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TRANSFORMATION AGE

SHAPING YOUR FUTURE

MHI Roadmap Series

Transformation Age: Shaping Your Future, the third publication in the MHI Roadmap Series, is intended to provide material handling, logistics and supply chain industry professionals insights into trends impacting success in the next 10 to 20 years.

TRANSFORMATION AGE

SHAPING YOUR FUTURE

An evolution in business models is already underway, with early adopters moving to a collaborative, integrated and transparent ecosystem. Success will require multiple engines for growth and profitability with flexibility to adapt quickly to changing conditions.



SHAPING YOUR FUTURE

It came sooner than many thought.

The Transformation Age is in full swing and with it comes a heightened environment of change, uncertainty and complexity.

In 2020, the material handling and logistics industry is experiencing rapid change, diverse opinions on the sure path to success, and shifting demographic profiles and skills sets of industry leaders. All sectors are beset with unending announcements of new technologies and equipment upgrades, as well as growing customer demands for immediacy and customization.

Industry leaders are accustomed to change and good at adapting to new market requirements. But the magnitude of the shifts underway are exceeding even the expectations of the largest companies and the most experienced integrators.

The Transformation Age brings great change, but also tremendous opportunity.

Key questions include how will this environment shape the industry going forward and what strategies will enable companies to survive and succeed.

What factors will distinguish market leaders from average players and leave some players lagging behind?

Which trends will emerge as long-term factors and which ones will fade from the headlines?

A single transformative technology shift can spark innovations, discovery and new capabilities. Those developments, in turn, lead to multiple advancements in design, manufacturing and delivery that move the needle significantly for the evolution, and, indeed, transformation of industries.

And the time is ripe for such opportunity in the Transformation Age.

When taken individually, key industry trends are forces around which business strategies should be built and executed. When they occur as an integrated set of factors, each morphing with a different velocity and timing, the call to action is something larger, requiring new business models and shifts in skills sets and expertise.

Leadership

Leadership is key. Transformation of companies must be owned at the top.

One thing is clear. Leaders must fully own shaping their company's future. This is not a task for delegation. It is one to be owned at the top and developed with thoughtful, deliberate collaboration.

Go first with new behaviors and practices to signal meaningful shifts in expectations and culture.

Shaping a company's future requires vision, planning, an appetite for change, and above all, communication with the board of directors, the executive team, the broader workforce, suppliers, customers and other key stakeholders.

INSIGHTS

- LEADERSHIP IS KEY.
- FLEXIBILITY AND ADAPTABILITY ARE IMPORTANT.
- TEST. LEARN. ADAPT. REPEAT.
- NEW BUSINESS MODELS ARE REQUIRED.
- DELIVER CUSTOMER VALUE.
- GET IN THE GAME.

George Prest
CEO, MHI



Leadership vision and planning are critical elements in shaping a company's future. Market information and insights play a key role in strategy development. The Transformation Age: Shaping Your Future report paints a picture of market and industry trends that will present opportunities and challenges to companies in the material handling, logistics and supply chain industry over the next two decades.

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Vision and change management are two critical leadership requirements in this environment. Courage, collaboration, flexibility and resilience are vital attributes.

Thought leadership must evolve to a new, flexible and dynamic process.

Success in this environment requires an evolutionary shift in thinking...

Success in this environment requires an evolutionary shift in thinking, one that moves from a focus on doing more of the same, or even using better approaches for traditional processes, to one that encompasses options for accomplishing goals in new and different ways. This transformation in thought leads to evolution of approaches and development of new ideas and solutions.

Leaders must prepare and engage their organizations for these shifts. Fear is the most pervasive emotion expressed by employees facing significant change in the workplace. Lack of understanding, buy-in and execution of new goals, approaches and processes will derail even the most effective plans.

Engagement and collaborative planning are essential. One-off initiatives don't work for broad and deep lasting change. Engagement of the board of directors and alignment across the senior leadership team are critical first steps in implementing transformative change. Education on trends, opportunities and barriers coupled with scenario planning to address multiple strategic and tactical options engages both groups in the initial exploration of ideas. Without the understanding and a consensus buy-in by these two groups, the organization will falter in implementing strategic initiatives.

Operating Models

To win in this era, a new game plan is required. One that includes a new business structure, in both literal and conceptual terms.

Companies with siloed operations will not be well positioned to reap the benefits of the highly digital and integrated environment of the next two decades. An evolution in business models is already underway, with early adopters moving to a collaborative, integrated and transparent ecosystem that incorporates multiple engines for growth and profitability while allowing flexibility to adapt quickly to changing conditions.

A new game plan is required to succeed in the Transformation Age.

An effective ecosystem includes transparency across the core business as well as visibility of key partners throughout the entire value chain, including sourcing, manufacturing, warehousing, distribution, customer delivery and final disposition of product assets.

Flexibility and adaptability will be critical components of successful businesses, allowing leaders, their boards and their business units to respond quickly and effectively to changes in market conditions. Companies with the ability to shape shift will be best positioned to take advantage of new and sometimes fleeting opportunities and to protect themselves from negative impacts.

Emmy Lou J. Burchette
President & CEO, Burchette & Associates



The Transformation Age: Shaping Your Future report represents an evolution in the approach to the MHI Roadmap Series. For this edition, we combined insights from in-depth personal interviews with industry leaders and trend experts with findings from secondary market research to provide perspectives on ways material handling and logistics companies should prepare and take action to be successful in the coming decade.

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Given that rapid change will be the characteristic feature of this time frame, creating an operating model that incorporates multiple options for market engagement is key. The capability to adapt and move among those options quickly is the competitive differentiation of winners in the coming decade.

“Your business approach and philosophy over-ride trends,” says Jim Tompkins, CEO of the supply chain consulting firm Tompkins International. “In this era of volatile change, optionality is optimal. We urge our clients to use business strategies that incorporate rapid learning, flexibility and above all, options. You can’t be brittle and succeed in this environment.”

Tompkins International Business Strategies for Success

- Utilize a network of connected teams that operate with rapid learning and fast decision cycles
- Reconfigure quickly and efficiently as you learn
- Be flexible. Conditions change, so should you
- Approach new capabilities as modular initiatives
- Be portable – share ideas across your enterprise
- Utilize agile tenets and processes
- Focus on scalable ideas
- Experiment: when you make mistakes move from failure to success quickly
- Approach new things with a no regrets decision process: operate well by evolving over a series of options that morph into what is needed over time
- Use an ongoing evolution of options – no steady state

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A business model that accommodates multiple earnings engines works well in this environment, allowing capital allocation and resources to be shifted according to market conditions. Clear distinctions among B2B, B2C and B2e business units, as well as between product lines within those units, will provide valuable insights into lanes of opportunity, risk parameters and competitive factors.

Customer experience must be aligned and unified across internal business units, but the business propositions, functions and measurements of each business should yield a clear picture of separate and distinct earnings streams, risk parameters, market activities and competitive positioning.

Jim Tompkins
Ph.D., CEO, Tompkins International



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The emerging business model is one that serves multiple stakeholder groups not just corporate shareholders. Interest and appeal is growing for investments in projects and initiatives versus whole companies. Following venture capital scenarios, these investors will fuel new and innovative products and processes.

Winning Business Strategies

Success in the Transformation Age will come to those companies that are willing to think differently about opportunity and risk, and to engage the marketplace in new ways.

Focus on problem-solving and providing value for customers. A customer-centric, outward-facing culture begins with the way business goals are expressed and incentives are awarded.

Find and deliver customer value in all aspects of product delivery, from components, features, packaging, delivery modes and sales channels to service and after-use disposition. View products and services from customer perspectives of problem solving, preferences and benefits.

Incorporate sustainability into corporate culture and all processes.

Broaden risk management perspectives and leverage enhanced decision-making tools that allow improved and timely insights into upside and outside risks.

Shift innovation to a core competency and process. Capture, encourage and share enterprise-wide ideas, activities and results.

Get in the game. Act on commercially viable solutions today within a flexible environment that can be modified quickly as future enhancements and capabilities become available. Don't delay participation in smart automation and digital tools. The coming decade will be characterized by waves of innovation and enhancements.

Pilot and succeed or fail quickly. Learn. Adapt. Repeat.

Plan for alternative market scenarios using data decisioning tools to assess different strategies.

Be resilient. Adapt quickly to changing conditions.

Collaborate. Companies and their leaders do not have to win this race alone. Leverage outside partners and peers to collaborate, learn and implement new solutions faster and further than your organization can achieve alone.

Scale, broaden scope and invest in differentiating capabilities. Market boundaries will broaden in this decade, bringing disruptive competition to every geographic market and industry sector.

Leverage the new environment. Advances in the internet and digital tools, as well as evolving practices such as shared physical assets and freight delivery, allow even small and medium-size companies to leverage capabilities and information in ways previously only in the purview of larger organizations.

Forty years ago, financial services organizations collaborated to build regional and national electronic exchange networks to support ATM transactions across the United States and eventually the world. Similar opportunities in material handling and logistics will underly sharing of assets from satellite constellations to EV charging infrastructure.

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Mergers and Acquisitions

The pace of industry consolidation will increase over the next decade. Firms will utilize mergers and acquisitions to increase scale, broaden scope and strengthen infrastructure positions in the market. These approaches can be utilized successfully by large, medium and small-size enterprises.

Lessons learned in other industries such as telecommunications and financial services that have been reshaped significantly by consolidation offer insights into key success factors: 2

There is no such thing as a merger of equals. Apparent equality changes after the transaction. There is always a single clear winner.

Over-communicate. Keep board members, employees and customers informed of changes and timelines.

Focus on integration not just conversion of systems and processes.

Shape post merger integration for long-term future state rather than post transaction status.

Distinguish between goals of increasing market share and productivity versus leveraging infrastructure and processes.

Ensure acquisitions are aligned with longer-term corporate goals.

Invest time and resources in a deep due diligence process prior to execution of the deal to ensure a smooth transition. Surprises come at a cost.

Fill leadership team positions with those who have the skills needed for the resulting company size and future growth goals.

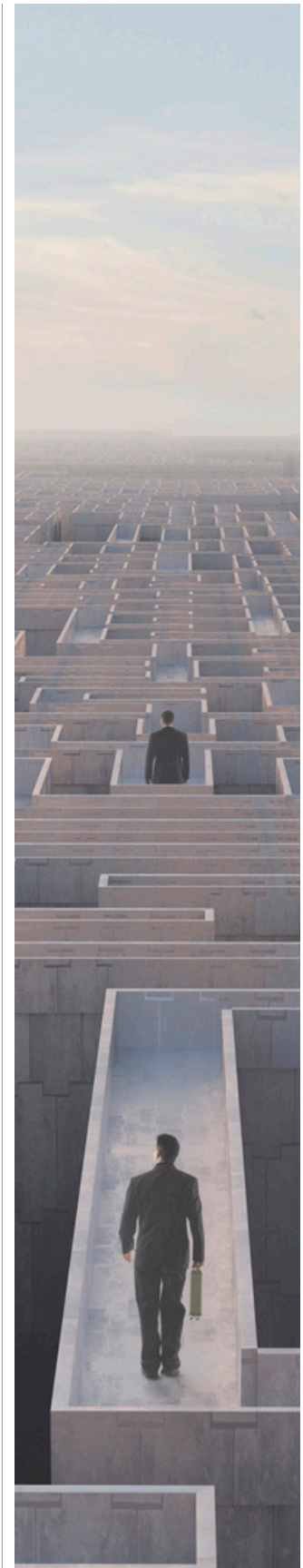
Be deliberate in selecting the resulting company culture. Choose one and select a leadership team that will champion that culture.

Implement tight controls and processes, including board oversight.

Engage all financial business tools including tax and legal entity status early in the planning process to benefit from savings and other financial opportunities.

Expect a different regulatory environment as the company size increases. Increased scrutiny and controls and a different style of interaction with regulators should be expected as size increases.

Don't overpay. Save money to use funds for other opportunities post merger or to pursue other acquisitions.



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Specialty Plays

Growth and expansion of technology and engineering capabilities will spur some firms to diversify and invest in infrastructure, digital expertise or an emerging technology as a separate business. Other firms will divest operating businesses and focus on these singular capabilities as their new core.

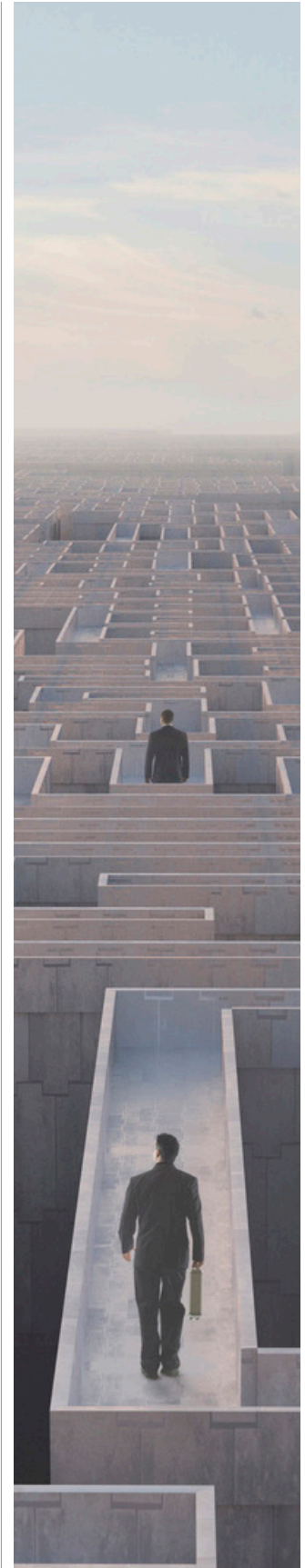
Entrepreneurial activity will increase over the coming decade. Innovation and discovery will occur in stand-alone ventures as well as in company funded specialty business units established to leverage opportunity while protecting the established entity from risk.

Increased activity in all of these approaches will contribute to the re-engineering and transformation of the material handling and logistics industry over the next twenty years.

Timing

As smart automation and digital tools improve and adoption increases, pressure will mount on production, and timelines for delivery of equipment will lengthen.

The process of planning and scheduling the purchase, installation, training and implementation of new technologies is best done collaboratively, involving both outside suppliers and internal managers, to achieve desired outcomes for a successful and timely transition.



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Opportunity

A convergence of technological and engineering advances, environmental issues, global and domestic policies, demographic changes and evolving consumer trends promises a challenging but exciting time in the material handling and logistics industry between 2020 and 2040 and beyond.

Long-awaited opportunities for dramatic increases in productivity, lower capital requirements for new equipment acquisitions, enhancements in portability of equipment, greater flexibility in manufacturing and distribution facility design, and evolutionary strides in transportation and freight delivery make the Transformation Age a time of memorable excitement and change.

Industry leaders must now heed strategic imperatives that have been under discussion for some time. Action in the near term is required for success and survival over the coming decade.

The path to 2030 is clear and the road beyond to 2040 is coming into focus.

Transformation requires change. But with a new course comes opportunity.

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Sources

- 1 Tompkins International, "Tompkins International Business Strategies for Success," 2020, tompkinsinc.com
- 2 Burchette & Associates, Inc. 2020, "M&A Success Factors"

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Report Credits

The “Transformation Age, Shaping Your Future” report site offers information and dialogue on long-term industry trends for the material handling and logistics industry. As such, the information contained within serves as an invitation to engage in thought and discussion about key factors that are expected to drive, fuel and impact various aspects of life, commerce and industry in the coming decade.

Much of this information was gleaned from in-depth interviews with industry leaders and trend experts. Other data was obtained from secondary research of published material on specific topics. The combination provides insights into those forces that will impact the industry and, more importantly, the implications for action needed now and in the future by company leaders and their teams.

We wish to express thanks to all who gave their time and shared their experience, expertise and opinions for this report.

The report and website were developed by Burchette & Associates, Inc. for MHI.

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