. if reached via an e-commerce platform), although it would not be profitable to operate only one of them; (iv) multilateral platforms providing customers with values 'ensuring the access'; (v) the FREE concept where customers who pay subsidise the segment that uses the free offer. Of importance are open business models based, for instance, on research and development results obtained from external sources.

The main aim of the article is to provide the reader with an insight into the current topic of the fourth generation industry still poorly explored and researched, and to identify the challenges facing the Polish economy and manufacturing companies. Consequently, it has been possible to present the state of advancement in the implementation of solutions resulting from the Industry 4.0 concept.

3. Methodology

In writing this article, the author made use of a qualitative descriptive method referring to a critical analysis of national and foreign studies on the fourth industrial revolution and Industry 4.0 and, on the basis of collected materials, made a short review of selected theoretical approaches constituting challenges that countries, economy and businesses are faced with as a consequence of the implementation of Industry 4.0.

Acatech, A. Whitmore, L. Agarwal, X. Da. point out significant changes taking place in IT systems. These modern ones are supported by global networks consisting of machines, storage systems and production plants in the form of cyber-physical solutions (ACATECH; Whitmore et al., 2015). Their complex architecture is also emphasised by G. Bartoszewicz, G. Mazurek (Bartoszewicz, 2017; Mazurek, 2018) who refer it to the Internet infrastructure, global intranets with their multimedia services, Programmable Logic Controllers (PLC) with embedded microprocessor systems, necessary to control manufacturing devices, Wireless Sensor Network (WSN) consisting of sensors communicating with each other, used to monitor the condition of equipment and production lines. An important segment of cyber physical systems (CPS) - ERP 2.0 - is indicated by Ch. Bartodziej, J. Badurek, Ch. S. Hu. These
systems support the implementation of Industry 4.0 as they include: real time systems used in the processes of Logistics 4.0 and concerning GPS and RFID technologies, they control just-in-time production and supply, carry out Autonomic Computing (AC) based on self-managing computer systems with the following characteristics: self-configuring, self-protecting, self-healing, self-optimising, processing and analysing Big Data. As a result, they present information in the form of smart reports and management cockpits in Business Intelligence (BI) modules. (Bartodziej, 2016; Badurek, 2015; Hu, 2013) These challenges shape a new model of modern business and production, defined by J. Lee, E. Lapira, B. Bagheri, H. Kao as a 5M system in the context of Industry 4.0. On the one hand, it is integrated with infrastructure based on the 5C functional model, and on the other hand, on completely new paradigms created on the basis of innovative trends and megatrends understood as directions of social, economic, environmental, political, cultural and legal changes as presented in Fig. 1.

The digitisation of product and service offer, the integration of value-added chain are shaping a new model of modern businesses. This means the mass customisation of products resulting in the implementation of the following functions in Industry 4.0 and relating to: horizontal integration through value networks; digital integration of engineering processes throughout the value chain, vertical integration and integration of networked production systems. The implementation of Industry 4.0 in businesses also requires the implementation of next-generation tools for the design or modification of organisational structures. This new research thread is undertaken by the author (Miśkiewicz, 2019) who points to the need to build a learning enterprise, improve the possibilities of an organisation as a whole and implement systemic thinking as a resource of knowledge and tools that allow to explain
complex phenomena and influence them. Changes in business organisational structures caused by the dynamic development of digital technologies allow companies to globalise in a more "lean" way. Digital tools, as emphasised by M. Frankowska, M. Malinowska, A. Rzeczycki, enable remote cooperation and instant communication (Frankowska et al., 2017). They create new opportunities for centralising some global functions related to accounting or R&D, creating virtual global teams or completely resigning from the existence of a single headquarters. Taking into account automation and standardisation trends based on product models, they enable customers to access industrial production through digital platforms. An important challenge facing modern management practice is the development of human capital, analysed in various contexts by M. Wosiek, A. Butkiewicz-Schodowska, M. Kocór, J. Pieregud or R. Geissbauer, J. Vedso, S. Schrauf. These contexts refer to the ability to think in a systemic way, to operate in a multicultural environment and a globalised economy, as well as to the constant expansion of competences and readiness to accept new ideas, technologies and economic practices. They influence the working environment and its modern management (Wosiek, 2015a, 2015b; Butkiewicz-Schodowska, 2015; Kocór, 2015; Pieregud, 2016; Geissbauer et al., 2015).

4. Results

Analysis of available literature and published reports indicates that Industry 4.0 is already a global fact. Its importance is evidenced by the fact that the search for its terminological reference in online databases has increased a hundredfold in the last five years. The leading slogans are production, business, politics, technology (ASD Consulting, 2018). The digitalisation of industry with the production brought to a completely new level is a great opportunity for economies. According to the Capgemini Report, it is estimated that by 2020, the 4.0 companies will bring an added value of 500 billion dollars to the global economy. This will happen mainly by adapting modern technological solutions streamlining production processes in the smart manufacturing market with the use of automation, Internet of Things or Artificial Intelligence. It is also an opportunity for Poland, because thanks to the digital revolution in the industrial sector we can get richer by nearly 5 billion dollars. The report "Digitalisation Productivity Bonus: Sector Insights" points to the need to implement specific investments in the areas of engineering, automotive, printing and plastics industries. In the former, the transition to digital technology could generate productivity gains of between $1.4 bn and $2.1 bn. The implementation of smart packaging with embedded RFID chips, print technology to monitor the flow of goods or cloud links between the customer and the manufacturer will result in digitisation bonuses in the printing, packaging and paper industries in the range of $0.5 bn. to $0.8 bn. In the plastics industry it will amount to around $0.7-1.1 bn. In the automotive industry, taking into account the electromobility megatrend and the use of new technologies such as AGV, the productivity bonus could be in the range of $0.5-0.8 bn. (Siemens, 2017) Digital transformation of production requires appropriate IT systems, e.g. Manufacturing Execution System (MES). Unfortunately, the report "Industry 4.0. The new industrial revolution - how Europe will succeed" published in 2014 by Roland Berger Strategy Consultants places Poland among hesitating countries with a low index of readiness to implement Industry 4.0 and an average industrial base. According to the
Marketsand Markets report "Manufacturing Execution System Market by Deployment Type (On-Premises, On-Demand and Hybrid), Offering (Software and Services), Process Industry (Food & Beverages, Oil & Gas), Discrete Industry (Automotive, Medical Devices) - Global Forecast to 2022", and research conducted by Astor, only 15% of Polish companies are fully automated and 76% show partial automation of their company (Astor, 2017b).

In the global economy, automation of production is becoming more and more common. Based on available data included in the report of the International Federation of Robotics (IFR), it appears that in 2017 the number of installed robots worldwide exceeded 2 million robots; there are almost 498,000 in Europe and about 52,863 in Central and Eastern Europe. Poland is an emerging market with an accelerating pace of robot installations, especially since 2014. Our market is particularly attractive for production in the automotive, chemical, metal and machinery industries. Robot density is constantly increasing, but the number of robots per 10,000 employees is still lower than in the Czech Republic, Slovakia and Hungary - 36 units (in the automotive industry 165 units per 10,000 employees, other industries: 24).

In 2017, annual sales of robots in Poland increased by 16% and reached a number of 1,891 units. IFR estimates the total number of robots installed in Poland at about 11,400 units (data as at the end of 2017). According to IFR analysts, if the European economy continues to experience growth, it is very likely that between 2018 and 2021 robot installations in Poland will grow by 15%-20% (IFR, 2017; Gracel, 2016). Smart machines are most commonly used in welding, palletising and handling operations, i.e. feeding, moving, preparatory operations or machine operation. Polish entrepreneurs faced with the requirement to improve the quality of products are increasingly "employing" robots also for quality control (International Federation of Robotics, 2018).

Another challenge facing management practice is the implementation of the Internet of Things concept and global access to Big Data in Polish companies. In the global economy, the costs of digitisation are currently being reduced and the concept of a smart factory is being implemented, which has a direct impact on data generation. For example, in 1992 it was 100 GB/per day, in 2013 it was 28,875 GB/per second, and in 2018 already 50,000 GB/per second. At the same time, the cost of data storage was reduced from 10,000 USD/year (1995) for 1 GB, and nowadays it is about 3 cents for 1 GB/year. Meanwhile, according to ASTOR research (Astor, 2017), 59% of Polish companies enter data manually into the system, 36% do so automatically and 16% manually on paper. It is essential to develop physical, digital and biological clusters in megatrends affecting the development of the economy and entrepreneurship globally and in Poland, such as: Industry 4.0, closed-loop economy, sustainable finance, eco-investment, flexible labour market and electromobility promotion (Schwab, 2016). It is also worth noting that in the United States, the digitisation index is 18%, in Western Europe 12%, and in Poland 8%. This means that the degree of digitisation of Polish companies is on average 34% lower than in Western Europe (Astor, 2017).

5. Conclusions
The basis for conducting various industrial operations is an efficient, reliable and real-time data exchange between individual components of the system. The increasing amount of data to be transferred and/or processed has forced the development of new standards for industrial networks. Of importance too is that modern production control and management systems have to communicate with the company’s reporting modules, and this raises some problems. It is also a good thing if they work with design support software in construction offices. This means that industrial networks can no longer exist for themselves, but must also communicate with the entire company’s infrastructure, either directly or via bridges. IT networks are usually built on Ethernet, which in comparison with other networks within a company occupies 52% (increase by 22% year on year), Fieldbus 42% (annual growth 6%) and wireless 6% (annual growth 32%) (Pieriegud, 2016).

The most important challenges for business practice will be:
- expanding the activities of the Polish digital platform with the task of integrating and coordinating the activities of many entities, including public administration, businesses, educational and scientific-research institutions carried out for the benefit of industry digital transformation;
- developing physical clusters, autonomous vehicles, advanced robotics, 3D printing and new materials such as graphene, self-cleaning clothes, ceramics turning pressure into energy and digital clusters built on the Internet, availability of computing power, data collection and processing, mobile devices;
- implementing new technical competencies and specialisations of the managerial staff as the most important for the development of Industry 4.0, but also broadening them with soft skills related to communication and leadership.

The effects of the fourth industrial revolution will mean transformations of entire market structures, changes in business models, organization and management of the company, the creation of added value, the functioning of labor markets, and the conduct of a number of public policies. Hence the need for more research dynamics in this area. Unfortunately, existing studies draw attention to the technical and engineering perspective, while omitting international issues, for example, trade and investment relations. In Polish scientific literature, this process has not been analyzed in an international context. Its development in research can provide arguments for changes in the models of a modern enterprise, define new requirements in relation to planning and management in it. The scientific analysis should cover the economic policy of Poland implementing the concept of Industry 4.0, for example with an expanded research area regarding working conditions in an intelligent factory, in which organizational boundaries disappear, where flexible working time and distance work are preferred.

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