



Workplace Transformation in Manufacturing: Driving Competitive Advantage

WRITTEN BY:



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KEY STATS:

According to multiple IDC surveys:

90% of manufacturers either have implemented or plan to implement hybrid work models

43% of manufacturers say that they are understaffed for highly skilled positions

KEY TAKEAWAY:

A hybrid work approach has led to increased employee satisfaction and productivity for many manufacturers.



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Manufacturing companies have entered a new disruptive era in how they look at work and the availability and efficiency of the white- and blue-collar workers who complete that work.



Introduction

The global pandemic has changed many things for manufacturers over the last two years. Organizations have had to deal with wide-ranging disruptions across most functional areas, with resource constraints in both materials and people at the top of the list. Indeed, manufacturing companies have entered a new disruptive era in how they look at work and the availability and efficiency of the white- and blue-collar workers who complete that work. Beyond the obvious necessity of working from home as a direct consequence of COVID-19 infections and local mandates, the reality is that most employees (certainly those from younger demographics) don't want to be tied to a traditional corporate office; they want the flexibility and freedom to work from whatever location and in whatever form best fits their circumstances. It is likely that this transition was happening in any event—the pandemic just accelerated it.

Adding to the challenge has been the “great resignation” and a chronic inability of manufacturing companies to find employees. In a survey fielded by IDC in January 2022, 43% of manufacturers said they are understaffed for highly skilled positions (*IDC Manufacturing Talent Survey, January 2022*). Finding and attracting white-collar employees has been a problem across all functional areas, including operations and IT, yet this is not the entire story. Manufacturers also need blue-collar workers to operate factories, warehouses, and logistics vehicles. Truck driver shortages have long been reported in this industry, and the pandemic has made the problem worse.

How and where employees work varies significantly by job role. While most white-collar workers can do their jobs remotely (or flexibly across multiple modern workspaces), most blue-collar workers cannot; and while we do see automation eventually handling many blue-collar tasks, that transition to automation will take a decade, at least. In the meantime, digital tools and flexible work must be able to support both white- and blue-collar roles. Indeed, just as providing a digital-first experience has become the standard for engaging with customers and consumers, so too has it become important for attracting and retaining employees. Younger workers, in particular, have expectations that the tools and ways of working at their jobs will mirror the experiences they enjoy in their personal lives. In the *IDC Manufacturing Talent Survey*, one manufacturer noted: “COVID-19 has created an unprecedented instability in the way we need to allocate our resources, resulting in understaffed situations at critical moments. The instability has also driven many workers to leave for more stable jobs. We need to address this by having more flexibility and better retention conditions.”

It seems clear that a “next normal” operational model is necessary to manage hybrid workforces, with modern workplaces that offer optimal experiences for both employees and customers, whether digital or in person. While most manufacturers have begun the journey to implement hybrid work models, it remains a work in progress for many. Survey results support the efforts, with 90% of manufacturers saying they either have implemented or plan to implement hybrid work models (*IDC Manufacturing Talent Survey*).

In IDC's *Hybrid Work Maturity Study* (March 2022), similar numbers of manufacturers (85%) reported having work transformations underway or planned for 2022. Yet when we asked manufacturers about the degree to which their approach to managing people conveys business resiliency, only 18% said they are mature (*IDC Supply Chain Resiliency Benchmark Survey*, January 2022). Where manufacturers have widely implemented hybrid work models, the benefits have been significant. In a recent inquiry between IDC and a consumer packaged goods manufacturer, the supply chain planning director noted that *"the pandemic forced us to adopt a hybrid model of teleworking and face-to-face work, and we have found the approach has led to increased employee satisfaction and productivity."*

The ability of any company to attract workers and skilled employees is critical to its success, and for a younger workforce more aligned to flexible working arrangements, an organization's ability to offer a modern hybrid work environment may be the difference between hiring those needed employees and having positions go unfilled. Further, IDC hears manufacturers increasingly talking about "moral injury" (manufacturing employee burnout), which is linked to employee retention and the critical need for a more flexible work environment.

Definition

Workplace transformation is defined as a fundamental shift in the work model to one that fosters human-machine collaboration, enables new skills and worker experiences, and supports work across and within a (hybrid) spectrum of field, remote, and onsite environments. Workplace transformation is driven by the need for greater employee productivity, and organizations are redesigning policies, culture, technologies, and facilities to enable the hybrid work model. In the manufacturing industry specifically, chronic shortages of both white- and blue-collar workers require that companies rethink their approach to work, beginning with the way they hire and retain employees. Workplace and role transformation will be an important component of making manufacturing "cool" again, and a destination for young talent.

Trends

While a majority of manufacturers either have implemented or plan to implement hybrid work models, many manufacturers say they are understaffed for highly skilled positions. How do we reconcile this? Are manufacturers working on the wrong things or using the wrong tools? Do survey respondents overestimate their work transformation efforts/effectiveness, or are they stuck in pilot purgatory? Based on discussions IDC has had with manufacturing companies, a combination of all of these things is happening. Hybrid work efforts have begun, but are as yet immature.

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In the IDC Hybrid Work Maturity Study, we see some very interesting trends from manufacturers. Key findings include the following:

The top drivers for work transformation are increasing employee productivity and business agility and attracting talent. In an environment where inflation is affecting most companies, employee productivity is critical. Yet, increasing productivity doesn't just happen because we want it to; employees must work in an environment that is conducive to increased productivity, and thus they must have the necessary tools. Likewise, business resiliency becomes important when demand and supply are unpredictable and employees must make judgment calls in real time. Finding and retaining these people is a key driver of business performance and success.

While most companies are undergoing work transformation, only 20% of companies have implemented a remote work policy that is part of a long-term hybrid work strategy across remote and onsite locations. This finding speaks to the importance of tactical implementation. At IDC, we talk a lot about the importance of moving “from posters to practice,” in which transformation must be both communicated to employees and embedded in their day-to-day roles. It is not enough to talk about transformation; employees have to see it in the way they work.

The use of technology to enable new ways of working and a hybrid work environment is not without obstacles. Manufacturers cite the inability of remote or hybrid teams to work effectively together, a blizzard of competing digital transformation initiatives, and diminished innovation and creativity as concerns.

While these may be transitional challenges, and varied across specific roles, manufacturers will have to actively manage how teams work and retain the necessary focus on work-related challenges and opportunities.

There is an ongoing struggle between employee flexibility and security requirements. We saw this in the early days of bring-your-own-device policies, and hybrid work environments add another layer of potential vulnerability. This is clearly something to be mindful of, particularly for the vendors that sell technology tools in this space.

Benefits of Hybrid Work

There is every reason to think that manufacturers that offer a hybrid approach to work and workspaces will see material benefits. In a world of disruption and shortage, finding ways to positively differentiate a business is critical. The benefits at the highest level of developing a hybrid approach to work will come in overall employee satisfaction, retention, and improved efficiencies. IDC fully expects that those companies that offer a modern work environment to retain and attract both the current and the next generation of manufacturing employees will outperform those that do not. Indeed, companies need to be competitive with other skilled or worker-based industries (or industry competitors) in offering flexibility in work options. Allowing employees flexibility will improve morale, overall workplace satisfaction, and retention. These improvements in turn will positively impact the bottom line, as it is more expensive to recruit new employees than to invest in current ones.

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Developing a modern work environment may require upfront investment in the technology and solutions required to safeguard a hybrid workforce, yet the investment will ultimately reduce administrative costs, particularly as facilities can be consolidated and overall commuting times and travel expenses among employees can be reduced. Where manufacturing companies have implemented hybrid environments successfully, they have seen dramatic benefits.

According to the *Hybrid Work Maturity Study*:

- ▶ 36% of companies saw a 25–50% improvement in agility/resilience, which enhances their ability to respond effectively to disruptions.

- ▶ 38% saw a 25–50% improvement in employee productivity, which is a key weapon for companies in balancing inflation and maintaining product pricing.
- ▶ 49% saw a 25–50% improvement in the ability to attract talent, and 36% saw a 25–50% improvement in retaining employees. While attracting and retaining employees is important in the best of times, it is critical when talent is in short supply.

These are not arbitrary statistics—they are central to the ability of a manufacturing company to compete.

Considering Cisco

Cisco's comprehensive approach to manufacturing has been empowering organizations to take on new challenges and adapt to the ever-shifting landscape for years.. Cisco technology solutions have helped manufacturers build secure sustainable operations to support the future of manufacturing.

Cisco aims to be a trusted technology partner, delivering a portfolio of solutions that enable companies to build a secure, intelligent platform for digital manufacturing. From manufacturing supply chain operations, advanced manufacturing operations, and operational transformation to embedded security, innovative industrial security and safety solutions, and driving workforce enablement, collaboration, and sustainable facility solutions, Cisco offers the products and services manufacturers need to drive productivity and efficiency in operations. Working with an ecosystem of solution partners in combination with the expertise of its Customer Experience organization, Cisco can help transform manufacturing for the future.



HYBRID WORK

A new era of work requires a new approach, one that can evolve traditional onsite and offsite work models for a future where work is not where you go, it's what you do. Cisco enables companies to give employees the tools and ability to work effectively under various conditions, with secure access to facilitate safe communication. Cisco sits at the intersection of manufacturing expertise that spans collaboration, security, networking, cloud, and applications that help enable continuity of services and build trusted environments for employees. Cisco offers products designed to empower the manufacturing workforce and transform workspaces with solutions that are inclusive, flexible, supportive, secure, and managed.



TRUST AND SECURITY

The manufacturing industry is reinventing manufacturing models in real time. Distance and hybrid work mean that staff and workers are relying on systems like never before. Performance is paramount, but so are security and privacy. That's why manufacturers trust Cisco. The unmatched security embedded throughout Cisco's solutions safeguards companies and workers, from the network down to the laptop. Cisco's transparency and data-protection standards provide peace of mind so organizations can focus on what matters most: building a sustainable, inclusive future of manufacturing.

Market Opportunities and Challenges

Manufacturers face a number of critical areas in which digital transformation has lagged and work tools have become obsolete. Priorities usually outpace investment dollars, so companies must make trade-offs more acutely than in the past. While employee attraction and retention are usually lauded by organizations as their top priorities, those efforts often fail to materialize in tangible actions and activities, often because companies don't know what to do. Cisco must be clear about how modern technology can affect hybrid work models and communicate the current availability of effective tools.

Cisco's competitors are focused on expanding their solution portfolios in terms of breadth and depth of future-of-work product capabilities, professional services, cloud computing options, and Internet of Things (IoT) services.

For Cisco, successful strategy execution to broaden the portfolio requires a reinforcement of positioning and clear differentiation.

The market challenges that providers face present opportunities for a vendor such as Cisco, which delivers a broad portfolio of technologies that enable transformation.

Among the drivers that offer opportunities are the following:

Rapid pace of change: While the manufacturing industry has invested heavily in digital transformational projects and services over the last decade, the pandemic has shown that even those companies that felt they were ready for anything were not fully prepared to shut down facilities and move all employees to a remote environment. Balancing the needs of customers as well as the health and safety of employees became a priority in the short term, which now needs to become a long-term strategy. The ability

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to adapt and rapidly communicate future disruptions must become an integral part of current and future investments in technology.

Economic trends and cost pressures: Uncertainty can often create opportunities; however, inflation and rising input costs are conditions not seen in a generation that will require manufacturers to become even more operationally resilient. This will undoubtedly be felt when looking at legacy infrastructure investments in reassessing the needs and size of current properties used as operations centers and headquarters. Investment will need to be made to prepare these legacy facilities for modern solutions or for consolidation, and will require short-term ROI to get the necessary buy-in from boards and senior executives.

Conclusion

Just as providing a digital-first experience has become the standard for engaging with customers and consumers, so too has it become important for attracting and retaining employees. Younger workers have expectations that the tools and ways of working at their jobs will mirror the experiences they enjoy in their personal lives. Indeed, it is IDC's view that workplace transformation in manufacturing will be a key driver of successfully attracting and retaining employees/workers. Manufacturing companies that either have or plan to shortly have hybrid work models will likely outperform those that do not, and they will see a competitive advantage. Conversely, companies stuck in legacy workplace paradigms will increasingly struggle to compete for talent and labor.

About the Analyst



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As a program vice president, Simon Ellis is responsible for providing research, analysis and guidance on key business and IT issues for manufacturers. He currently leads the supply chain strategies practices at IDC Manufacturing Insights, one of IDC's industry research companies that addresses the current market gap by providing fact-based research and analysis on best practices and the use of information technology to assist clients in improving their capabilities in critical process areas. Within the supply chain practice, Simon is directly responsible for the research in the supply chain planning strategies practice while also managing the supply chain execution strategies practice. These supply chain practices specialize in advising clients on supply chain network design, sales and operations planning (S&OP), global sourcing (profitable proximity and low-cost sourcing), transportation, logistics, and more. He also supports IDC Retail Insights IT strategies practices.

[More about Simon Ellis](#)

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