

WORKFORCE PRIORITIES FOR A HYBRID WORLD

The Future of Flexible Work in Manufacturing

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Introduction: The Workforce Question

Even before the COVID-19 pandemic, manufacturers' visions for the future of work were rapidly evolving. Digitalization, as a defining feature for roles and processes, introduced new data-enabled ways of working, and raised expectations for innovation and productivity gains.

Under the umbrella of the Fourth Industrial Revolution, advances in digital capabilities and automation accelerated during the pandemic. Today, as vaccination levels rise and demand snaps back, the experience of 2020 further elevated another critical dynamic for ongoing recovery and reshaping of the next normal.

Talent management is the defining challenge for manufacturers navigating the immediate post-pandemic future of work. Alternative, technology-enabled models of working were forged in the crucible of virtual work for the sake of business continuity and are creating different expectations.

Departments and functions that previously did not have remote work opportunities learned how to sustain productivity. Shutdowns and disruption tested manufacturers: Essential workers rose to the occasion with remarkable resilience. How much will the COVID-19 experience represent a blip or break point in traditional, facility-based work and talent management as economic conditions improve and more employees return to work onsite in the U.S.?

Flexible work models – including hybrid in-person and remote options – are one of the more immediate decisions

manufacturing executives face in this next phase. What exactly flexibility means for companies and employees is still uncertain, and a variety of models are likely viable. In a grand experiment, manufacturers will see how competitors and peers perform with different work models across different roles, departments, companies, and industries. Will early adopters have an advantage in the labor market? How will hybrid arrangements affect company culture? Real estate costs? Will companies that lose talent from well-intentioned decisions be able to course-correct?

As the sector also faces an entrenched and expanding skills gap – and an increasingly outdated perception gap about modern manufacturing – talent shortages add urgency for leaders to define a new, more flexible work model for salaried and factory employees alike. The process of including employee voice and preference in company policy may prove more important than ever for setting a vision and tone that engages. Leaders recognize that stakes for talent retention and development have never been higher and will separate high- and low-performing organizations in this immediate post-pandemic period and beyond.

The Manufacturers Alliance, in partnership with Aon, surveyed nearly 400 human resources and function leaders in manufacturing to understand strategy, organizational and department priorities, barriers, and tactics for change management for the next 1-3 years. This report provides data insights to help leaders compare their readiness on the dimensions of the post-pandemic future of work, including areas of change and continuity for the workforce, and how work gets done.

“Hybrid work represents the biggest shift to how we work in our generation.”

– Satya Nadella,
CEO of Microsoft

Executive Summary

As industrial manufacturers shift from their pandemic response for business continuity to focus their energies on recovery and growth, many are already advancing toward reshaping their business for a new era. Acceleration in organizational change, not a reset to the pre-pandemic norm or pace, is the consensus view.

The Manufacturers Alliance, in partnership with Aon, conducted survey research and executive interviews to understand the emerging trends and outlooks to help leaders benchmark and prioritize future-of-work initiatives in 12 critical areas during the next 1-3 years. Future competitiveness will continue to demand more organizational agility and resilience.

Five findings reflect key considerations for executives to manage in this immediate post-pandemic future of work.

- **Talent acquisition, development, and retention are the defining, high-stakes challenges for the post-pandemic future of work** – More than half of executives rank talent availability among top factors shaping the future of work in the next 1-3 years. Along with retention challenges and the acute digital skills gap, organizations' needs are foundational for change management: skills for leadership, adaptability, collaboration, and communication.
- **Hybrid work will be the prevailing model for salaried workers in manufacturing** – 80% of manufacturing respondents expect their organizations will formalize a flexible remote and in-person work model (at least one day virtual) for employees during the next 12 months, a nearly 7x increase from the pre-pandemic level. At the factory level, expectations for flexibility in alternative schedules are also rising amid workforce shortages.

- **More companies are developing inclusive taskforces, not a one-size-fits-all strategy, to define their hybrid model** – Only 15% of organizations report a top-down, corporate-led approach to defining the company work model; few have documented a uniform approach across locations; and indications are that a third expect employee preference, not company policy, to be the primary driver of work arrangement – a 4x increase from before the pandemic.
- **Cultural resistance to change is the primary barrier to future-of-work strategies and priorities** – 59% of executives report that cultural resistance, not resources or expertise, is the primary organizational challenge, signaling an imperative for workforce adaptability and change management.
- **Emerging work priorities reflect likely shifts in focus longer-term** – Environmental, social, and governance (ESG) and diversity, equity, and inclusion (DEI) have seen renewed attention during the pandemic period and are the areas with high expectations for integration with future of work. Uncertainty remains in areas such as onshoring in the U.S.

Read on to see how manufacturing companies are primed for change, emerging from historic disruption and now planning future-of-work initiatives while building an adaptable culture to retain talent in a hybrid world.



PART 1:

Primed for Change

With many lessons learned in a historic pandemic, manufacturers are advancing toward reshaping the business for a new era.

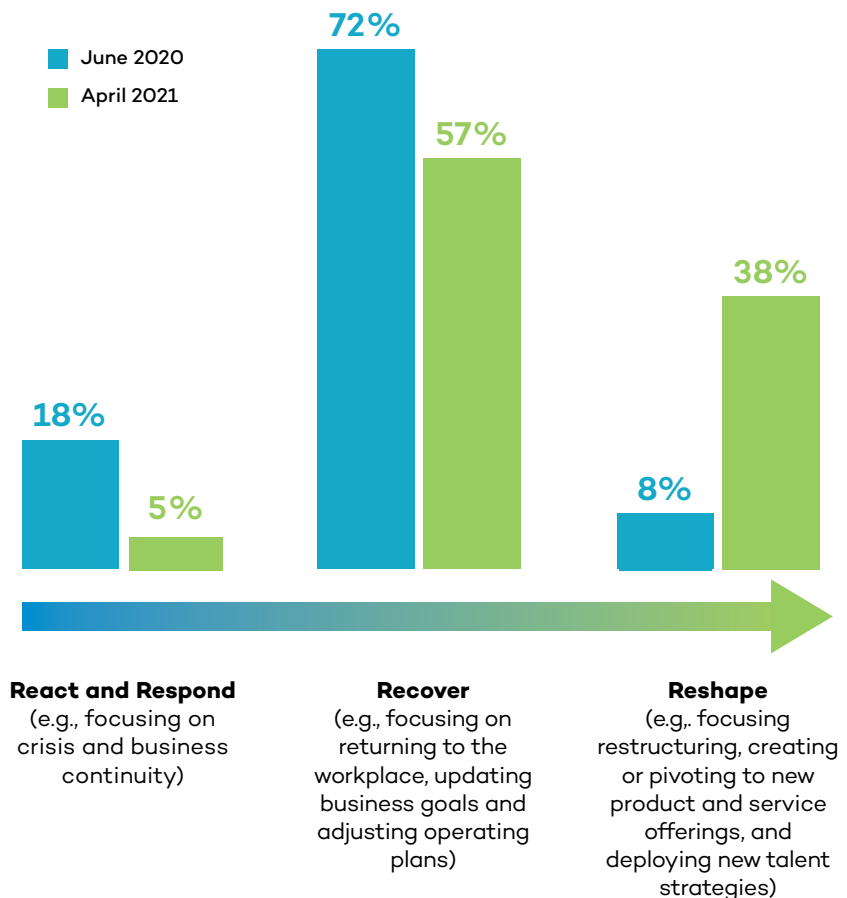
Efforts to return employees to work onsite are gaining momentum, given the significant reductions in COVID-19 cases in the U.S. in the first half of 2021.

We asked manufacturers where they are on a three-part journey to react and respond, recover, and reshape their business. It may be in the early days to define the details of the future-of-work for the next few years, but organizations are decidedly shifting from a reactive posture to be more forward-looking.

More than half of executives describe organizational operations as now in the recovery phase, including focusing on the return to the workplace. More than one-third are moving beyond it to reshape the business with new strategies. This transition may be one of the most pivotal in the journey ahead as vision and tone are set for the future of work.

Accelerating Beyond the Pandemic

Current Stage of Operations for Manufacturers (Company Overall)



n=122

Source: Aon and MAPI Preparing for the Future of Work in Manufacturing Survey; Aon Global COVID-19 Pulse Survey

As companies shift to recovery and growth, reshaping the future of work and its rollout is in progress.

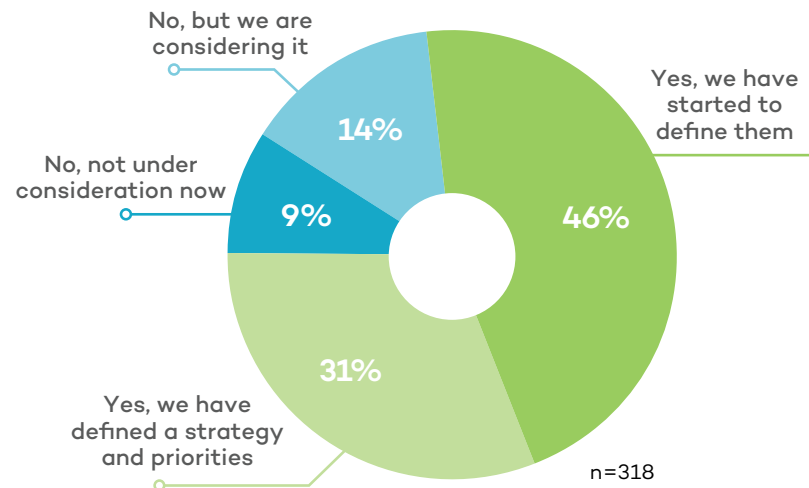
We asked manufacturers whether they have a taskforce to define future work strategies and priorities. Most companies do have a cross-function taskforce in place to define strategy and priorities for the future of work, but many are early in the journey of doing so. About a third of executives reported defining the strategy and priorities already.

To the extent that strategies are documented, they are more likely to vary by location than reflect top-down uniformity.

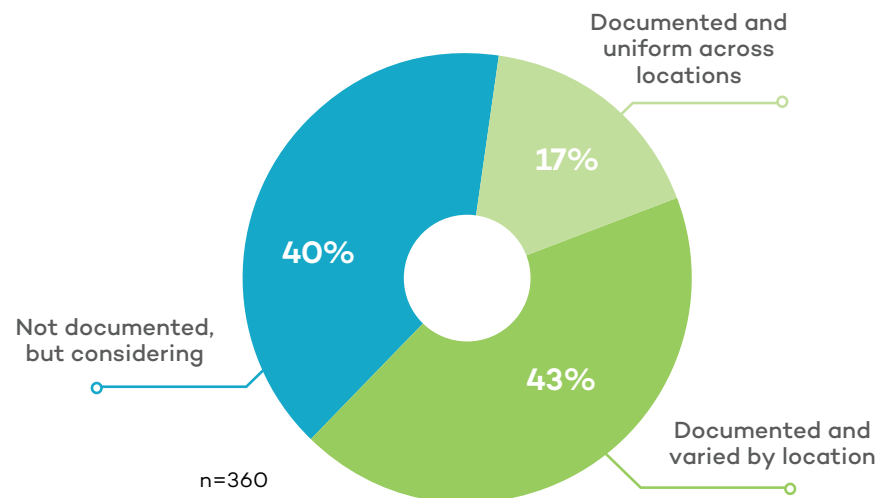
Recent successes with vaccination and reducing COVID-19 cases suggest the rollout of these new work strategies may proceed more quickly than originally expected during the second half of 2021.

Future-of-Work Strategy in Development

Status of Task Force in Place to Define Strategy



Status of Formalizing Future-of-Work Strategy



Manufacturers have a path forward for defining and executing the future of work. The pandemic forced transformative and transferable organizational learnings.

To maintain business continuity, employees had to adjust to new ways of doing business while simultaneously managing supply chain and operational disruption. Working productively while virtual ranks the highest among the significant organizational learnings of the past year, and it carries into the future.

As executives evaluate the merits of new work models, it is telling that productive remote work stands out among many important areas of learning during a very trying time. The flexibility and reduced travel/commute more than offset home distractions and collaboration challenges for many employees.

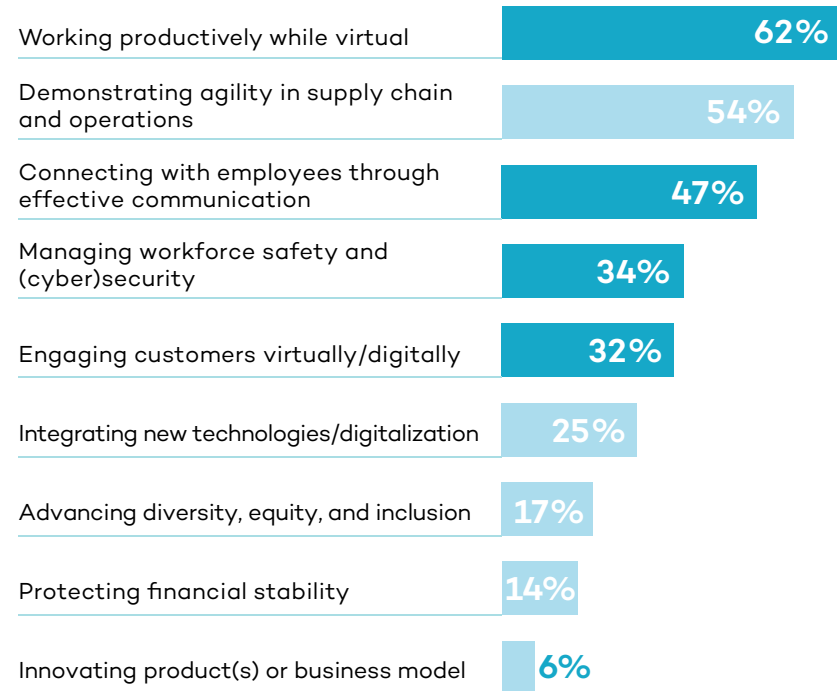
Strong indications are that learnings were not only necessary but instrumental for preparing leaders at all levels for a more lasting shift in work as the industry enters a new era. An informal poll with the Manufacturers Alliance CEO group — industrial manufacturers with over \$1B in revenue annually — ranked the following as the top three organizational learnings over the past year:

1. Working productively while virtual;
2. Engaging customers virtually/digitally; and
3. Demonstrating agility in supply chain and operations.

Leaders must address what learnings from the pandemic will serve their company well into the future and which to leave behind.

Pandemic Learnings Provide The Groundwork

Areas Where Organizations Learned the Most During the Last 12 Months (Company Overall)*



n=122

*Respondents could select up to three options.

"2020 taught us not to look too far in the future. But I hope that by the end of this year we will all find a new normal and think about future strategies."

- VP, Human Resources

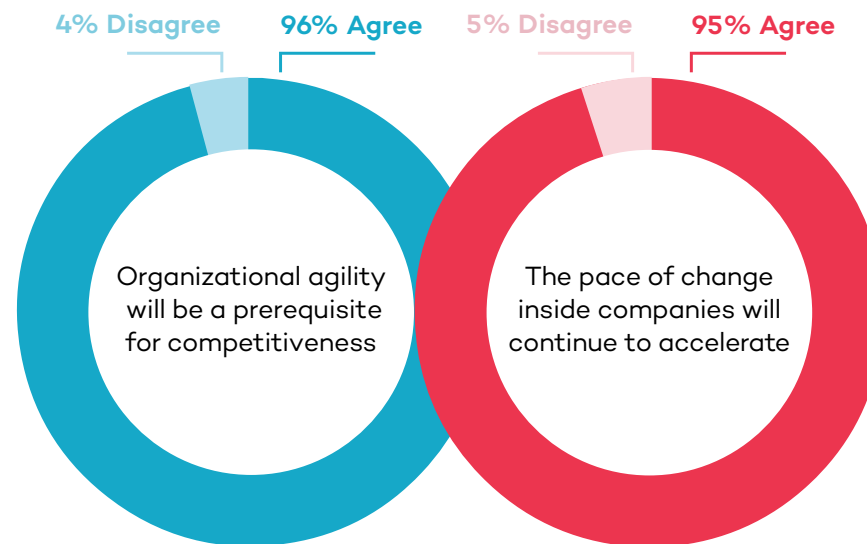
The organizational agility and business resilience that sustained companies during the crisis will remain critical to competitiveness in a climate of accelerating change.

Executives expect an acceleration in change, not a reset to a pre-pandemic norm, as the crisis loosens its grip on domestic operations. Workforce agility is defined as responding nimbly to change, such as upskilling and reskilling employees into new roles or functions to support evolving business needs.

COVID-19 disruption exposed challenges across the workforce, processes, and technology, and the current recovery phase is not reducing the sense of urgency for this speed and adaptability. Case in point: Only 5% of executives expect the pace of change will remain flat or decelerate in the foreseeable future.

Organizational Agility is Vital as Change Accelerates

Agreement Level with Statement on the Future of Work in Manufacturing in the Next 12-36 Months



n=398

"You must change to be competitive. The companies that get there first and do it fast are going to be the ones that win with talent, efficiency and cost, and grow their business."

- CHRO, Packaging Manufacturer

To a large extent, the pandemic accelerated forces that existed before it, especially interrelated trends of talent scarcity and digitalization.

Talent availability in manufacturing is a longstanding challenge. But more than half of department leaders (and two-thirds in human resources) report that workforce/talent availability will be among the most influential factors shaping the future of work in their department over the next 1-3 years.

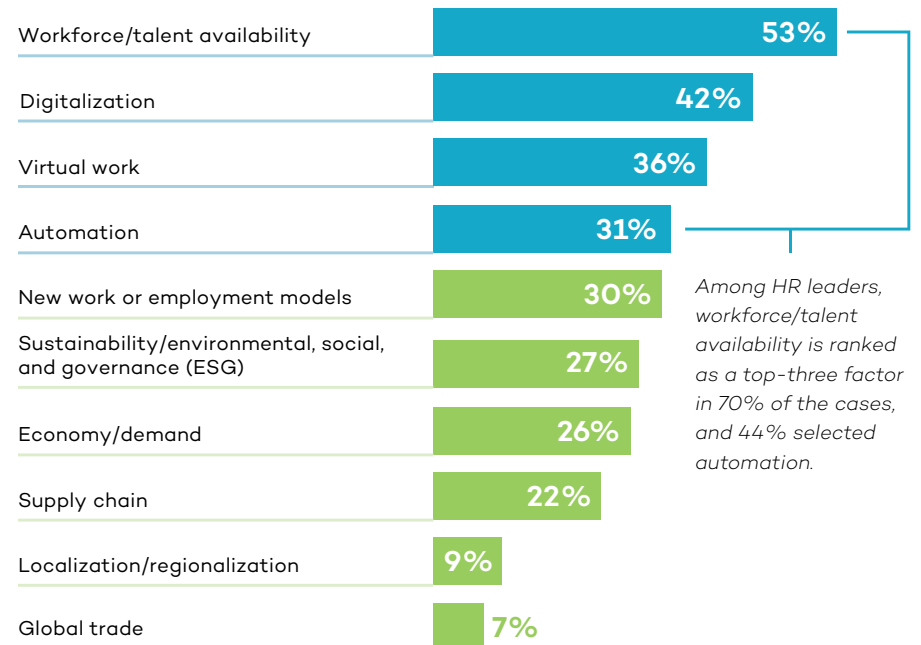
Digitalization and automation also rank high along with virtual work and new employment models. Notably, economic demand is relatively less of a consideration for the immediate post-pandemic future of work as the economy continues to strengthen.

Instead, running in line with economic demand is sustainability and ESG, which has seen a surge of interest and action as companies across sectors face demand from the investor community, customers, boards, employees, policymakers, and the wider public.

The supply chain – which has faced significant disruption in the crisis and greater scrutiny from policymakers – is likely to remain a more influential factor for some than the related trends toward localization/regionalization or global trade dynamics.

Talent and Digitalization Dynamics Are the Most Influential

Factors Most Influential in Shaping Department-Level Future of Work in the Next 12-36 Months* *Function Leaders*



Among HR leaders, workforce/talent availability is ranked as a top-three factor in 70% of the cases, and 44% selected automation.

n=276

*Respondents could select up to three options.



PART 2:

Priorities for the Workforce

In a ranking of 12 dimensions to evaluate future work and workforce, executive priorities for their organization mirror the most influential factors shaping the industry's future.

One nuance is that digitalization of work processes tops the list while talent dimensions, including retention and recruiting, are secondary. Digitalization initiatives will continue to drive efficiency and productivity across the enterprise, transforming roles, work, and processes in the future.

Flexible work models – something that would not have made a list of priorities in recent years – is a top-3 priority for over one-third of manufacturing executives. Over time, this includes not only solving for schedules or IT, but also office space configuration and real estate footprint.

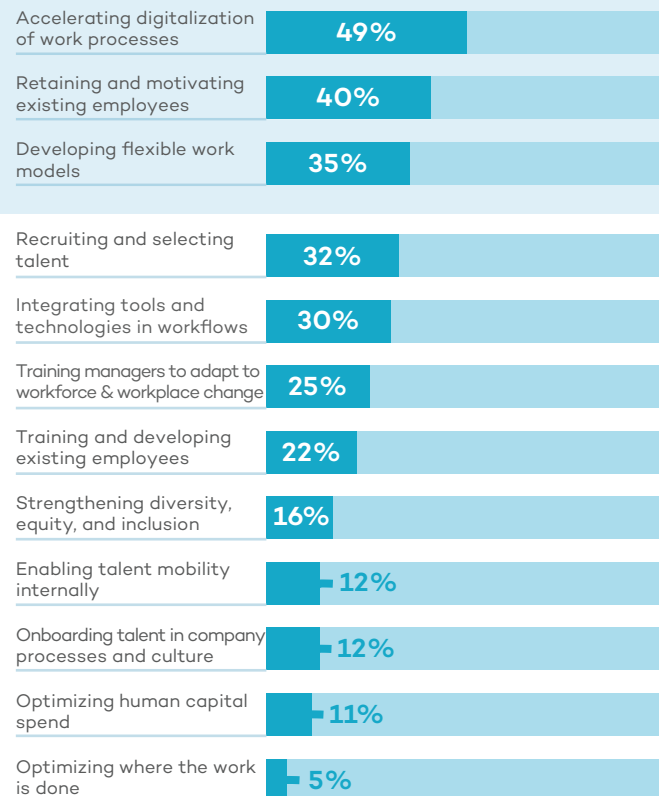
Overall, function executives and human resources leaders are aligned on priorities for workforce transformation, but they have a few differences. HR is the natural champion for recruiting and selecting talent and strengthening diversity, equity, and inclusion. Function leaders rank integration of tools and technologies and training higher.

Few executives rank the option “optimizing where the work is done” among top priorities for the next few years. The low ranking compared to other priorities suggests either reluctance to pursue onshoring and localize supply chains and operations or less urgency relative to other priorities.

Digitalization, Retention, And Adaptability Are Top Priorities

Aspects of Work, Workforce and Work Process Ranked in Order of Importance for the Next 12-36 Months

Top 3 Priorities

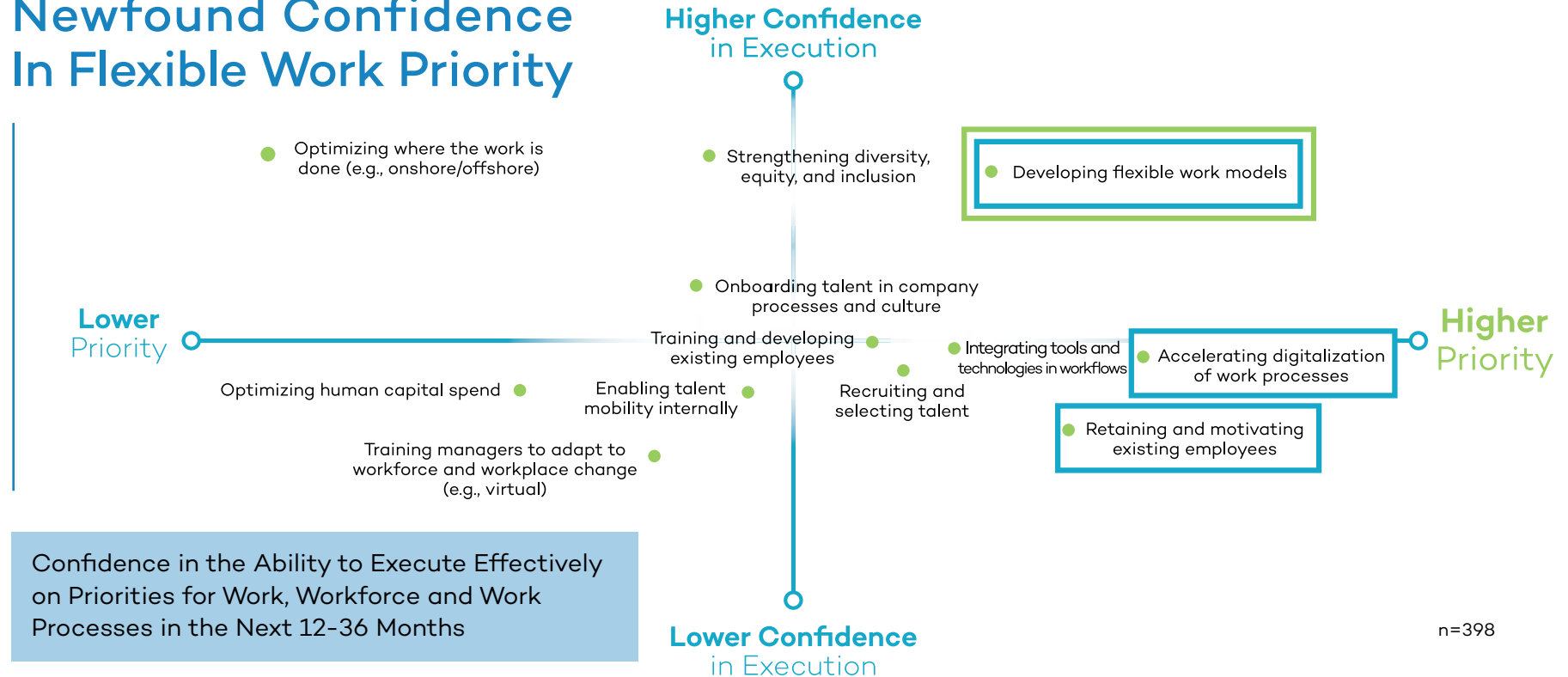


Among top-5 priorities, HR and function leaders are aligned on ordering for the top three.

However, function leaders place relatively more emphasis on training and developing existing employees as well as integrating tools and technologies in workflows. HR ranks recruiting and selecting talent and strengthening DEI more highly for the organization overall.

n=398

Newfound Confidence In Flexible Work Priority



Developing flexible work models ranks high as both a priority and an area where executives report more confidence in execution.

As one of several priorities elevated during the pandemic, high confidence levels observed in flexible work are similar to diversity, equity, and inclusion (DEI) and optimizing work location (e.g., onshoring). While prioritized differently, all are gaining more attention within manufacturing today.

For both DEI and flexible work, high levels of confidence may reflect the perception of business

necessity as well as organizational commitment.

Other top areas – digitalization, integration of tools and technologies, and talent retention and acquisition – remain higher priorities overall but reflect lower relative confidence levels in execution, possibly as long-time challenges.

Manufacturers should work closely with taskforces and experts to

prioritize areas for improving work, workforce, and work processes – with confidence.

Training managers to adapt to change ranks as the priority with the least confidence in execution. Function leaders are also less confident in onboarding than human resources. If left unaddressed, these could be the Achilles' heel to the successful development and implementation of advances in the future of work.

Executives expect a seismic shift toward flexible work for the salaried workforce, with arrangements incorporating both onsite and virtual work.

A hybrid model – in place for a majority of employees within only 12% of departments pre-COVID – is expected to surge to 80% of departments, a 7X increase! Flexible work is one of the most immediate decisions that leaders will make in charting the course for the future of work.

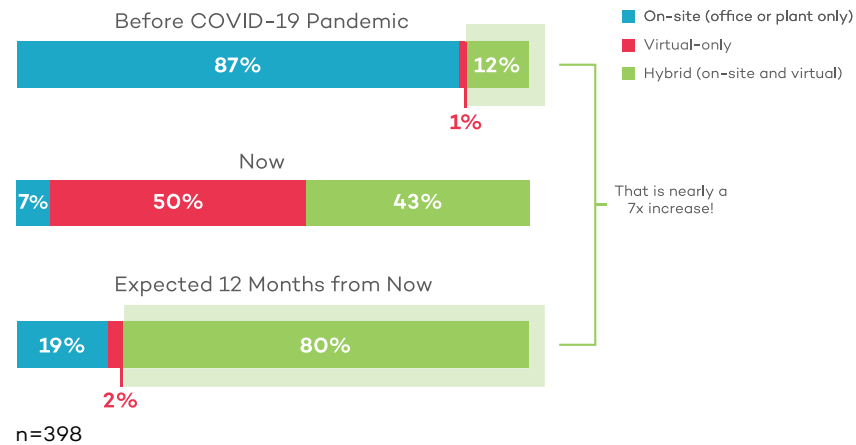
In April 2020, over half of executives surveyed reported most employees working virtually without coming into the office. This virtual-only group scarcely existed before the COVID-19 pandemic and is expected to decline in the post-pandemic period.

As virtual-only options are expected to fall off with return to work, non-essential business travel is another area that will continue to evolve given potential for more lasting change in criteria for on-site visits with employees as well as customers across geographies.

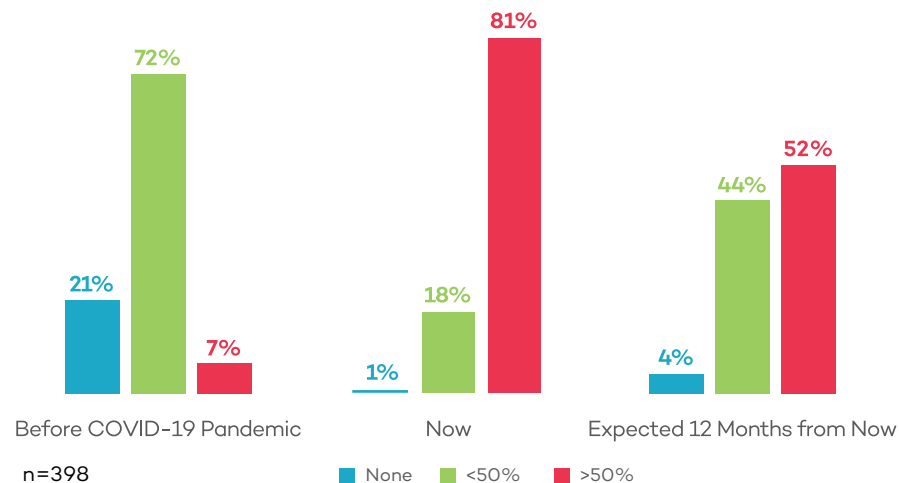
Among those with a remote work option, indicators are that two or three days of remote work is the median for salaried workers. Factory workers are most likely to continue traditional work models but with increasingly flexible options available to attract and retain talent.

Hybrid Future of Work Centers On Flexibility

Work Arrangements for Employees Able to Work Virtually



Employees Able to Work Virtually at Least One Day Per Week



Manufacturers need to define the future of work across a diverse workforce, different departments, and broad geographic footprint. But, so far, few are relying entirely on corporate-led decisions about flexible work models.

We asked leaders how strategic decisions about the future of work are being made. Over half of companies are developing a “mostly corporate-led” model in the U.S., and about a quarter are “mostly led from department or plant.”

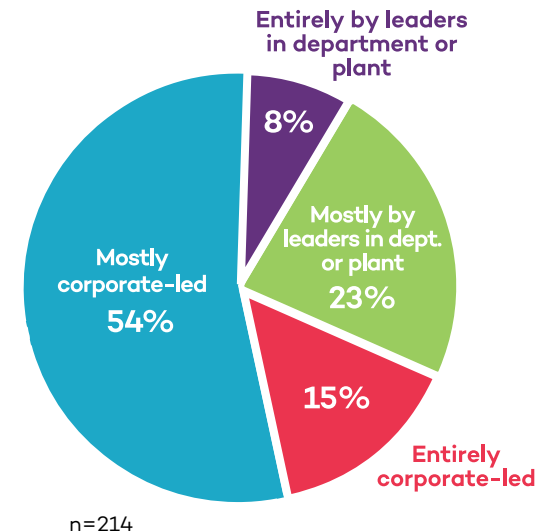
New policies require balanced risks. General Motors is one of the leading manufacturers stepping out front with a “work appropriately” strategy to provide discretion and flexibility deeper in the organization. Much like the former “dress appropriately” shift in dress codes, “GM trusts employees to ‘make smart decisions without overly prescriptive guidance.’”¹

Empowerment at the department and manager levels for decision-making introduces questions about organizational culture, including an increased focus on equity and inclusion at the very moment that many organizations are diving deeper into their DEI policies. Leaders and managers need to stay ahead in communicating expectations.

1. Maynard, Micheline. “How Do You Get the Corner-Office Status If You Work from Home? GM Will Find Out,” Washington Post, 21 April 2021.

Flexible Work Design is Not One-Size-Fits-All

Organizational Approach to Strategic Decisions in Developing Flexible Work Models



“Others are going to a hybrid model and we’re going to be competing for talent. So how do we do a good job of threading that needle to make sure that we’re not making decisions on the corporate side that may put us at a disadvantage in terms of getting talent...”

“...How do you get started and break it up into manageable pieces and get the right people involved so that you can start creating that one, two, three-year plan. It can be done but it means that the company must put the resources into planning versus producing. The premium is to produce, and we have to sometimes step back and measure twice, cut once.”

- CHRO

Manufacturers are deferring to employee preference over policy more than ever before.

Companies able to accommodate employee preference for flexible work models may have a competitive advantage in the future. Some employees are willing to forego higher compensation for flexible work.

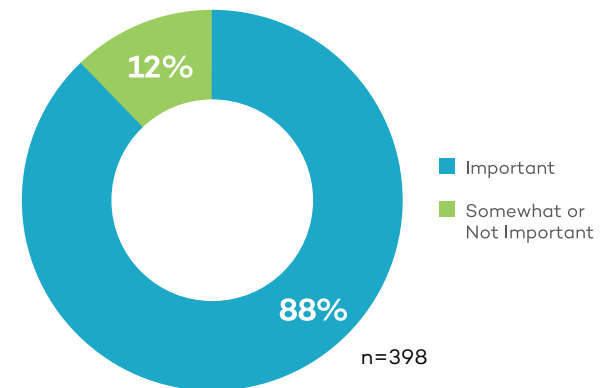
Executives across functional areas are placing importance on developing flexible work models. We see only modest variation in the degree of importance expressed from human resources versus leaders in the commercial organization or engineering.

Flexible work arrangements formerly determined through company policy are 4X more likely to reflect employee preference today. This is a shift in favor of flexibility and choice.

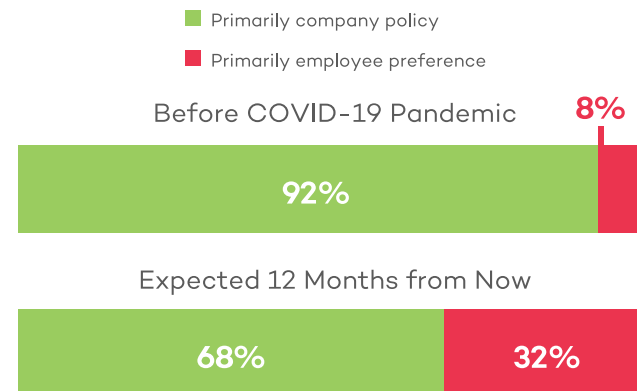
That said, the shift is not as dramatic as that across other industries. Aon's Global HR Pulse Survey in May 2021 finds 75% of companies across industries are considering employee preference in determining flexible work arrangements.

Employee Preference is Increasingly Important

Importance of Developing Flexible Work Models in the Next 12-36 Months



Primary Driver of Employee Work Arrangement



As manufacturers see record levels of job openings in mid-2021, they face greater urgency to manage a long-term workforce challenge: factory workers who have more flexible alternatives in an improving economy.

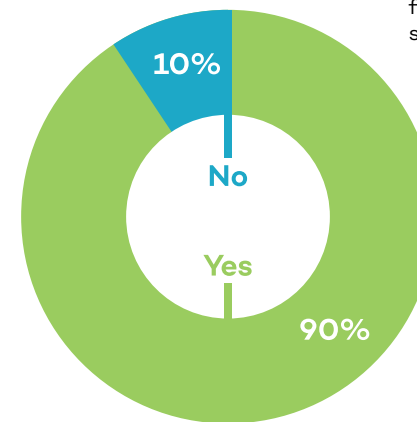
Manufacturing outpaces all other sectors in job openings, according to the Bureau of Labor Statistics data from February 2020 through April 2021.

Contributing factors for shortages and historic openings include the economic rebound, pandemic retirements, enhanced unemployment benefits, and longstanding industry challenges in hiring a diverse talent pool, including women.

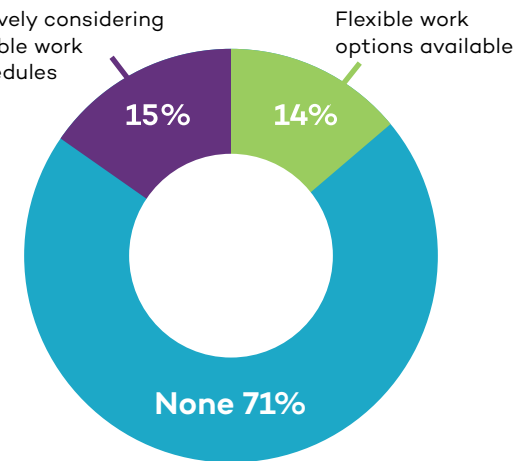
Although factory work is inherently more limiting for hybrid options, an increasing share of companies that offer alternative, flexible models will acquire and retain the in-demand talent. Survey data from Aon reveals that more of these options are under consideration currently.

Factory Workers Seeking Flexible Work

Factory Locations Reporting Challenges in Attracting Hourly Workers



Availability of Flexible Work Options at Factory Locations



Adding flexibility at the plant:

- ✓ Flexible working hours
- ✓ Compressed workweeks
- ✓ Split shifts
- ✓ Shift swapping
- ✓ Part-time positions

"The manufacturing world is going to have to adjust in order to attract and retain really talented people at all levels in the company, especially on the plant floor."

- SVP, Human Resources

Source: Aon Pulse Survey "Attract and Retain Hourly Workers," June 2021.

PART 3:

Building Culture, Adapting Work



Cultural resistance to change is far and away the most common challenge to delivering on future-of-work strategies and priorities.

Leadership's tie-in to culture is critical and highly intertwined. Stewardship of corporate culture is a multifaceted challenge that requires a tone from the top and accountability all around.

Cultural resistance to change is a barrier to confidence in executing on priorities, including flexible work. It is a costly tax on change initiatives.

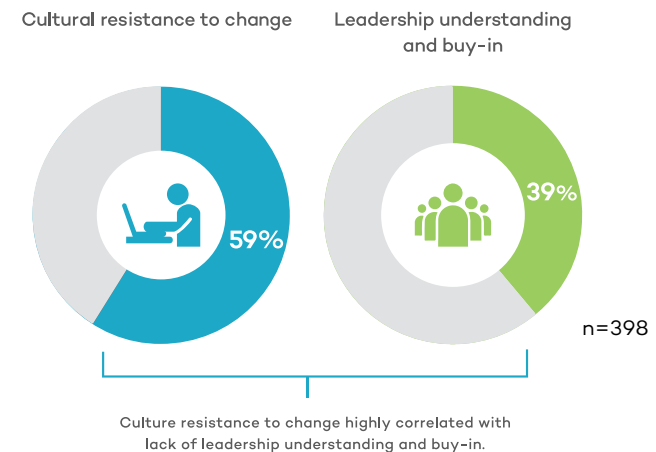
Ironically, culture is both a liability in this instance and an asset that many executives are most concerned about protecting in the shift to flexible work. As one executive we interviewed explained of the hybrid model: "How do you keep the culture going? How do you keep the value system understood, and how do you get that connectedness?"

A strong culture is critical for employee retention, engagement, and competitive advantage. Protecting the best of culture, not only adapting it, is central to the success of the flexible work model.

Other commonly cited barriers to executing on a future-of-work strategy include funding, experience/expertise required to fill roles, and human capital resources.

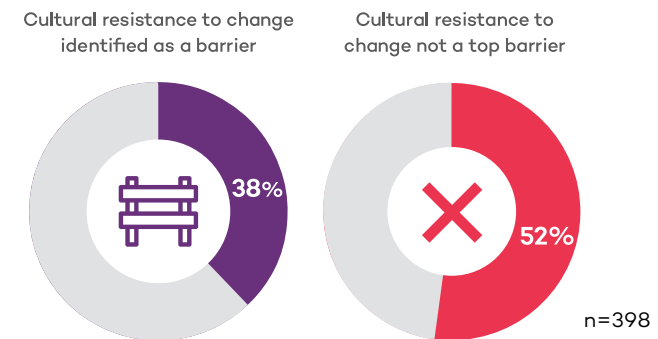
Culture is Perceived as the Top Barrier to Success

Top Challenges to Advancing the Strategies and Priorities for Work Processes Within Department in the Next 12-36 Months



Confidence in the Ability to Develop Flexible Work Models in the Next 12-36 Months

Percentage "Very Confident"



As both an input and product of culture, skillsets and organizational capabilities will moderate the pace of organizations adapting to the future of work.

Although the skills gap tends to orient on digital skills (including trades and corporate functions), foundational skills across the enterprise are critical to managing the accelerating change companies expect in the near term for competitiveness. These are in short supply.

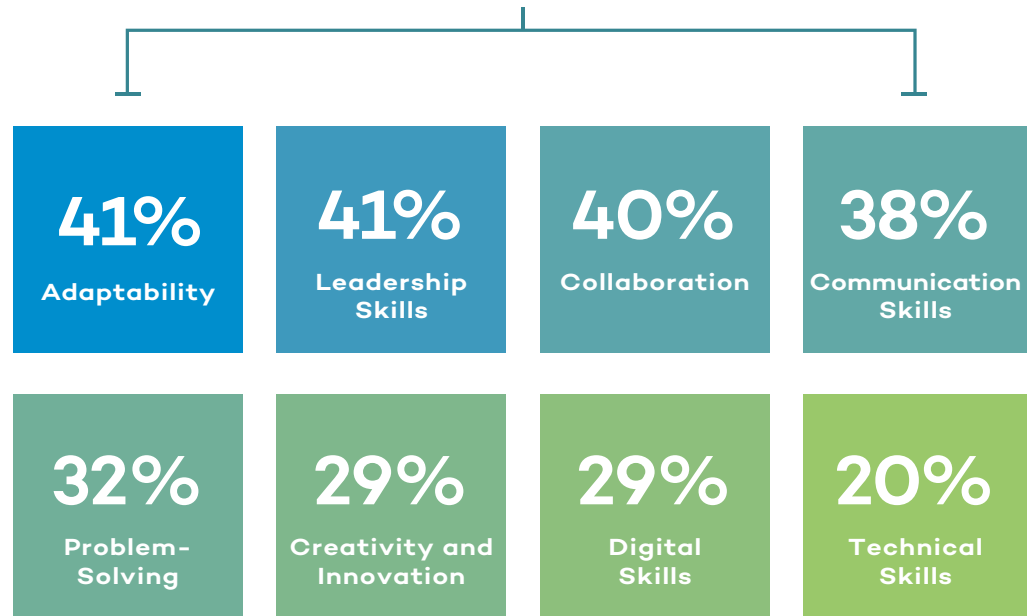
Digital and technical skills can be developed through training and reskilling programs, but softer skills around adaptability and collaboration are more challenging to instill.

Companies should conduct assessments to determine baseline capabilities and then use holistic strategies to target gaps and develop skills across the employee lifecycle.

Soft Skills Foundational for The Future Of Work

Skills Most Important to Developing the Workforce in the Next 12-36 Months

Foundational skills enhance agility within the organization.



n=398

Manufacturers are introducing a flurry of change initiatives to continue executing digital and technology enhancements, double down on talent management, and ramp up flexible work.

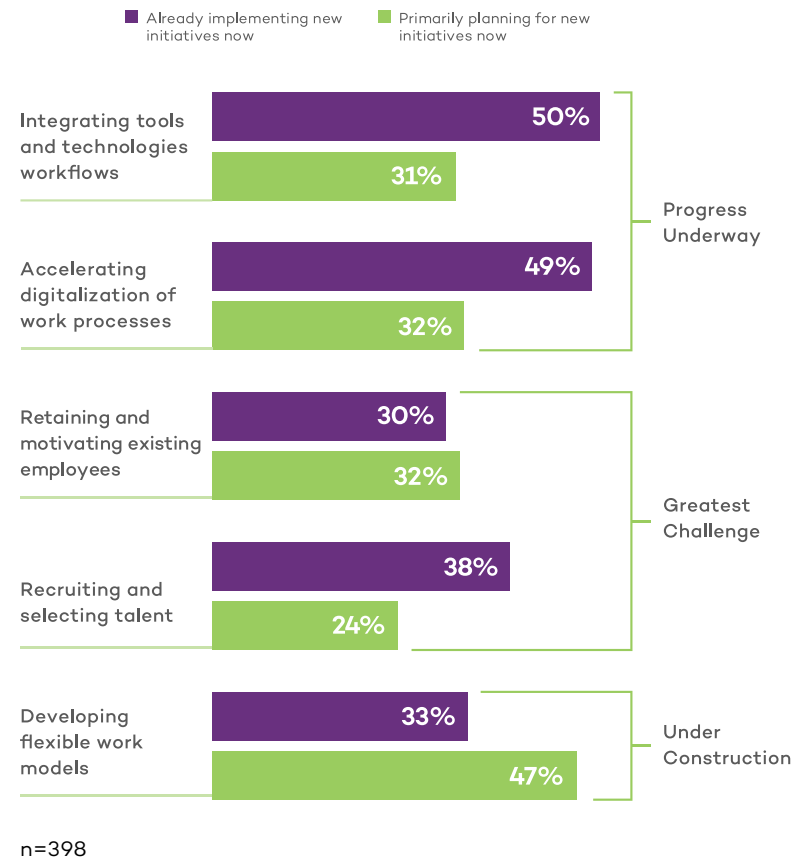
Executives rank all of these as priority areas, but activity levels –in the aggregate – reflect a pattern of different stages in maturity across organizations.

Digitalization, which accelerated through the pandemic, remains very much in progress. Flexible work models are under construction. Retaining and recruiting talent is the greatest challenge, as it reflects historical headwinds and lower confidence levels in execution (see page 13).

Being first to market on flexible work models does not guarantee an advantage in attracting talent. Nevertheless, delays relative to direct competitors could present the greatest risk for acquiring and retaining in-demand factory workers.

Change Initiatives Underway or in Planning Stage

Actions Taken or Under Consideration for Post-Pandemic Work Processes



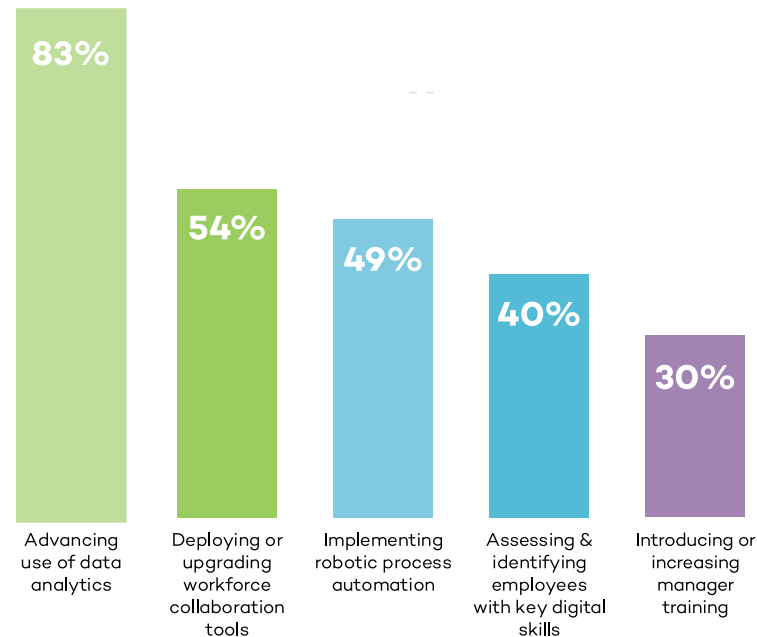
Data continues to fuel Industry 4.0 transformation and the future of work in hybrid models.

Workforce and talent priorities are inextricable from the data and digitalization shaping the future of work. Executives across functions remain overwhelmingly committed to advancing the adoption of data analytics to drive digital transformation.

Leaders across functions are also seeking employees with these in-demand skills and upskilling managers. Outside the production environment, opportunity areas include deploying or updating workforce collaboration tools and implementing robotic process automation (RPA).

Accelerating Digitalization With Analytics

Changes Functions are Implementing or Considering Implementing to Accelerate Digitalization of Work Processes
Only Those Who Selected "Accelerating Digitalization Of Work" as Top 5 Priority



n=254

"The future of work that I see is cost-effective IT solutions for manufacturing. The winners the future are the ones who are going to solve this so analytics becomes not as much of a manual process."

- VP, Business Process Optimization



PART 4:

Managing Talent in a Hybrid World

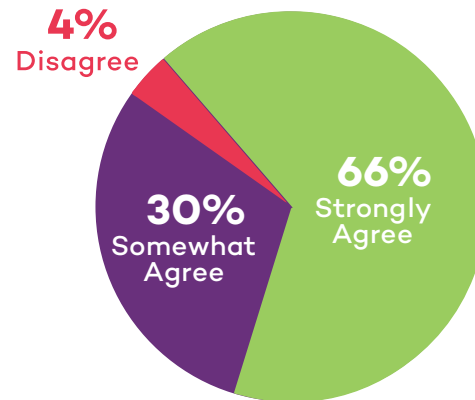
Despite strong views on what is at stake for performance with talent development and retention, executives report relatively lower past effectiveness and future confidence in these areas.

Talent has always separated high- and low-performing organizations, but the stakes have never been higher, and the gap is growing.

By comparison, fewer than a third of executives report the highest level of effectiveness at retaining, recruiting, or training before the pandemic. A similarly slim share is very confident in the execution level over the next 1-3 years. Closing this gap in acquiring, developing, and retaining talent will be a determining factor for industry competitiveness.

The Defining Challenge: Talent Management

Executive Agreement with the Statement: "Talent Development and Retention Will Separate Low- and High-Performing Organizations in the Next 12-36 Months"



n=394

Effectiveness Before COVID-19 Pandemic and Confidence in the Ability to Execute in the Next 12-36 Months

Very effective Very confident



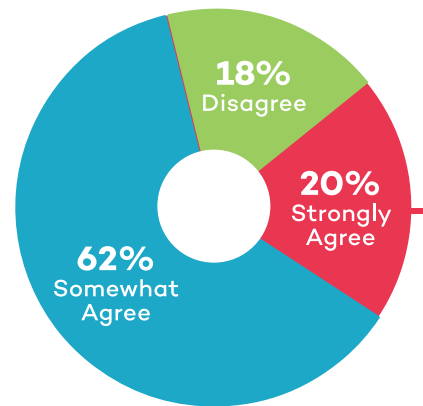
The talent challenge is compounded by the skills gap and uncertainty regarding exactly what skills are needed for a competitive future.

Only about a fifth of respondents strongly agreed that they have the skills needed for agility and resilience or know what other skillsets are needed for the workforce of the future. The lukewarm assessment of “somewhat agree” signals both a challenge and an opportunity.

The High-Stakes Skills Gap

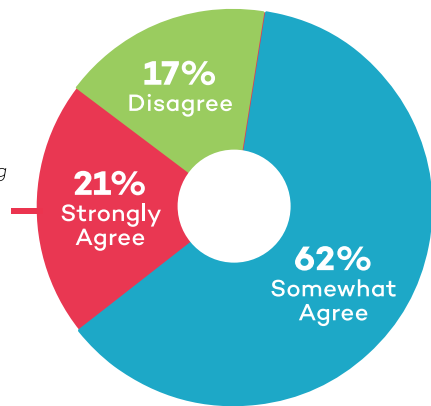
Agreement on Future of Work in Manufacturing in the Next 12-36 Months

Our company knows what skillsets we need in the workforce of the future.



Less than 1/4 of manufacturing leaders are confident their workforce has the skillsets for the future of work

Our workforce has the skillsets needed for the future agility and resilience



n=398

The new strategies companies are introducing or considering to attract and retain talent build on the familiar: expanding both talent pools and career opportunities for future competitiveness.

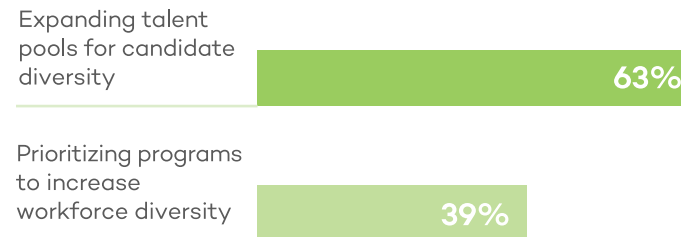
Nearly two-thirds of executives are looking to expand talent pools for candidate diversity, while a smaller share are also prioritizing changes to programs to increase workforce diversity.

The most-cited retention tactics define or expand career opportunities, followed by evaluating competitiveness for an alignment of incentives.

Agility and innovation in these areas will confer a lasting advantage in the competition for talent.

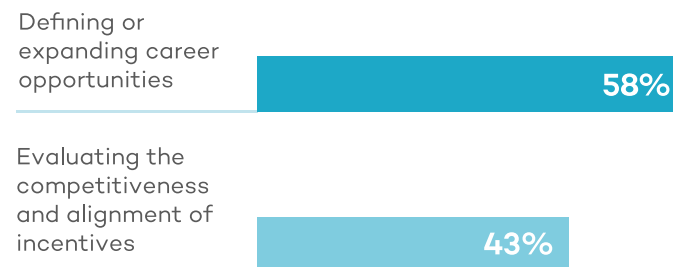
Rethink Retention and Recruitment

Changes Implemented or Under Consideration to **Recruit and Select Talent**
Only Those Who Selected “Retain And Motivate” as Top 5 Priority



n=194

Changes Implemented or Under Consideration to **Retain and Motivate Existing Employees**
Only Those Who Selected “Retain And Motivate” as Top 5 Priority



n=246

To stay competitive in a new era of hybrid work, companies must continue to improve tactics to develop employees and upskill managers.

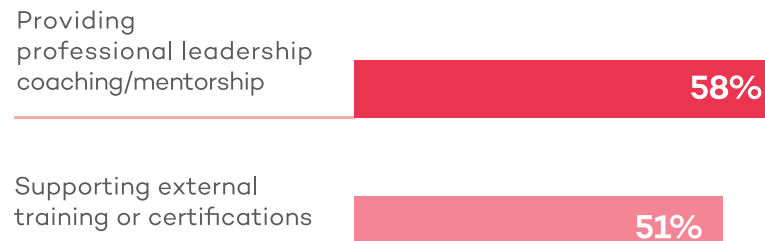
Among executives who prioritize retaining and motivating employees, over half are focusing on internal coaching and mentorship or external training to develop existing employees.

Nearly 3 in 5 executives who prioritize the training of managers report planning or providing guidance on communication for remote work. Slightly less than half are focusing on different technologies and strategies to facilitate communication. Such tools and tactics are critical to enabling workforce change.

Equip Employees to Adapt to Change

Changes Implemented or Under Consideration to **Train and Develop Existing Employees**

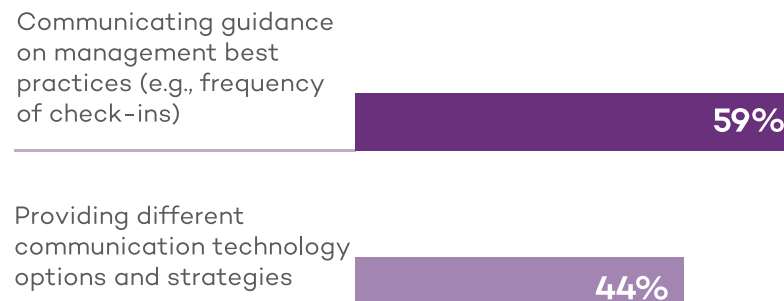
Only Those Who Selected “Retain And Motivate” as Top 5 Priority



n=196

Changes Implemented or Under Consideration to **Train Managers to Adapt to Workforce and Workplace Changes**

Only Those Who Selected “Retain And Motivate” as Top 5 Priority



n=135

As the future of work unfolds, manufacturers can consider a framework for managing to a “new better.”

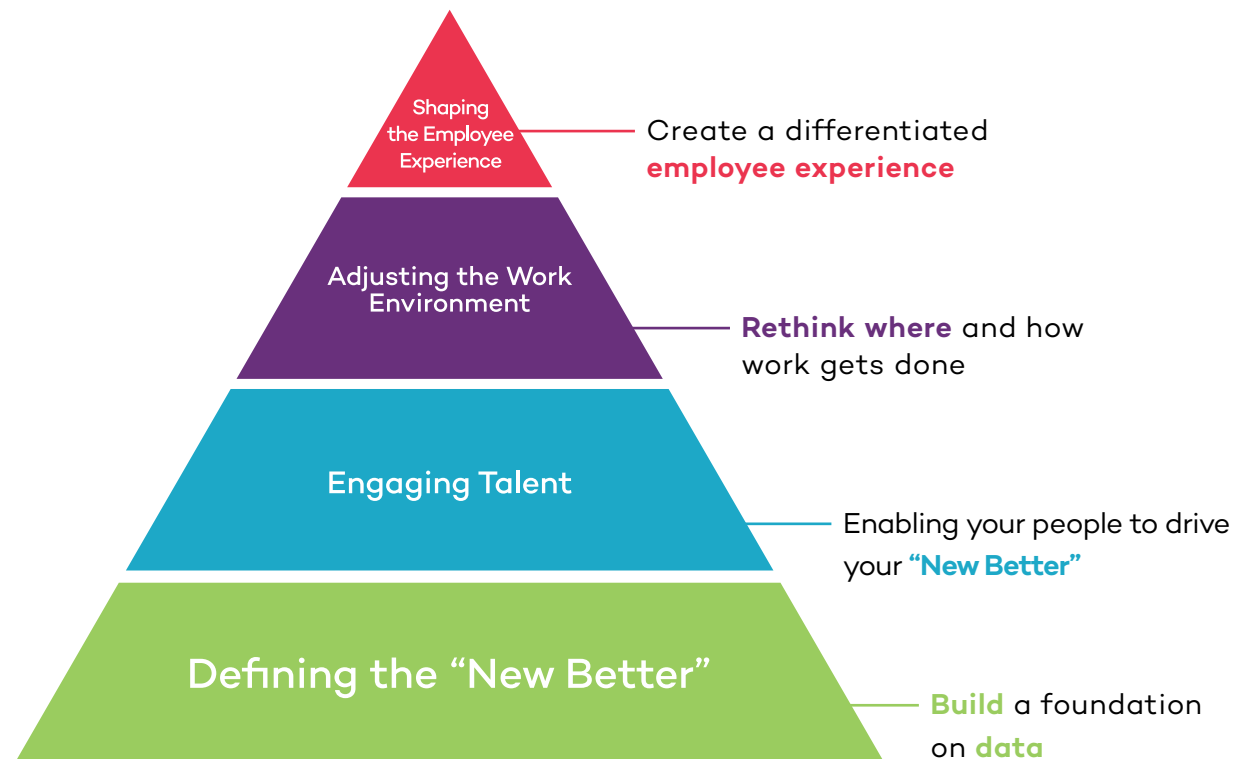
As with the future work itself, this model relies on data to define a vision for the workforce, striving toward a differentiated employee experience. Define your “New Better” in manufacturing by building the foundation for the future through both a visionary and data-based evaluation of what you want to look like post-pandemic.

Engage talent by evaluating employee preferences and capabilities for remote work. Next, adjust the work environment after determining the impact of remote work for various roles, including which roles can be remote and which cannot.

Finally, shape the employee experience by offering options and flexibility (where possible), to create a tailored experience based on both employee needs and preferences, and the needs of the role and organization.

The next page highlights core questions to ask and practical approaches to consider as your company moves through this framework toward a “New Better.”

Recommendations For a “New Better” In Manufacturing



Manufacturing executives can start on the journey for hybrid future of work within their department and organization by evaluating core questions and practical approaches in 4 phases.

- **Defining the “New Better”** – What’s your vision for hybrid work and what do you need to achieve it?

Build a vision for a new world using talent data and analytics to determine what you have and what you need.

- **Engaging Talent** – What do your employees and leaders want and need in this future of work, and do they have the right skills?

Assess needs and preferences of employees and the abilities of the workforce to succeed within a hybrid model. Focus on skill development and hiring for future leaders with the right skills for this future of work.

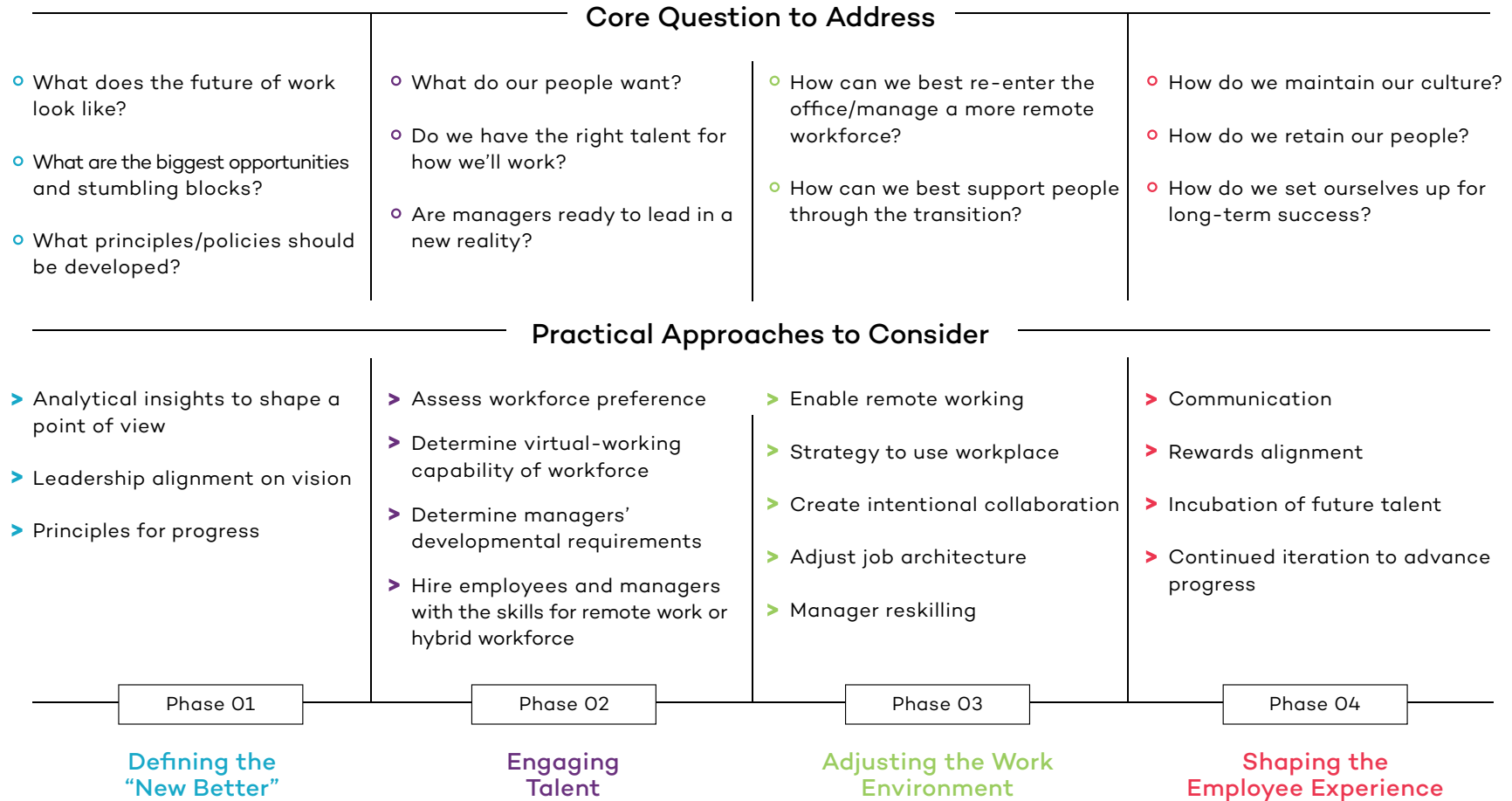
- **Adjusting the Work Environment** – What is your return-to-work plan? Who is making decisions and providing direction and support to your workforce?

Develop and execute a New Better vision through: communication, alignment, facilitation and enablement. Between remote work, digitalization, new technology and automation, skill development may be needed to close gaps and job architecture adjusted to realize vision.

- **Shaping the Employee Experience** – As flexible work expands, how are you addressing the evolution and maintenance of your culture and employee retention?

Employee expectations are shifting and you may need to review your compensation, rewards and benefits and re-align to changing priorities and expectations as well as your competitive position with other organizations and industries competing for scarce talent. Support employee success and retention through effective employee selection and onboarding.

Considerations For the Journey Ahead





PART 5:

Function-Specific Work Priorities

For departments and functions tied to commercial strategy, manufacturing executives prioritize work that reflects the rise in digital business and new market opportunities.

Product innovation, go-to-market strategies, and the sales process are top priorities to spur organic growth in the new era; strategy executives are also eyeing significant M&A opportunities in the marketplace.

Business Strategy Priorities

Top-5 Ranked Priorities by Function Executive

General Management/Business Units

Accelerating product innovation

Accelerating smart manufacturing

Adjusting pricing strategies

Entering new and adjacent markets

Strengthening supply chain

Marketing

Improving digital go-to-market strategies

Improving customer experience

Generating demand through new channels

Optimizing digital marketing capabilities

Recalibrating pricing

Sales

Improving sales process development

Strengthening cross-department/interdepartmental collaboration

Adding new sales enablement tools

Developing new sales channels

Optimizing distributor relationship

Strategy and Corporate Development

Identifying mergers and acquisitions (M&A) opportunities

Acceleration acquisition integration

Innovating the business model

Adopting software and intellectual property for acquisitions

Controlling department costs

Operational excellence is a common denominator for operations-oriented departments and functions, as demand snaps back and supply chains still struggle.

Top priorities also reflect continuity in executives addressing risks that preceded the pandemic but were further exposed by it: cybersecurity, safety culture, strategic sourcing, and ESG.

Strengthening cross-department collaboration is a common priority across several of these functions.

Operations Priorities

Top-5 Ranked Priorities by Function Executive

Engineering, Research, and Development

Accelerating innovation and design processes

Advancing digital transformation

Engaging with customers/VOC more effectively

Strengthening cross-department/
interdepartmental collaboration

Developing connected products

Environmental, Health, and Safety

Building a stronger safety culture

Enhancing risk assessment and prioritization

Managing environmental reductions
(e.g., water, waste, carbon)

Enhancing environmental, social, and
governance (ESG) reporting and disclosures

Enhancing employee tools and training

Manufacturing/Production

Driving operational excellence (e.g., deploying lean)

Strengthening supply chain

Launching new automation systems

Applying analytics and AI
(e.g., asset management, optical inspection)

Controlling department costs

Information Systems/IT

Strengthening cybersecurity

Supporting data analytics company-wide

Integrating systems and data (e.g., ERP, MES)

Advancing cloud computing

Improving data governance globally

Quality

Applying data analytics and/or artificial intelligence

Improving process quality

Enhancing manufacturing quality

Strengthening cross-department
interdepartmental collaboration

Improving customer complaint management

Supply Chain

Strengthening strategic sourcing

Increasing supply chain visibility (e.g., analytics, AI)

Managing freight

Optimizing indirect sourcing

Strengthening cross-department/
interdepartmental collaboration

Digital transformation is a core priority within finance functions.

Finance, audit, and tax executives are all focused on technology and data analytics to drive efficiency gains.

Cash-flow management remains a top priority for treasury among elevated uncertainty and business disruption globally. In a challenging insurance market with elevated risk, insurance coverage also remains a critical priority.

Finance & Risk Priorities

Top-5 Ranked Priorities by Function Executive

Finance

Accelerating finance transformation/automation

Acceleration insights from financial planning and analysis

Enhancing environmental, social, and governance (ESG) reporting and disclosures

Realizing efficiencies from shared services

Improving working capital management

Risk

Managing insurance coverage (e.g., limits in hard market)

Strengthening business interruption and continuity planning

Improving cybersecurity risk assessment

Advancing enterprise risk management

Introducing or managing captives

Tax

Integrating tax technology and solution (e.g., AI, data analytics)

Monitoring tax proposals at the state, federal and international level

Accelerating tax transformation

Optimizing U.S. tax policy and compliance

Adapting to changes in global initiatives, laws, and regulations

Internal Audit

Advancing data analytics

Improving remote auditing

Advancing company risk management structure/process

Increasing operational efficiency and compliance

Strengthening cross-department/interdepartmental collaboration

Treasury

Cash flow management

Foreign currency management

Working capital management

Acquisition financing

Balance sheet management

Human resources leaders prioritize retention-related challenges in the workforce, while executives in legal, ethics, and compliance see higher prioritization of ESG reporting and disclosures.

As HR leaders prioritize succession planning and developing people management, other top-five priorities reflect efforts to retain employees: engagement, total rewards, and wellness.

Human Resources & Legal Priorities

Top-5 Ranked Priorities by Function Executive

Human Resources

Deepening succession planning/knowledge transfer

Developing people managers

Increasing employee engagement

Improving compensation and benefits programs and communications

Advancing employee wellness programs

Legal, Ethics, and Compliance

Enhancing environmental, social, and governance (ESG) reporting and disclosure

Controlling department costs

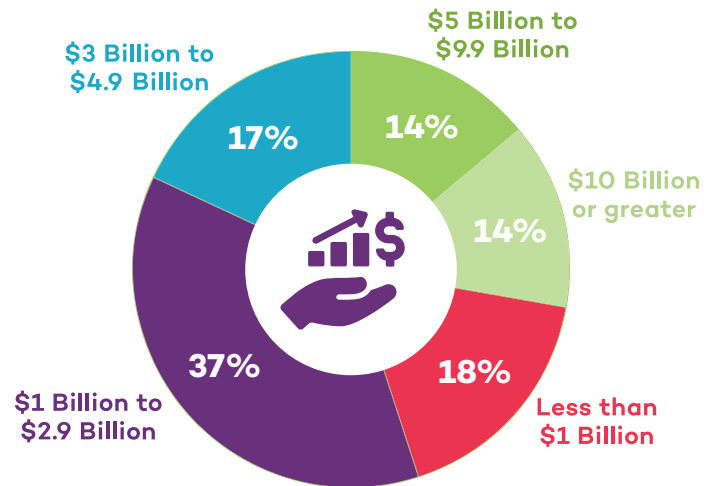
Managing third-party due diligence

Developing a culture of compliance (e.g., creating a “speak-up” culture)

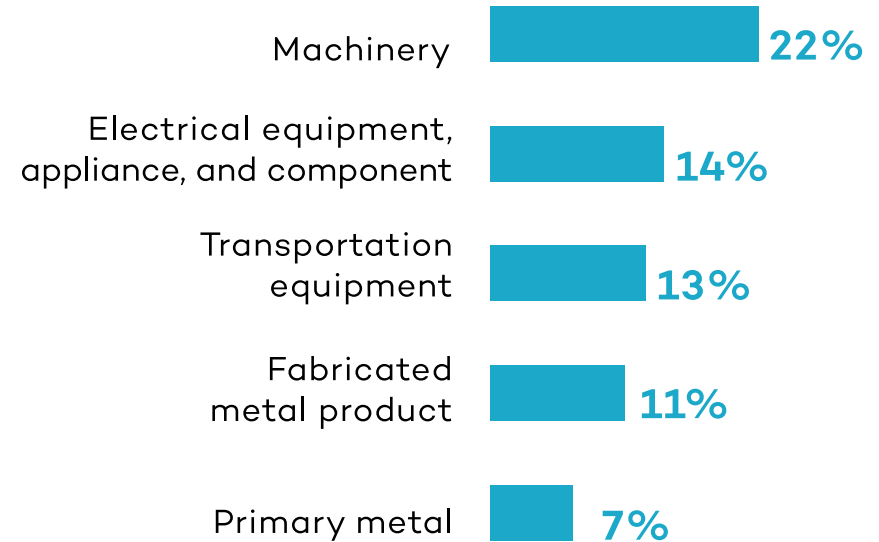
Managing data privacy and data protection (e.g., General Data Protection Regulation)

Appendix: Survey Demographics

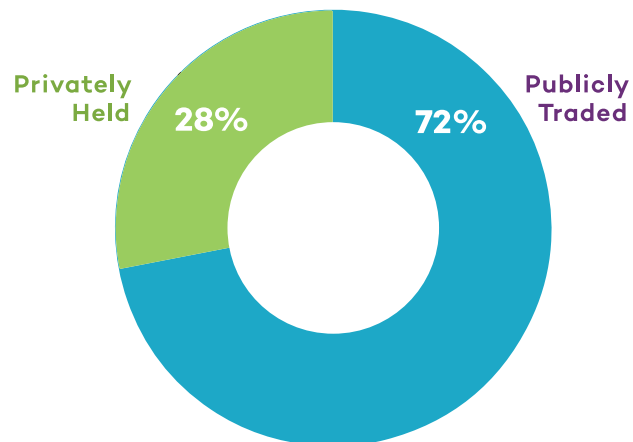
Annual Revenue



Top 5 Manufacturing-Sector Industries Represented



Ownership Structure



About the Authors

Ken S. Abosch Partner, Aon

Ken is a partner and Aon's Global Job Architecture Consulting Practice Leader. He has over 35 years of experience consulting in all facets of human resources including linkage to business strategy, globalization, engagement, incentive design, broadbanding, and employer branding. Ken has worked with numerous organizations to help them achieve breakthrough value creation through their people and is a frequent speaker on the topic.

Prior to joining Aon, Ken worked for Eli Lilly and Company in the areas of compensation, employee relations, and pharmaceutical sales. Ken holds an M.B.A. from the Kellogg School of Management at Northwestern University and a B.A. in psychology from Northwestern University.

Yanina Koliren Partner, Aon

Yanina is a partner in Aon's Human Capital Solutions practice where she serves as the Manufacturing Sector Lead, Future of Work research lead and DEI Co-Chair for the Rewards business. Yanina defines herself as an innovator, business leader and advocate for diversity, equity, and inclusion. Yanina joined Aon 22 years ago in Argentina and has been holding global Rewards roles with emphasis in the Americas since then. Over the past year, Yanina has been focusing on building the Manufacturing sector for the practice, and researching and helping clients on future-of-work issues. She frequently speaks at industry conferences, roundtables, and in webinars.

Jeffrey Ryer, Ph.D Associate Partner, Aon

Dr. Ryer is an associate partner in Aon's Assessment Solutions Practice with expertise in selection program design, development and validation, leadership assessment, executive coaching, leadership development, competency modeling, and career path modeling. He has been with Aon since 1997, working with a variety of clients in manufacturing and across industry sectors.

Prior to joining Aon, Dr. Ryer was an Assistant Professor in the Department of Psychology at the University of Tennessee at Chattanooga. He conducted research on work motivation, perceptions of fairness and employee job satisfaction. He holds advanced degrees in Industrial/Organizational Psychology.



Manufacturers Alliance Foundation is the 501(c)(3) partner of Manufacturers Alliance. The Alliance Foundation provides educational opportunities for the manufacturing community and its stakeholders through insights, events, and tools for today's most critical business decisions. The Alliance Foundation focuses on talent, technology, digital transformation, and competitiveness.

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