



India's trillion-dollar manufacturing ambition requires a workforce productivity revolution

A Playbook for CEOs to embark on transformational workforce productivity unlock journey.



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Executive summary

India's ambition to become a **\$30 trillion economy by 2047** depends on transforming manufacturing into a **\$7.5 trillion sector**. Yet, at the current growth trajectory, manufacturing is expected to reach only ~\$2.7 trillion, creating a massive growth gap. The central thesis of this paper is clear:

Workforce productivity is india's most underleveraged growth lever.

Research across **130+ large indian manufacturing companies** demonstrates a strong link between workforce productivity and enterprise value. Productivity leaders achieved:

50%+

Higher profitability
growth compared to
peers

Nearly 2x

Market capitalization
growth compared to
peers

Over 70%

Of companies require
transformative action to
achieve the productivity
levels needed for india's
manufacturing ambition

The productivity illusion

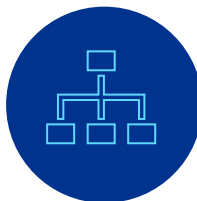
The paper argues that many factories suffer from a "productivity illusion": high activity is mistaken for high performance. Hidden inefficiencies such as excessive management layers, weak supervisory capability, fragmented roles, dependence on tribal knowledge, contract workforce capability gaps, reporting overload, and poor shift productivity silently erode throughput, margins, quality, and capital returns.

The productivity triad

To address this, we introduce a practical framework that can unlock 15-30% productivity gains by simultaneously:



Reimagining
Work



Redesigning the
Organisation



Remodelling the
Workforce

Amplified through digital & AI, performance management, and change & culture.

Executive takeaway

The next era of manufacturing competitiveness will not be won only by adding more people or assets, but by fundamentally redesigning how work gets done. Organisations that act now can unlock significant value, accelerate growth, strengthen profitability, and help power the next chapter of india's manufacturing journey.

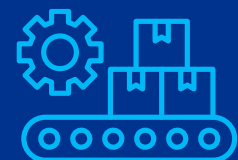


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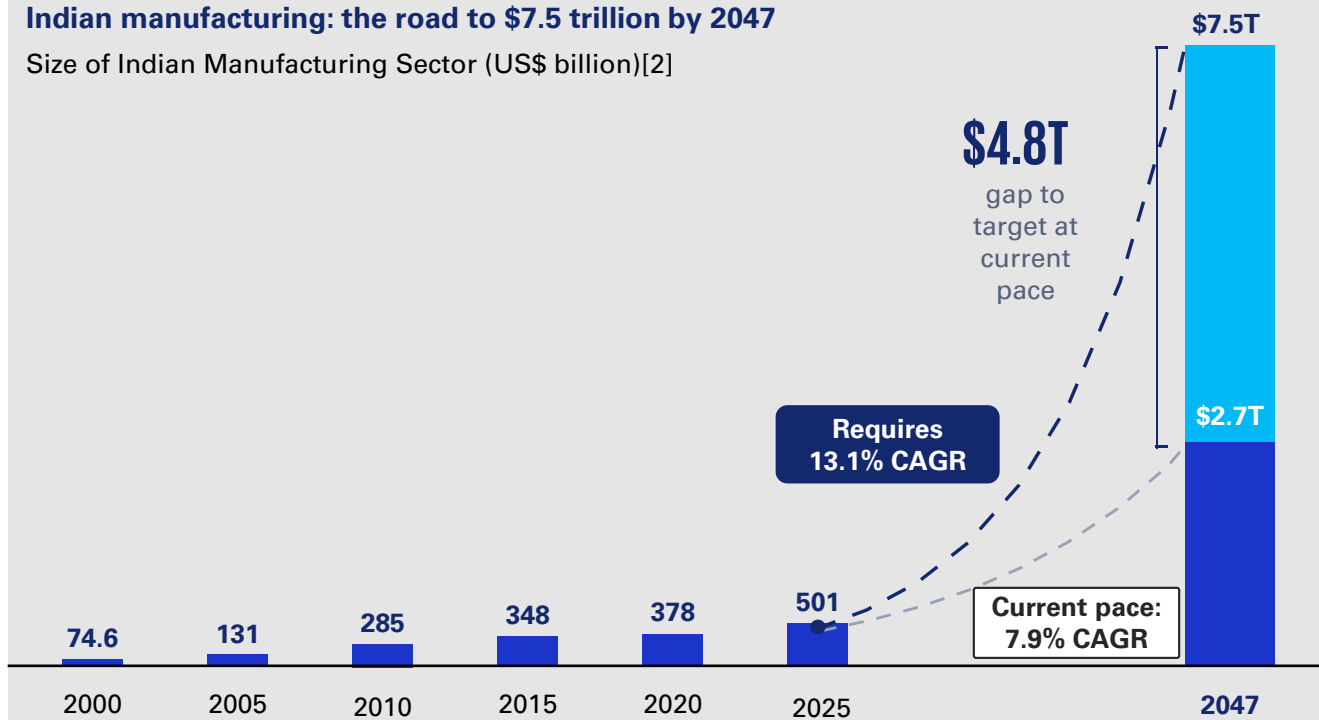
Manufacturing is at the heart of Indian economy's \$30 Trillion ambition



India stands at a defining moment in its growth journey, one marked by scale, speed, and aspiration. As one of the world's fastest-growing economies, India has set its sights on becoming a USD 30 trillion economy by 2047^[1], a milestone that will reshape its global standing and economic influence. Manufacturing has been central to this ambition, acting as the backbone for employment, exports, and technological advancement. Recognizing its catalytic role, India has articulated a bold vision to raise manufacturing's contribution to 25% of GDP by 2047 ^[1].

Indian manufacturing: the road to \$7.5 trillion by 2047

Size of Indian Manufacturing Sector (US\$ billion)^[2]



Manufacturing value added in Indian GDP, US\$ nominal.

Not an incremental agenda, a transformation imperative

15×

expansion
required, from
~\$0.5T to \$7.5T
by 2047^[3]

~13%

nominal annual
growth needed
(8.4% real
growth rate)

25%

of GDP from
manufacturing
by 2047, as per the
national vision

1. Economic Times Manufacturing (2025). Manufacturing sector must grow 15% to contribute 25% of GDP by 2047, citing remarks by NITI Aayog CEO at CII event, May 30, 2025
2. World Bank, Manufacturing, value added (current US\$) - World Development Indicators

3. Reserve Bank of India (RBI), Database on Indian Economy (DBIE), Manufacturing Gross Value Added (GVA), accessed 2026

Catalysing manufacturing growth in India: Key transformation levers





Productivity unlock



This is India's most underleveraged lever. Productivity variance of companies within the sector is **300% - 1000%**^[4]. Usually, unorganised sector and small factories which contribute to a major share of manufacturing output are significantly less productive due to low capital intensity and limited technology adoption. These small factories produce **less than 20%**^[5] of the output per worker compared to large firms. ^[5] But large factories too lag significantly when compared to global standards. It will be fair to say that India needs a workforce-centric nationally anchored productivity vision. There are countries like Germany that demonstrate that manufacturing competitiveness can be built by targeting workforce productivity at scale. Through sustained, system-level interventions, Germany has sustained one of the world's highest manufacturing productivity levels, keeping manufacturing at **~20% of GDP**^[6] despite high labour costs.

Workforce shifts



For manufacturing output to expand multifold, even with automation, requires net new employment in the sector. Agriculture still employs **46% of the workforce**^[7] which is inefficient. Enhancing efficiency of agriculture sector and moving labour to manufacturing post structured skilling programmes can unlock the huge demographic dividend we have as an advantage.



4. Manufacturing GVA figures are sourced from India's official national accounts published by the National Statistical Office (NSO), MoSPI
5. IMF. (2026). Business growth and innovation can boost India's productivity

6. World Bank, Manufacturing, value added (% of GDP) – Germany
7. National Statistical Office (NSO), Ministry of Statistics and Programme Implementation (MoSPI)

Global integration



Even with growth, India's domestic demand is not enough to absorb the output produced at this scale. A strong Global Integration strategy will lead to three reinforcing advantages. **First**, it unlocks demand at scale by allowing Indian firms to produce not just for the domestic market but for the world. **Second**, integration into Global value chains (GVCs) facilitates technology transfer and capability building. **Third**, it drives ecosystem development, where clusters of suppliers, logistics providers, and skilled labour co-evolve, creating a self-reinforcing industrial base. China has been able to truly realise benefits of this.^[8]

Capital (Investment in capacity)



Capital investment is going to be the foundational lever which will determine the success of this growth vision for manufacturing industry. Government investment and commitment has seen a tremendous boost which must continue. Foreign direct investment is already seeing a positive shift for Indian manufacturing industry with a growth of **12% per year**, which must sustain^[9].

Innovation and technology



Digitalisation improves capital efficiency—reducing downtime, waste, and energy intensity—making growth more resilient. Japan is well known for building global manufacturing leadership through continuous process innovation (Kaizen), advanced robotics, and precision engineering, sustaining high productivity over decades. South Korea's initiative at building **500 AI factories by 2030** to strengthen the global competitiveness of its manufacturing sector is another example.^[10]

Consumption led growth



India is expected to have **17% of global consumption by 2030** making it world's second largest consumer market.^[11] By aligning production to a rising middle class, urban demand, and premiumisation, South Korea is a strong example of leveraging domestic consumption to accelerate manufacturing growth. As incomes rose rapidly from the 1980s onward, expanding domestic demand for consumer electronics, automobiles, home appliances, and durables created a reliable home market.

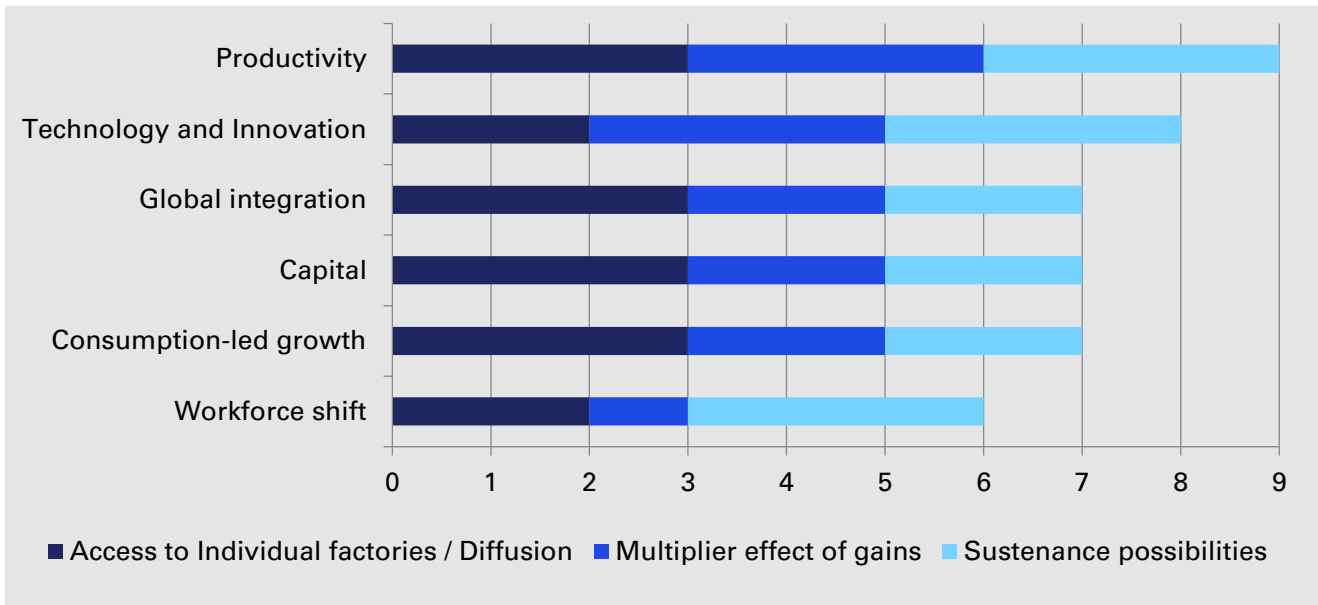


8. OECD, Trade in Value Added (TIVA) Database
9. Press Information Bureau (PIB), FDI inflows into Manufacturing sector

10. The Korea JoongAng Daily. (2025). Industry Ministry announces 53 billion won in support for AI factory infrastructure.
11. The Economic Times. (2024). India's consumer market to become the world's second largest by 2030.

As we analyse the contribution of the six levers, unlike scale or demand-led levers, productivity improvements embed permanently into the system, raising output, margins, and competitiveness year after year. Productivity is Indian manufacturing's most powerful growth lever. A sustained 30% productivity gain could drive nearly 35% of future output.

Composite impact of six levers across three dimensions | Longer bars = higher impact



**The evidence is clear:
Productive factories drive
superior value and profitability**





Workforce productivity

Economic value created per employee after excluding major external input costs.



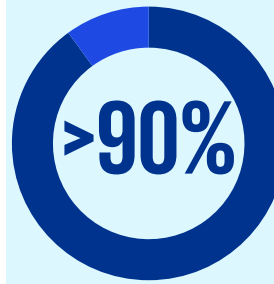
Why it matters

Productivity reflects how efficiently organisations convert workforce capability into enterprise value.



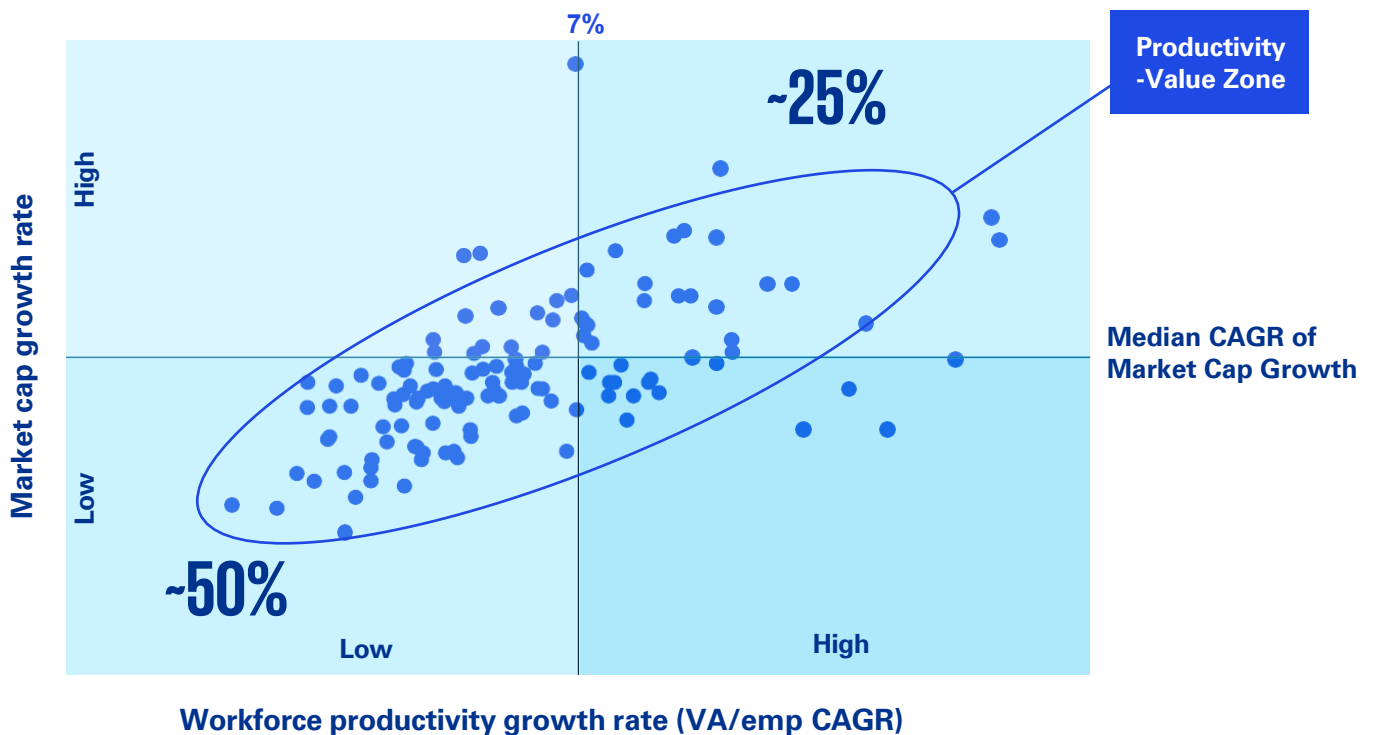
What our analysis shows

Companies with sustained productivity growth consistently outperform peers in market capitalization growth.



Of companies fall within the productivity-value zone

showing a strong positive relationship between workforce productivity and market value creation



Relationship between market capitalization growth and workforce productivity growth over a 10-year period (FY15–FY25) for 130+ large manufacturing firms in India.

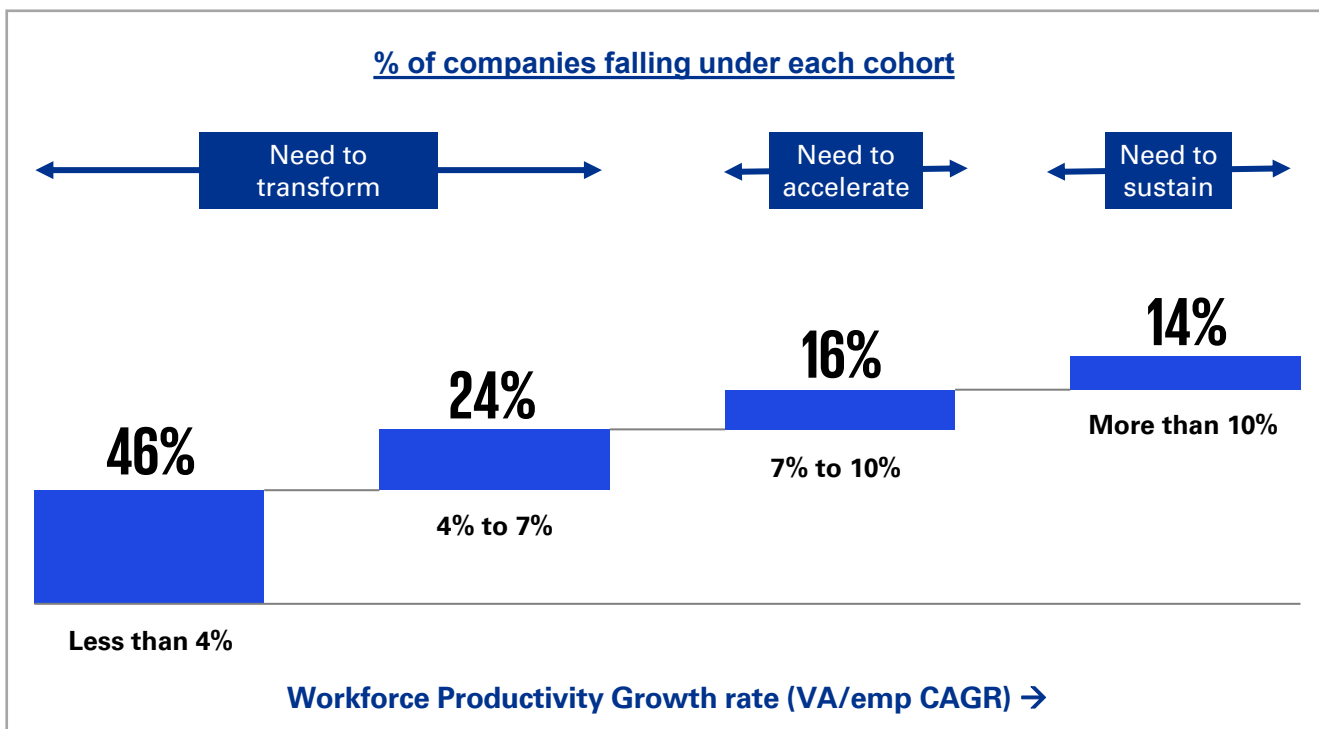
Our research of 130+ top manufacturing companies over 10 years shows that companies driving higher than average productivity growth have consistently delivered stronger outcomes. Their net profit growth CAGR is ~10–11% annually (against ~7% for average-productivity companies), and market cap growth CAGR is ~19% (compared to ~10% for average-productivity organisations). Importantly, every instance of declining profitability is concentrated among low to mid productivity players.

While each sector within manufacturing has its own primary growth levers like pharma depends on R&D efficiency, textiles and cement are shaped by raw material costs, auto is influenced by capacity utilization, and metals by energy and asset efficiency, we observe that across all these sectors, one common driver stands out: workforce productivity. Companies that leverage their workforce more effectively are better placed to improve profitability, accelerate growth, and stay ahead in market value creation.



Organisations leading on productivity outpaced peers with **50%+ higher profitability growth and **2X** market cap expansion.**

Transformative action is critical to close productivity gaps



The distribution of productivity improvement is highly uneven among the large manufacturing firms. The above exhibit clearly shows that 70% of these firms will need transformative measures to achieve the target growth rate of 13%, to contribute to India's vision for manufacturing sector.

The productivity illusion: why busy plants still lose money



What we see

- High activity, low output
- Frequent breakdowns
- Safety incidents
- Supervisors acting as senior operators
- Heavily people dependent operations
- High productivity variance between shifts
- Decision paralysis
- Reporting to please management
- Lack of accountability for failures



What we don't see

1 Organisation structure inefficiencies

- Tall structures of reporting
- Unclear and broken role distribution



2 Process & System Weakness

- Low adoption of technology
- Standardisation and codification gaps
- Manual and unreliable data
- No knowledge management



3 Talent & Capability gaps

- Technical skill gaps at Operator and Engineer levels
- Managerial and Functional gaps at supervisory levels
- No talent mobility – roles inherited for life



How business gets impacted

- Lost throughput & capacity
- Margin and cost leakage
- Quality and reliability erosion
- Slower execution and responsiveness
- Under-realised capital returns



The blind-spot drivers

Hero culture

Jugaad keeps things running

Activity Bias (Effort ≠ Output)

Effort is mistaken for performance

Accountability vacuum

Accountability gaps ensure the problems persist

Beyond the surface: Diagnosing the root causes, warning signs, ground realities, and business impact of low productivity



01 High activity, low output

Plant is busy but the throughput is not improving

Observed root causes

Frontline managers lack structured problem-solving capability

Performance management rewards activity tracking, not outcome accountability

Engineer and supervisor roles defined for execution, not for sustained improvement

Daily review culture encourages status reporting over issue closure



Real situations

Automobile plant

The same scrap issue was flagged at least ten times in a quarter without permanent corrective action

Steel mill

Morning meetings listing 8 -10 issues that recur on the same list the next day

Pharma packaging line

Daily standups have become attendance rituals



Business impact

Throughput stagnation despite high effort

15–25% of working time lost to unproductive activities

OEE optically healthy on availability; quality-adjusted throughput is flat

Margin erosion from recurring scrap, rework, and expediting cost



02 The two-tier workforce trap

Operations run by a workforce that is completely ignored by HR for skill development

Observed root causes

HR strategy treats contract and blue-collar workforce as transactional, not as a capability pool

No structured contract-to-permanent pipeline tied to capability

Permanent–contract divide socially entrenched; permanent operators disengaged from skill transfer

Supervisors don't own contract worker development as a KRA



Real situations

Smelting line

~70% of effective hands-on work is done by contract workers; permanent operators only monitor

Auto stamping plant

65% of die-changeover crew are contract workers with 9-month average tenure

Cement bagging operation

Entirely contract-run with no succession path



Business impact

Apparent labour cost low ; reconstituted training cost high

Quality variability 1.5 - 2X across shifts

Safety and compliance incidents disproportionately concentrated in the contract pool

Automation investment under-realises- workforce can't sustain process change



03 Tribal knowledge and the jugaad mindset

Critical know-how lives in heads, not in the system

Observed root causes

Hero culture celebrates individual problem-solvers; system not strengthened

Knowledge management not part of any role's KRA

Senior operators have no incentive to codify their tacit knowledge

Training delivery relies on shadowing, not structured curriculum

Process engineering function under-resourced or absent



Real situations

Heavy engineering shop
Critical alloy heat-treatment cycle known only to one foreman with 32 years' experience

Steel mill
Commissioning a new line takes 30% longer when the senior fitter is on leave

Pharma plant
Stable-yield batches require one specific shift's 'feel' for the equipment



Business impact

Continuity risk on retirements and exits

Changeover times **2 - 3X** of global benchmarks

Improvement programmes fail to scale beyond the originator

Quality variability driven by who ran the shift, not the system



04 The supervisor capability vacuum

Most supervisors are senior operators, not first-line managers

Observed root causes

Supervisor role is defined and understood as 'senior operator,' not first-line manager

Promotion based on technical seniority, not managerial capability assessment

No structured supervisor development

Pay differential of supervisors vs. senior operator <15 - 20%, no market signal for the role

High variation in **spans of 5 - 40** make the management role highly inconsistent



Real situations

Pharma line
Shift A delivers 10 - 12% higher OEE than Shift B on identical equipment - one supervisor runs a tight standup, the other doesn't

Auto component plant
Span of 35 means supervisors only fire-fight, never coach

Heavy engineering shop
Supervisors promoted on years of service - capable operators become weak supervisors



Business impact

Inter-shift variability driven almost entirely by supervisor capability gap

Training ROI lost - no frontline coaching layer to embed new skills

Safety incidents elevated in shifts run by weaker supervisors

Continuous improvement initiatives stall at the supervisor layer



05 The B & C shift productivity cliff

Effective capacity is a day-shift number masquerading as nameplate

Observed root causes

Leadership operating rhythm
built around day-shift availability

Career-track talent reluctant to commit to night shifts; allocation skewed

No defined night-shift leader with full decision authority

Support functions
(maintenance, quality, planning) staffed for 1-shift coverage despite 3-shift operations

Shift handover treated as informational, not decisional



Real situations

Cement plant
Night shift covered by 1 manager doing what 4 handle in the day

Auto assembly plant
Decisions raised at 2 AM wait until 9 AM review — throughput already lost

Textile mill
Maintenance technicians are 'on call' at night vs. fully present in day



Business impact

10–20% throughput differential across shifts

Disproportionate share of defects and incidents in night shifts

Effective capacity **5–15%** below nameplate when shift-quality-adjusted

Equipment investment under-realises returns



06 Indirect headcount bloat

More people coordinate work than do work

Observed root causes

Org charts grown by accretion - no periodic role redesign or rationalisation

Layered hierarchy reflects status accommodation, not decision logic

Talent retention via promotion ladder rather than flat decision rights

Coordinator/specialist titles created reactively (post-audit, post-incident) without removing prior roles

IR sensitivity creates inertia against role rationalisation



Real situations

Diversified engineering company
11 layers between operator and COO; RFQ-to-quote cycle 28 days vs. competitor's seven days

Electrical equipment company
A routine purchase requisition needs six signatures

Auto OEM
Matrix structure created three dotted-line bosses per role



Business impact

Indirect-to-direct ratio **1:2.5 to 1:3.5** vs. global benchmark 1:4 to 1:5

Indirect cost per unit **25–40% above benchmark** — gross margin eroded invisibly

Decision velocity slow; commercial responsiveness compromised

Talent frustration. Strong performers exit due to lack of authority



07 Reporting theatre

Engineers write reports while problems wait

Observed root causes

Engineering and supervisor roles burdened with admin-coordination accountability

Senior leadership review style rewards report preparation over decision quality

No defined 'owner' of reporting demand - every leader can request a new format

Data analytics / BI capability not embedded at plant level - everyone manually compiles

Career incentives reward visibility via reporting, not silent problem-solving



Real situations

Steel mill

The same daily production tonnage is reported in four distinct formats to four stakeholders

Auto plant

Engineers spend 90 minutes each morning preparing the daily review pack

Pharma plant

Three BI dashboards in place - operators bypass all three



Business impact

10–15% of supervisor and engineer time consumed by MIS preparation

Decisions taken on stale or wrong data

Digital adoption falls short – operators continue to bypass dashboards

Best problem-solvers' capacity diverted to administrative work



Operating principles for CEOs for embarking on a productivity transformation programme



Even when organisations realise their productivity leakages and decide to act, the intent while spot on, the execution is incoherent and not planned to sustain. Most of these productivity programmes do not fail at the design stage. They fail in execution, and they fail again in the 18- 24 months that follow, because the operating habits that produced the original gap reassert themselves the moment attention shifts.

The principles below are not novel. They are the ones that, observed across enough engagements, distinguish companies whose productivity gains hold from those whose gains quietly erode. Together, they characterise how a truly productive manufacturing organisation operates.

Operating principles for successful productivity transformation



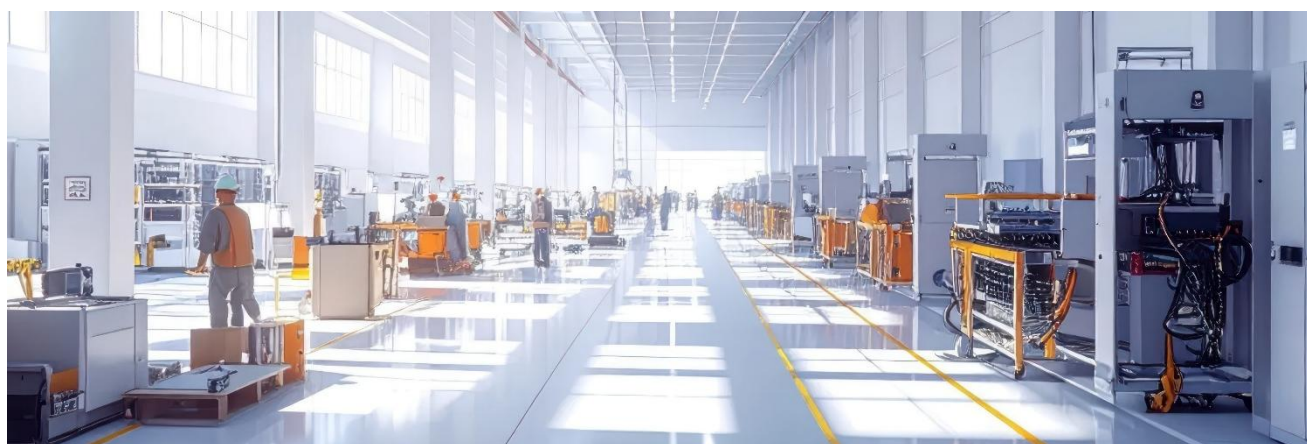
1. Discipline at entry

Every role added is a multi-decade commitment of added cost and complexity. The hardest productivity work, by a wide margin, is reversing additions that should never have been made in the first place.

Treat role additions with the same rigor applied to capital expenditure: a written case, a named owner, an explicit alternative considered, and a willingness to say no when the case is weak — including in the moments when operational pressure makes saying no uncomfortable.

2. Leadership as a system, not a style

Organisations must strive to build a leadership system: **consistent performance conversations, coaching practices** that hold across functional leaders. Functional leaders should be owners — accountable for outcomes, but also given the latitude to build capability, redesign work, and invest in their people. **Accountability without latitude produces compliance, not productivity.**



3. Restraint over reaction

Manufacturing leaders are conditioned to act. Productivity, paradoxically, often suffers from too much action. Three forms of reaction deserve particular caution. The first is the **knee-jerk move** — headcount cuts in response to one quarter, hiring freezes that do not survive contact with the next operational crisis. These create whiplash without addressing the underlying drivers. The second is **technology adopted out of FOMO** — investments in digital, automation, or AI made because peers are doing it, not because the case is clear. These rarely deliver, and they consume the leadership bandwidth that real productivity work requires. The third is **transformation fatigue** - pacing is a leadership choice, not an external constraint.

4. Truth and simplicity

Productivity should be measured and reported alongside the metrics that determine the company's performance - output, quality, cost, safety. Treating it as an HR metric understates it. Treating it as a one-time exercise misses the point entirely. The signal needs to live in the same dashboard the CEO and the board review every month, with the same cadence and the same scrutiny.

Alongside measurement, simplicity. Most productivity erosion happens through accretion — roles that grow more specialized, processes that grow more elaborate, exceptions that quietly become rules. **Keeping roles simple, structures uniform, and direction clear is unglamorous and continuous work.**





CEO's playbook to enhance and sustain productivity gains



Phase 1		Recognise	See the problem and confirm readiness	Stages 1 to 2
1	Notice Symptoms surface and the need is owned	<ul style="list-style-type: none">✓ Normalized inefficiencies are spotted✓ Benchmarked without excuses✓ Status quo is declared unacceptable	<ul style="list-style-type: none">✗ No real consensus that a problem exists	
2	Assess Readiness tested, organisation DNA understood	<ul style="list-style-type: none">✓ Readiness evaluated honestly✓ DNA and existing strengths understood✓ Boundaries / constraints made explicit	<ul style="list-style-type: none">✗ Culture read only from the boardroom, never from the floor	
Phase 2		Mobilise	Surface opportunities, align leaders, deliver impact	Stages 3 to 5
3	Diagnose The productivity opportunity is sized Diagnostic backbone	<ul style="list-style-type: none">✓ Opportunities systematically surfaced✓ Value pools sized rigorously✓ Priorities anchored in facts, not opinion	<ul style="list-style-type: none">✗ Reacting too soon and treating symptoms, not root causes	
4	Align Leaders commit to the big rocks	<ul style="list-style-type: none">✓ Leaders shape the priorities together✓ Ownership clearly assigned by name✓ Big rocks chosen ahead of easy wins	<ul style="list-style-type: none">✗ Consensus theatre. Agreement in the room, resistance in execution	
5	Implement Delivery sequenced for momentum	<ul style="list-style-type: none">✓ Sequenced to build early momentum✓ Governance that drives real decisions✓ Change management at the core, not bolted on	<ul style="list-style-type: none">✗ Starting with the hardest battle and losing the sequence	
Phase 3		Sustain	Build the systems and habits that hold the gain	Stages 6 to 7
6	Embed Productivity becomes a leadership habit	<ul style="list-style-type: none">✓ Budgeting with productivity norms✓ Ownership beyond core team✓ Stage gates for adding costs	<ul style="list-style-type: none">✗ Declaring victory too early	
7	Sustain Systems and capability hold the gain	<ul style="list-style-type: none">✓ Systems institutionalise the gains✓ Capability built at scale✓ Improvement becomes self reinforcing	<ul style="list-style-type: none">✗ The dashboard becomes the deliverable	

■ What good looks like

■ Where it breaks

The Productivity Triad: A three pillar- formula for unearthing 15 - 30% productivity gains



Workforce productivity in Indian manufacturing has entered a new era. The inputs that drove the previous wave, which are, wage arbitrage, scale economics, and lean compliance are flattening. The next wave will come from how work is reimagined, how organisations are shaped, and how talent is deployed. Our productivity triad is based on these three considerations and is an attempt to help organisations run a holistic diagnostic and translate the findings into a clear, prioritised roadmap for sustained productivity improvement.

We call this **the productivity triad: three pillars of design (work, organisation, workforce)**, with ten

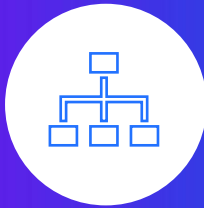
levers in total (pillar c carries four, including I10, which is, digital workforce & ai agents), supported by three horizontal enablers (digital & ai, performance management, change & culture). The pillars are mutually exclusive: every workforce inefficiency maps to exactly one. The horizontals are deliberately not a fourth dimension; they are multipliers that amplify, lock and realise every vertical lever.

The three pillars are separated by their unit of analysis. This is what makes them mutually exclusive in practice, not just on paper.



Work design:

the unit is an activity or decision. The lever asks what work is done, in what sequence, with what authority, by which entity (in-house, shared service, vendor).



Organisation design:

the unit is a role or reporting line. The lever asks how activities are bundled into jobs, jobs into teams, teams into hierarchies.



Workforce design:

the unit is an FTE. The lever asks how many people, with what skills, on what employment terms.



Productivity has gained strong focus owing to margin pressures driven by the current dynamic geopolitical situation. Manufacturing CEOs are fundamentally challenging existing practices and redefining operating models that can bring in agility enabled through AI and other digital technologies. In this context, the Productivity Triad presents itself as a strong scientific framework for this transformation

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L10- four role archetypes for agentic workforce deployment



Horizontals | apply across all three dimensions



PILLAR-A

Work design

Diagnostic unit: activity / decision

Pillar gross subtotal: 4–8% of addressable base

L1 — Value stream and process

What it is Remove duplicate handling, rework and idle time from the workflows. Productivity comes from removing work that should not exist, not from people working faster.

When most relevant

- Cycle times vary 3–5x across plants for the same process
- High overtime concentrated in transactional functions
- Rework rates tracked but not analysed

Functions/ processes

- Order-to-cash and procure-to-pay back-office
- Shop-floor changeover and material handling
- Quality inspection and documentation
- Plant SCM, finance and HR transactions

L2 — Decision Rights & Governance

What it is Reduce approval layers and align decision authority with materiality. Get middle managers out of approvals and into judgment-heavy work.

When most relevant

- Routine approvals take weeks of elapsed time
- Senior managers spend 30%+ of time on approvals
- Committee culture for decision making irrespective of impact level

Functions/processes

- Capex sanctioning and replacement spending
- Contract approvals and vendor empanelment
- Hiring requisitions and headcount additions
- Deviation, change-control and credit-note approvals

L3 — Sourcing and service delivery

What it is Decide what stays in-house, what consolidates into shared services / captive GCC, and what gets outsourced. Move judgment work onshore, rest routine work should be planned to scale.

When most relevant

- Same transactional work performed in every plant (2–10 FTEs each)
- Unit cost variance of 40%+ across sites for similar transactions
- Outsourced contracts grown unmanaged for 5+ years

Functions/processes

- F&A: accounts payable, receivable, R2R, MDM
- HR operations: onboarding, TA, L&D ops, payroll, policy queries
- IT support
- Indirect procurement
- Sales operations
- Engineering services: CAD, BOM, drawing

PILLAR-B

Organisation Design

Diagnostic unit: role / reporting line

Pillar gross subtotal: 7–10% of addressable base

L4 — Spans and layers

What it is Remove redundant management layers and rebalance manager spans of control. Compress hierarchy without sacrificing supervision quality.

When most relevant

- More than 7–8 layers between Plant head and operator
- 20%+ of managers have fewer than 4 direct reports
- Long-tenured 'in-charge' roles without clear value-add

Functions/ processes

- Corporate functions — finance, HR, IT, strategy
- Plant white-collar staff
- Shop-floor supervision (foreman, shift in-charge, section head)
- Sales and commercial hierarchies

L5 — Role architecture and job design

What it is Consolidate fragmented jobs and redesign role boundaries. End-to-end ownership beats fragmented specialization for most operational roles.

When most relevant

- Job descriptions unchanged for 5+ years
- Significant work overlap between adjacent roles (30%+)
- Ad-hoc roles created to handle recurring escalations

Functions/processes

- Quality: inspection, calibration, documentation
- Maintenance: mechanical, electrical, instrumentation silos
- Plant SCM: planning, dispatch, logistics coordination
- Engineering: design, drafting, prototyping

L6 — Centralisation vs Decentralisation

What it is Choose central, distributed, or hub-and-spoke configuration for each function. AI tilts the curve towards centralisation for data-rich functions.

When most relevant

- Specialist teams of 2–4 in every plant doing the same work
- Persistent corporate-vs-plant tension on decision ownership
- Slow execution when central teams have no plant counterpart

Functions/processes

- F&A — accounts payable, receivable, R2R, master data
- HR operations — onboarding, payroll, policy queries
- IT support and indirect procurement Engineering services — CAD, BOM, drawing release

PILLAR-C

Workforce Design

Diagnostic unit: FTE (human / agent)

Pillar gross subtotal: 7–12% of addressable base

L7 — Manpower norms and productivity

What it is Set output per FTE norms; rationalize manning against internal peers and benchmarks

When most relevant

- Uniform staffing across plants, ignoring volume differences
- Staffing decoupled from utilization (full crews at low output levels)
- Oversized standby/reliever pools with limited oversight

Functions/ processes

- Direct shop-floor manning: operators, helpers, material handlers
- Shift teams, maintenance crews
- Security and housekeeping contracts
- Plant-level white-collar functions (finance, HR, SCM)

L8 — Skill and capability mix

What it is Match workforce skill profile to operating-model needs. Build multi-skill flexibility so one absentee doesn't halt the line.

When most relevant

- High overtime alongside high idle time in adjacent roles
- Specific skills consistently outsourced at premium
- Rigid role-to-machine assignments halt the line on one absence

Functions/processes

- Maintenance: multi-skilling across mechanical / electrical / instrumentation
- Shop-floor operators: multi-machine certifications
- QA/QC: multi-product certification
- Analytical white-collar: digital and data skills

L9 — Workforce composition

What it is Right-size the permanent / contract / fixed-term mix and direct-to-indirect ratio against demand variability.

When most relevant

- Overtime spikes in peaks paired with idle staff in lean periods
- Indirect-to-direct ratio drifting up year-on-year
- 'Temporary' contract roles in place for 5+ years

Functions/processes

- Seasonal / cyclical industries: textiles, agri, consumer durables
- Labour-intensive operations: apparel, packaging
- Indirect support functions where ratio has crept high
- Festive-season and project-based ramps

L10 — Digital Labour & AI Agents

What it is Decide which roles humans perform, which AI agents do, and which they share.

When most relevant

- Overtime spikes in peaks paired with idle Large FTE pools in transactional roles untouched by automation
- L1 support tickets growing despite stable headcount
- Analytical roles spending 60%+ on data preparation

Functions/processes

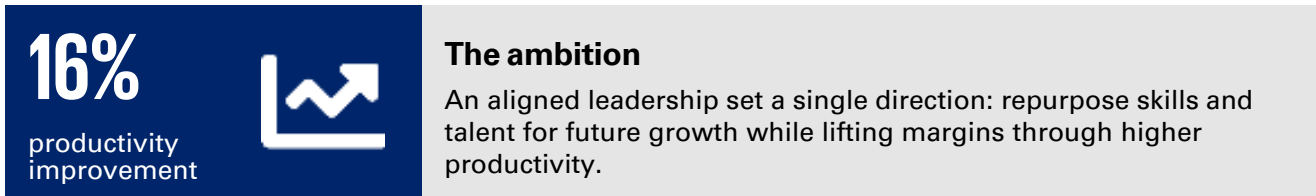
- Transactional back-office: AP, payroll, master-data, GST recon
- L1 IT / HR helpdesks and customer query handling
- MIS, FP&A, planning, reporting cells
- SOP and technical documentation

The productivity triad in action



Productivity triad in action

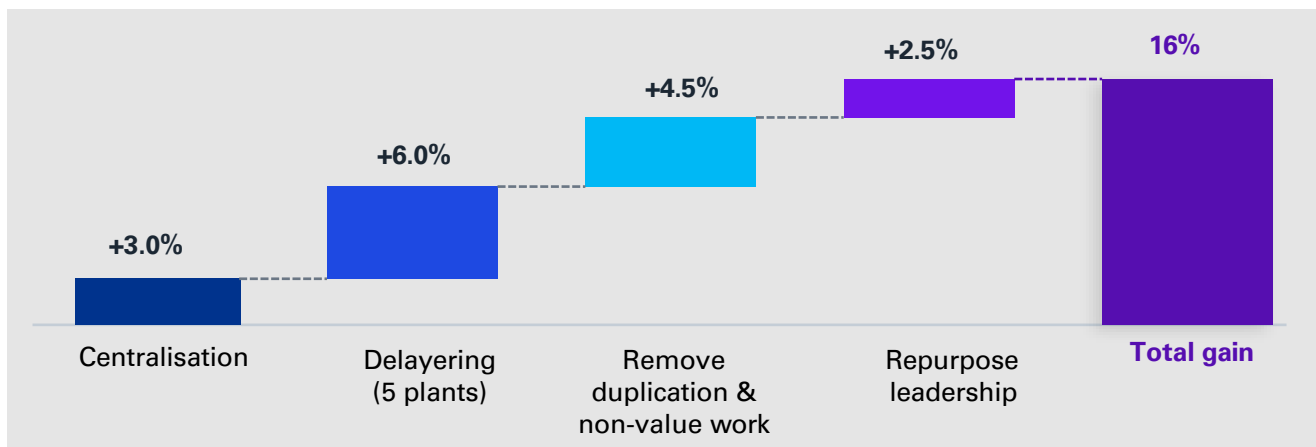
rapid productivity leap at a leading auto component company leveraging productivity triad



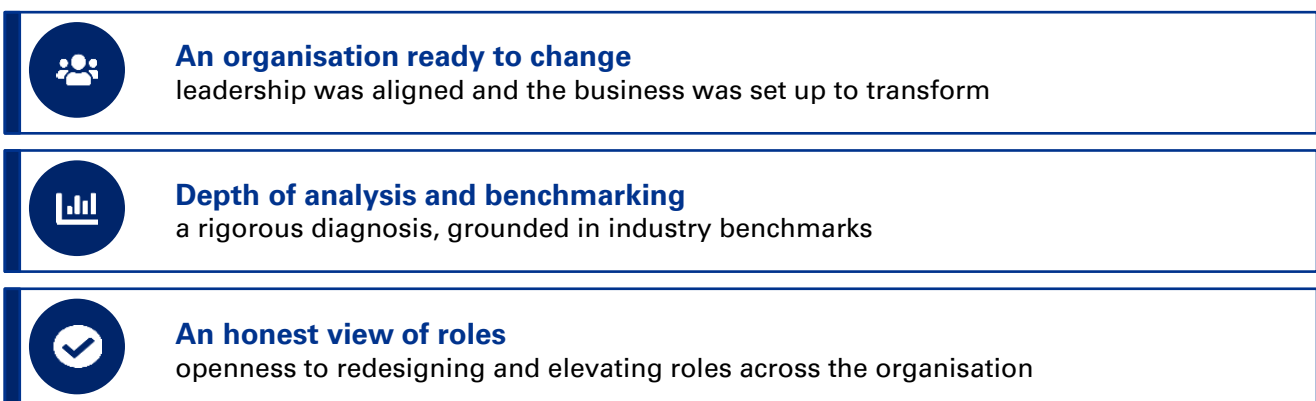
What was holding it back



How the 16% was unlocked



What worked really well



Productivity triad in action**simplification of structure and ways of working at a leading heavy industrial OEM****29%**

efficiency gain

**The ambition**

A 75-year-old market leader was facing cost pressure and eroding customer satisfaction — committed to simplifying how the organisation works, starting with its own structure.

What was holding it back**Lack of strategic clarity:**

Customer satisfaction had fallen and rising costs were eroding competitiveness in the market

**Glorified complexities:**

Layers within layers, accumulated over decades, with unclear accountability at many levels

**People dependent roles:**

Every process ran on individual knowledge - there was serious lack of standardisation and controls

What the organisation achieved**7 → 5**

reduced layers of supervision across plants

~50%

reduction in number of unique roles

~85%

critical roles covered under succession plan

30+

shared and emerging capabilities moved to COEs

What worked really well**Simplification of roles as an anchor**

reducing overlap and fuzziness of accountabilities gave people clarity on what they own

**Job rotation, skills mapping and role criticality segmentation for implementation**

building talent depth and understanding which roles were essential to the business

**Mindset shift for heads of departments**

enabling leaders to manage diverse teams and develop people, not just manage tasks

**Knowledge management and trust-building**

a structured process for redeployment decisions that kept the organisation aligned with the transformation

L10 deep dive - how AI reshapes the manufacturing value chain

L10 is the newest lever in the Triad, and the one whose economics are evolving fastest. Generative and Agentic AI have shifted the question from 'can we automate this task?' to 'what is the right disposition for this role?' Below are the four archetypes that intend to structure the way we think about future workforce augmented with Agentic AI. Each archetype maps to a distinct work pattern, a distinct replaceability profile, and a distinct change-management posture.

Competitive advantage from AI will come from rethinking roles, workflows, and decision rights, not simply layering AI onto existing ways of working. And where judgment, dexterity, relationships, and accountability matter most, human-led work will remain essential.



Agentic AI can be transformative especially in knowledge intensive domains and would need the operating model to be re-imagined for agentic to be truly integrated with the business architecture, facilitated by governance and change management.



Amit Bhargava

Partner and National Leader -
Metals and Mining, KPMG India

Function wise view of how many processes are already being identified and implemented with AI in Indian Manufacturing organisations.



Automate
AI runs it



Assist
AI helps

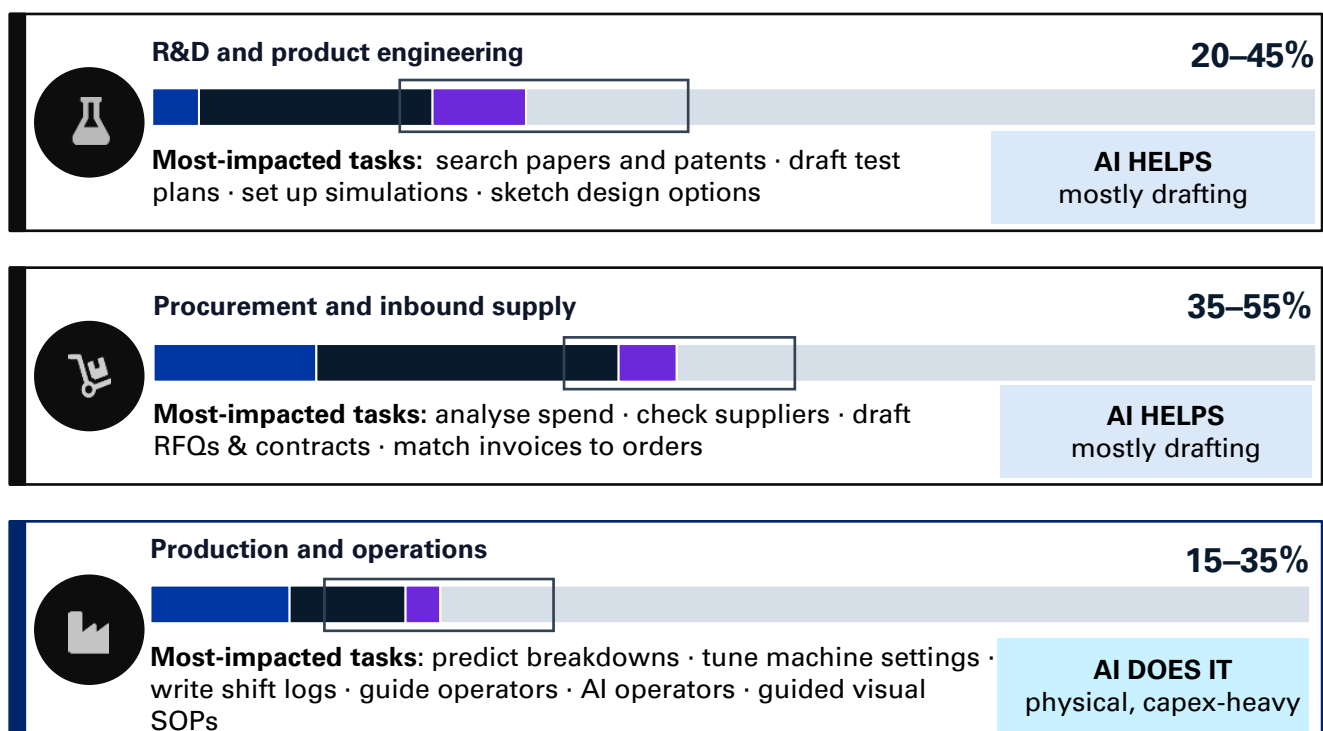


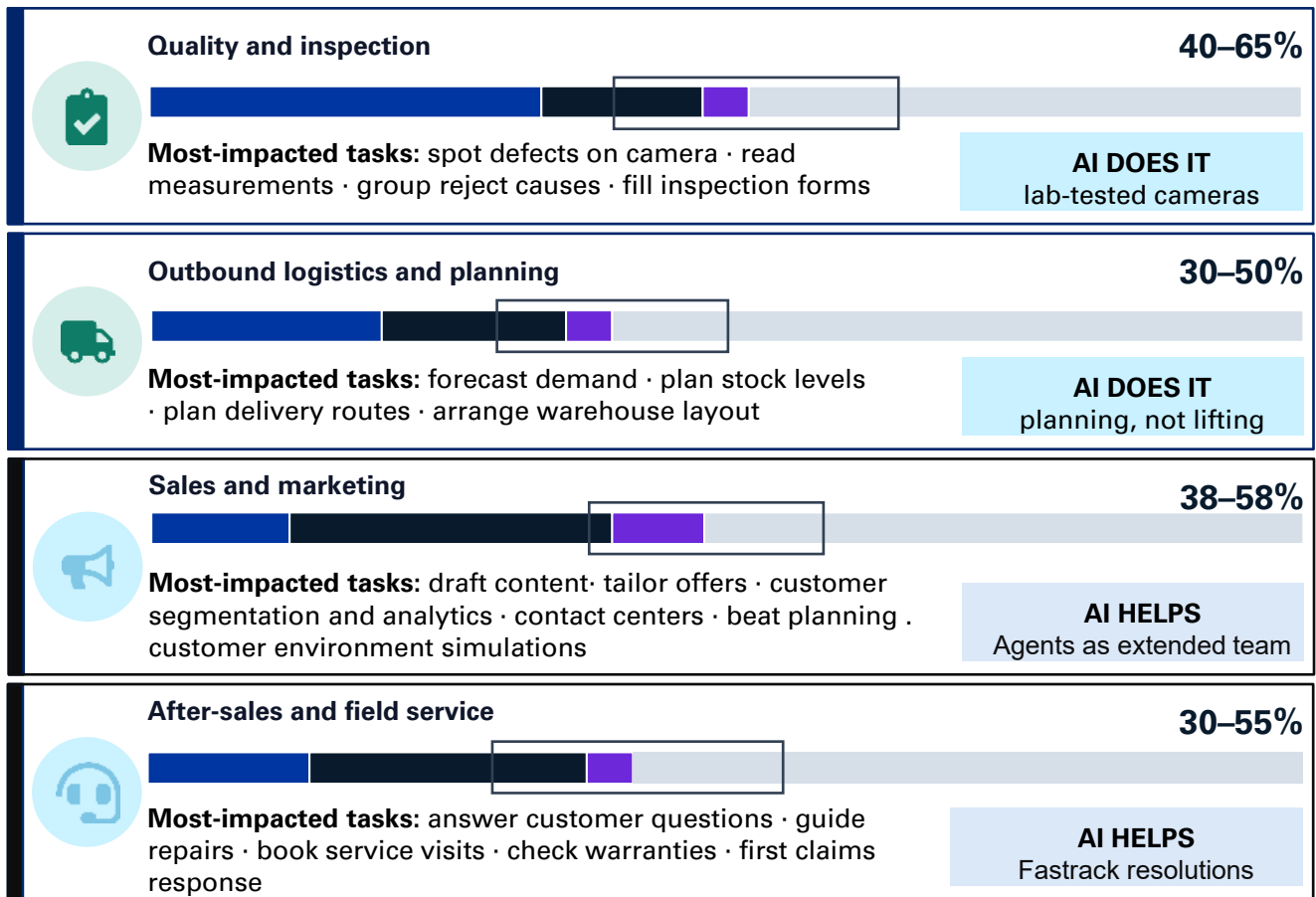
Enrich
AI adds capability



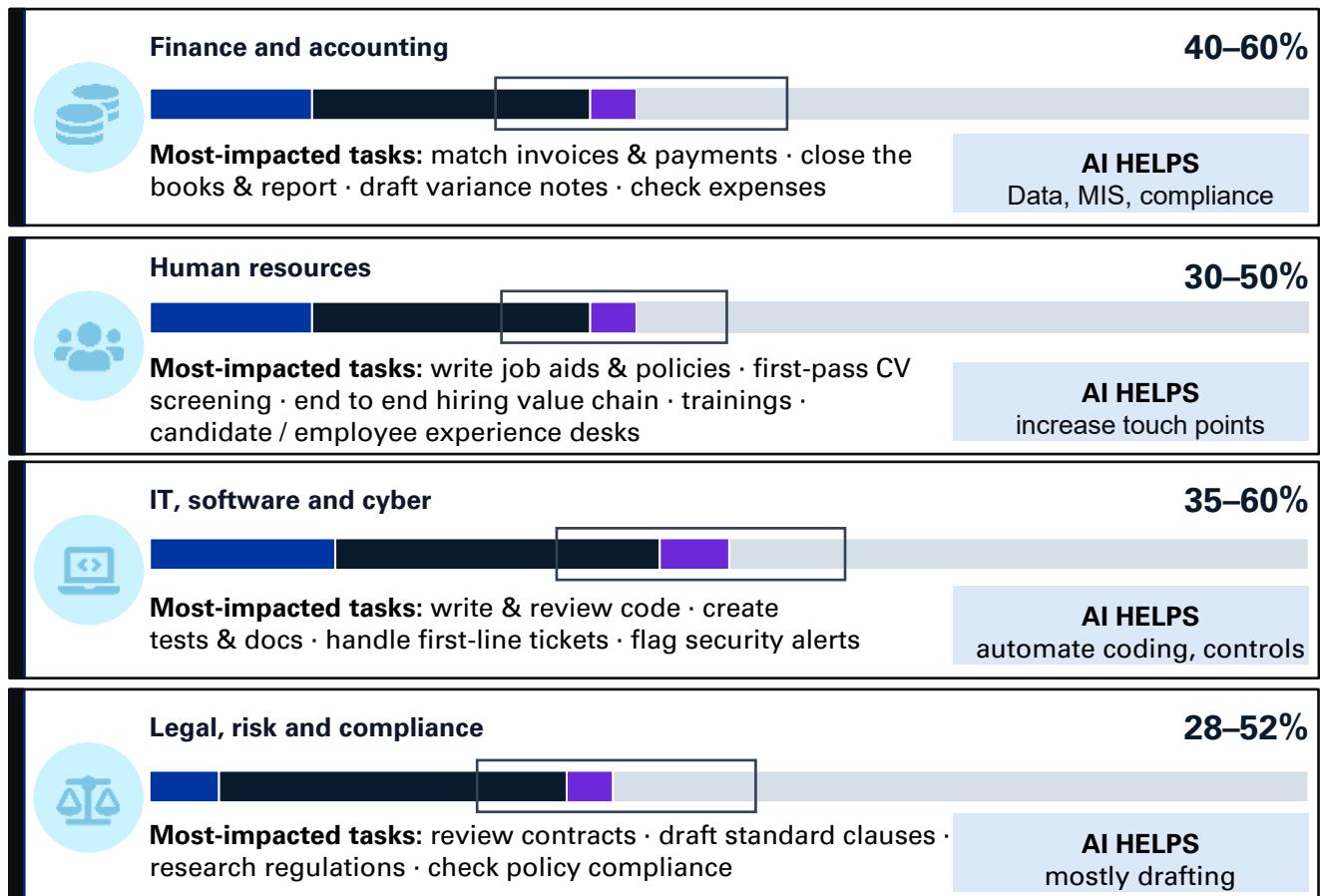
People-led
Low use of AI

Core value chain





Support functions



The first 30 days



A CEO's sequence for launching the productivity reset

8 MOVES | 4 WEEKS | 1 OWNER

01



DAYS 1 TO 7

Put one owner and one fact base in place

- Appoint one analytical owner
- Benchmark the trend, not the snapshot

CEO OWNS the appointment, and publishing the baseline exactly as found.

02



DAYS 8 TO 15

Test whether the top team is ready

- Read the top team honestly
- Run one executive working session. Set a hard North Star for Value Added per employee, then name the resistance out loud.

CEO OWNS chairing the session and naming the North Star in public.

03



DAYS 16 TO 23

Mobilise the team and fix the scope

- Build a task force with floor credibility. Representations from plants and not just corporate.
- Prove it on one plant or one line

CEO OWNS approving the scope and protecting the ROI gate.

04



DAYS 24 TO 30

Wire the incentives and the digital spine

- Point every incentive at the same number.
- Embed digital and AI as a horizontal.

CEO OWNS the incentive change. No one else can make it stick.

THE DAY 30 TEST

- | | | |
|--------------------------|------------------------------|-------------------------|
| ✓ A named owner | ✓ A published baseline | ✓ One agreed North Star |
| ✓ A mobilised task force | ✓ A scoped pilot with a gate | ✓ One set of incentives |

🛡️ *Throughout, build on existing strengths. Zero disruption to operations, safety and quality.*

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