



# THRIVING IN 2022:

## LEARNING FROM SUPPLY CHAIN CHAOS

**Insights from 22 Trusted Advisors**

Presented by



February 2022

## INTRODUCTION

Manufacturers and distributors struggled mightily with supply chain disruptions and escalating prices in 2021. The significant risks of the global supply chain were not only exposed but aggravated as clients experienced extended lead times, stock-outs, and increased levels of demand and supply volatility. Clients are increasingly wary of their dependence on China and lengthy and complex supply chains without the strategic inventory reserves to satisfy customer needs. The importance of including the supply chain in strategic discussions has become paramount to success.

### The Customer Experience

The pandemic has started to separate the weak from the strong. Customers are tired of the excuse of the supply chain. A superior customer experience and high on-time-in-full (OTIF) performance are required for revenue growth. Manufacturers that responded rapidly to changing conditions during the pandemic have sped ahead of the competition. Whereas those that struggled to keep up, let alone raise the bar to provide value-add products and services, are barely surviving. The strong are partnering with customers to understand and predict changing customer behaviors and evolving needs as part of collaborative demand planning processes to take advantage of the opportunities and solidify their position in the marketplace.

### Resiliency, Collaboration, Innovation

The most successful organizations are resilient, collaborative, and innovative. They can quickly adapt to changing conditions. For example, they will redesign materials or adjust manufacturing processes on the fly to address material shortages and changing customer needs. They are prepared to scale rapidly, adjust capacities (machine, people, storage, transportation), and reconfigure their supply chain footprint to take advantage of opportunities as they arise. The best are using SIOP (sales, inventory & operations planning) processes to create predictable revenue forecasts and determine the best way to fulfill those needs. These executives do not see binary decisions. Instead, they look at the gestalt for opportunities and disruptors and believe in the power of their people. As the Great Resignation continues to escalate, only those executives who focus on retaining, developing, supporting and supplementing top talent will thrive.

### The Digital Transformation and Data

The digital transformation and importance of data will continue to accelerate the pace of change. Manufacturers are quickly rolling out automation, robotics, machine learning, AR/VR, digital twins, additive manufacturing / 3D printing, modern ERP and other technologies that will keep up with changing customer needs and customize on the fly more efficiently and profitably. E-commerce, predictive analytics, business intelligence, IoT, autonomous robots, blockchain, WMS and more are differentiating the leaders from the laggards. The appropriate use of technology can create adaptability, scalability and responsiveness – all vital in creating a competitive edge. However, no matter the advanced use of technology, the most successful clients realize the critical importance of data. They are cleansing, analyzing and utilizing data to generate insights and make strategic decisions.



Lisa Anderson

### Re-shoring, Near-shoring and Regional Clusters

Manufacturing is quietly on the move. Executives have realized that in addition to the total cost coming into alignment between North America and Asia for non-commodity products, there is no risk as great as the inability to control their future. Clients are concerned about lost customers due to service failures and the inability to pivot quickly with rapidly evolving customer needs. As a result, the 'smart' clients are quietly moving manufacturing capabilities closer to their customers (re-shoring, near-shoring, regional clusters), finding new suppliers and/or upgrading supply chain partners, and building the ability to adapt and customize on the fly into their processes to ensure resiliency, responsiveness and overall strength (financial, R&D, etc.). The U.S., Mexico and Latin America are increasing in attractiveness, with India in the driver's seat for the Asian region.

### E-commerce Driving Sustainability

E-commerce will continue to advance by leaps and bounds, changing distribution models and elevating the importance of the last mile and the technological transformation. Sustainability continues to increase in importance and must be considered in designing the supply chain of the future. The more technology and change, the more talent will become the critical differentiator. Lastly, those that advance their planning (demand, production, master scheduling, replenishment, distribution, inventory) capabilities will thrive as they better serve customers with greater efficiencies and margins and lower inventory levels/working capital needs.

### Thriving Post-Pandemic

More companies will pull ahead of the pack as we emerge from the pandemic than any other period of time in our lifetime. The rest will diminish, be acquired or die. Will you get in the position to thrive for decades to come? 2022 will be your opportunity.

### Insights from Trusted Advisors

I asked trusted advisors and experts in various disciplines what their most successful clients were doing and what we should learn from the supply chain chaos to thrive in 2022. Those focused on proactive strategies to align demand and supply (SIOP), reevaluate manufacturing/reconfigure their supply chains to better serve customers profitably, and roll out the appropriate technologies to support scalability, sustainability and agility will thrive in 2022 and beyond.

### Thanks to Trusted Advisors for their Contributions

Last, I want to thank the Trusted Advisors, who are also colleagues, for their contributions to this Special Report. Your contributions have provided rich insight and perspective for the complexities and chaos that continue to challenge supply chains worldwide.

Vivek Joshi, Moe Fakih, Kendra Kalimanis, Keith Cerwinski, Michael Kouyoumdjian, Eric Roark, John Tulac, Esq., Bruce Robertson, Zachary Cohen, Courtney Casey, Margaret (Peggy) Hosking, Esq., Jolene Rice, B. J. Patterson, Kathleen McEntee, Ara Ohanian, Elizabeth Warren, Mark Wolf, Nicholle Trugman, Joe Van Tassel, Fran Inman, Veronica Reynolds.



– Lisa Anderson

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## DATA: INTEGRITY, ANALYTICS & DASHBOARDS



*The more aggressive, transformational companies focus heavily on data quality improvements: master data management, master data governance and cataloging, etc. Once accomplished, they can then embark on more complicated, ambitious projects.*

– **VIVEK JOSHI**  
Chief Executive Officer  
Entyle

Over the past months, I've had the privilege and opportunity to speak with customers, prospects, investors and colleagues involved in the industrial manufacturing sector. Here are their plans for 2022 and the future role of data and analytics.

### Data Data Everywhere

Manufacturers are awash in data. It is like the line from a famous poem, "water water everywhere and nor any drop to drink." In the same vein, there is data everywhere manufacturers look around - factory MES systems, ERP/MRP systems, CRMs...you name it. Every single system in their enterprise has more data than they can possibly analyze and process.

### Effectively Using Data

So how are the best going to digest it? Like the old African proverb: "How do you eat an elephant? One small bite at a time." No big-bang implementations. Rather, many small, agile projects with very defined, specific goals and milestones. While conservative, this approach is the best balance between risk and reward.

Supply chain disruptions are driving the focus on reviewing purchasing data for cost reductions, building early warning dashboards to spot potential shortages before they occur, and using AI to drive inventory planning.

### Data Quality & Integrity

Data quality and integrity are critical in making the right decisions. Analytics teams struggle with poor data quality. This, in turn, delays projects. The more aggressive, transformational companies focus heavily on data quality improvements: master data management, master data governance and cataloging, etc. Once accomplished, they can then embark on more complicated, ambitious projects.

Data becomes important when tied to specific return on investment and operating plan commitments. Tying bonuses and incentives to accomplishments and business results are the surest way to get things done! The projects and their results become assets, not initiatives relegated to the discard heap.

## ENVIRONMENTAL, SOCIAL AND GOVERNANCE (ESG)



*Publicly traded companies are opting into Environmental, Social and Governance (ESG) reporting. This delivers added transparency and information to stakeholders while providing a holistic view of company performance.*

– **MOE FAKIH**  
Principal  
VCA Green

### Corporate Responsibility

Publicly traded companies are opting into Environmental, Social and Governance (ESG) reporting. This delivers added transparency and information to stakeholders while providing a holistic view of company performance.

As a result, energy efficiency, healthy indoor air, green building programs, supply chain waste opportunities, etc., have expanded into actionable steps to ameliorate the built environment and society.

## ERP & RELATED TECHNOLOGIES: EFFICIENCIES & RELATIONSHIPS



“  
*Success relies on trust in your people, partners, customers, and suppliers. It is all about relationships.*  
”

– KENDRA KALIMANIS  
Owner/President  
MIS Consulting & Sales, Inc.

While typical ERP requirements still drive engagements, the addons have shifted to application expansion and enhancements. This will continue.

### Workplace Changes

The new challenge of office staff working from home and production staff not always being available for work is driving decisions. Through 2019, clients added user licenses as they hired staff. Without disregard to corporate growth, it is no longer possible to throw additional people at a problem – there is a labor shortage, and both price and cost sensitivity is up.

### Application Expansion and Enhancements

Applications that address system visibility to gain efficiencies and automate people communications are driving system improvements now. Automated alerts, reports and business intelligence delivery can take the person-location-availability out of the equation, or at least help alleviate the pressure, along with electronic document routing and storage replacing paper movement. Shop floor enhancements and mobile interfaces within ERP systems improve efficiencies. Greater attention to this today is driven by the reality of distanced staff, the need to make fewer staff more efficient, and meeting the expectations of younger workers and new hires for innovative technology.

Besides the typical shop floor enhancements of machine automation and alerts (reducing a person from monitoring machine up, down, and errors), clients are looking at system-wide tools to increase productivity with minimum labor expense. While part of traditional ERP, many applications aren't implemented initially or used to their fullest potential. When assessing ERP adoption internally, clients also look at powerful integrations like Avalara, which automates tax assessment and tax return filing, and SourceDay, which provides a platform for communication between buyers and suppliers. Many such tools exist. A strong partner can facilitate this analysis and the value assessment.

### The Impact of Remote Meetings and Learning

Remote meetings and learning shifted the paradigm in 2020 and 2021. Most clients limited non-employee on-site access. While remote support has been used for decades, clients now embrace remote learning and implementations. With improved meeting tools, engagements can progress effectively with the added benefit of cost-savings in most situations. (Think travel-related costs specifically.) Geography is no longer a concern.

While comfortable with remote tools, clients struggle to balance in-person vs. remote learning. The challenge is engagement. They want to keep participants focused and realize that body language and non-verbal cues can be better assessed in person. It will depend on management and how they value focus, participation and person-to-person communications. When management doesn't encourage using video, as an example, focus and engagement are often compromised. While not critical to the future of ERP, it will be critical to successful business operations and improvements.

Remote communication will continue as many workers have opted for hybrid work schedules. Success relies on trust in your people, partners, customers, and suppliers. It is all about relationships.

## FINANCE – NEW NORMAL: INFLATION, LABOR & CASH



“  
*With the second anniversary of the pandemic fast approaching, middle-market business owners understand that this economy is the New Normal - higher input costs, scarce supplies, labor shortages and increased wages.*  
”

– KEITH CERWINSKI  
Regional Executive Vice President  
American Business Bank

With the second anniversary of the pandemic fast approaching, middle-market business owners understand that this economy is the New Normal - higher input costs, scarce supplies, labor shortages and increased wages. Adding to the New Normal is speculation that short- and long-term interest rates will rise. These all factor into investment decisions for material and equipment, working capital, and mergers and acquisitions. To sell or not sell is the question...

### Supply Chain - Alternate Suppliers

Companies are looking at new offshore suppliers and procuring more inventory from more reliable stateside supply sources. And, some are moving from China to Mexico or other Asian and Latin countries due to lower wage costs. Alternatively, quicker turnaround, albeit at potentially higher prices, from a domestic source of raw materials may still be more practical than an unreliable foreign source and problems with the ports.

### Inflation - Material Costs and Higher Wages

Early on, many owners resisted passing on price increases to customers. Eventually, some added a temporary surcharge. No longer able to absorb significant price increases, these are now fully passed on and baked into off-the-shelf prices. To stabilize volatility, some clients are experiencing better pricing and supply reliability by paying either in advance or with shorter terms. Some are even getting discounts.

### Labor Shortage

Only experienced need apply has shifted to willing to train. Companies are paying above the State and Federal minimum wage requirement. And some include sign-on bonuses.

In addition, owners realize the need for more communication and conversation and create a more caring and collaborative environment.

### Flush with Cash

Many businesses are flush with cash, despite the effects of the pandemic and sometimes slow management right-sizing decisions. Companies used cash from Federal and State government programs like PPP, EIDL, ERC, grants, and others to retire debt, cover payroll and other expenses. For companies mostly unaffected by the pandemic, this cash allowed them to invest in technologically driven equipment, driving efficiencies. This also allowed savvy business owners to hunt down mergers and acquisitions opportunities, especially baby boomer owners who are aging and tired. They have lived through the pandemic, 2008 financial crisis and 9/11.

The time may be ripe for privately-held companies to consider selling. Inflated multiples are being paid for successful business enterprises.

FINANCE – OWNERSHIP: RECORD EMPLOYEE STOCK OWNERSHIP PLAN (ESOP) SALES



“ We expect 2022 to be another good year for ESOP transactions. Regulation changes by Congress, especially any to capital gains, will surely add to the hot ESOP market, as the ability to sell a company on a potentially tax-free basis will only look more appealing. ”

– MICHAEL J. KOUYOUMDJIAN, CPA  
Managing Shareholder  
RP&B CPAs

Business Operations

Clients have dealt with both supply chain and labor issues. While labor issues appear to be cooling down, they anticipate supply chain issues to continue through early Q2 and even out and normalize by the summer. They anticipate that overcompensating for supply chain issues will gain them headway in the second half of 2022. While not returning to pre-pandemic levels, they anticipate a reduction or rollback to some degree of the increased shipping and logistics costs they experienced in the Q3 and Q4 of 2021.

Tax Credits and Changes

It appears that the government has cooled in adding additional new pandemic-funded tax credits, such as the employee retention tax credit. Although, there will be a continued focus on the R & D, WOTC and similar credits. We also expect some version of the tax reform, although it may be more limited in spending and tax increases. It appears as the focus will likely be on higher net worth or higher gross revenue companies. Yet, if 2021 showed us anything, what gets passed could look much different than anyone is thinking and talking about now.

ESOPs & M&A

2021 was a huge year for ESOPs. Our firm saw a record number of deals. Part of the reason was that many 2020 transactions were pushed to 2021. Lower interest rates and high multiples on the 3rd party sales affected the multiples of our ESOP transactions. Buy-side teams were willing to look past a down 2020, as pandemic related, when the company showed a strong recovery in 2021.

Since ESOPs are financial buyers focused on future performance and cash flow, we saw some really successful transactions. Financing options made the transaction a valid and appealing option for business owners.

We expect 2022 to be another good year for ESOP transactions. Regulation changes by Congress, especially any to capital gains, will surely add to the hot ESOP market, as the ability to sell a company on a potentially tax-free basis will only look more appealing. Many clients who survived the last two years and are doing well are ready to exit. The banking world has become more aggressive in financing these deals. And, there are still deals on the table that were delayed from 2020 and 2021.

On the M&A side, we have seen a few clients sell or are entertaining 3rd party sales. The M&A market remains hot, as the cost of capital remains low. There is a lot of money sitting on the sidelines, looking to be put to work. It appears that third-party companies have been willing to look past supply-chain issues believing that it will be self-correcting shortly. We have seen good multiples, especially for companies who have thrived and pivoted successfully through the pandemic.

FINANCE – STRATEGY: THE FINANCIAL LENS



“ In addition to finding ways to reduce the cost of purchased materials, companies are upgrading their finance and accounting teams with more specialized talent in cost accounting. ”

– ERIC ROARK  
Chief Executive Officer  
ROARK

With rising costs in manufacturing and supply chain during the pandemic, the importance of good financial information to make better business decisions has become critical.

Inflation

We expect to see more inflation in 2022. While companies navigate price increases and inflation, protecting profit margins is important. This makes it imperative for manufacturers to understand their supply chain and cost structures better than ever.

Finance Team

In addition to finding ways to reduce the cost of purchased materials, companies are upgrading their finance and accounting teams with more specialized talent in cost accounting. Finding ways to improve productivity to reduce total costs long term is critical for future success.

Automation

Manufacturers are more motivated than ever to invest in automation. They are actively re-shoring and near-sourcing and looking into cost-effective areas for land in more business-friendly environments.

Strategy

Every company needs strategy and leadership. Financial leaders see the company through the value lens. Their understanding of factors driving value has helped develop strategies and make good business decisions. From ERP system upgrades and using business intelligence tools to predictive analytics, we see successful companies rely on financial professionals to contribute to bottom-line improvements.

GLOBAL – DIVERSIFICATION: SUPPLY CHAIN  
FLASHPOINTS



“  
*Political risk assessment will be essential in 2022. Multiple flashpoints could dramatically disrupt global supply chains or otherwise impact prices for energy and other critical supplies.*  
”

– JOHN TULAC, ESQ.  
International Business Attorney

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International Power Struggles

The conflicts between China & Taiwan and Russia & Ukraine immediately come to mind. China will NOT invade Taiwan in 2022, but that doesn't mean there won't be an incident generating a crisis.

Cyberattacks

The cyberhackers are aggressive and on the prowl. Expect more cyberattacks from state-sponsored hackers from Iran, Russia and China.

Global Resiliency and Redundancies

Accelerate building resiliency, which includes some redundancy into global operations. In particular, diversify from China. China will cause serious disruptions as it continues to lock down major production cities like Xi'an for weeks at a time. Also, Xi is trying to micromanage a significant slowdown in China's economy. The government could very well fail in the efforts to control the slowdown.

GLOBAL – LOGISTICS: TAKING CONTROL TO  
SERVICE CUSTOMERS



“  
*Customers have become impatient. They are tired of supply chain excuses. In turn, our customers need quicker deliveries and fewer delays. This has significantly impacted warehousing and logistics.*  
”

– BRUCE ROBERTSON  
Managing Partner  
BGI Worldwide Logistics, Inc.

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Changes in Ocean Freight

Some of our ocean shipping customers are moving their products by air to avoid delays. Other customers are taking advantage of chartered vessels. And because of container shortages, they are using privately-owned or shipper-owned containers to expedite movement.

Large importers are contracting directly with ocean carriers to ensure space availability, even though future rate fluctuations may end up below contracted rate levels.

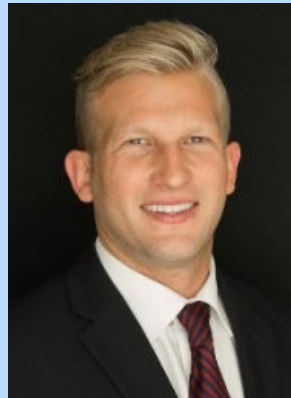
Advance Ordering

As a remedy to long lead times, customers are issuing purchase orders to overseas factories well into the future. Importers are ordering goods months in advance to avoid delays and stock-outs.

Warehousing & Distribution

Shifts in demand have fueled the growth of e-commerce. Many e-commerce or B2C importers have opened new distribution centers. Others have moved to third-party fulfillment centers to handle larger inventories and to be closer to the largest consumer markets they serve.

## INDUSTRIAL REAL ESTATE: SURGE IN DEMAND & RISING PRICES



*“Landowners have realized significant appreciation. In some cases, land has more than doubled in value over the past 18 months... All indicators indicate that this marketplace will continue on a wild ride through 2022.”*

– **ZACHARY COHEN**  
Vice President  
Lee & Associates

The COVID crisis created an explosion of e-commerce-driven demand for industrial space on a national level. The Inland Empire (IE) has been at the forefront of this surge, becoming the “hottest” industrial marketplace in the nation.

### The Industrial Marketplace

The industrial marketplace has experienced an unprecedented rise in demand, resulting in a chronic lack of supply. This trend is further fueled by low interest rates causing a dramatic rise in industrial values, which will continue to push sale prices and lease rates to new heights. The most telling example is logistics tenants who signed five-year leases in 2016 and are nearing the end of their terms. They are currently faced with renewing their leases at rates as high as 60% or more.

A five percent vacancy rate has been the longstanding benchmark of a “healthy marketplace.” The IE continues to surpass previously set high watermarks. This surge in activity has sent the overall vacancy rate in the western IE below 2.00%.

### Industrial Space Tenants

Given the challenge in finding space, tenants should be proactive.

- Maintain good relationships with landlords.
- If a lease expires within the next 12 months, reach out to landlords sooner rather than later.
- If a tenant needs more space, start the search as soon as possible. Give as much time as possible to secure space. An overlap between leases may be necessary.

### Industrial Land Owners

Industrial building owners have never had as much leverage and inherent value of their assets. Now is the time to consider options to realize current market value. There are alternatives to a traditional sale. Options can include a sale-leaseback which allows owner-occupants to capture the inflated value of the property while continuing to operate their business for a set amount of time.

Landowners have realized significant appreciation. In some cases, land has more than doubled in value over the past 18 months causing developers to sacrifice margins to compete.

All indicators indicate that this marketplace will continue on a wild ride through 2022. Strap in!

## IT: THE CONTINUING RISE OF CYBER



*“As workers have settled into hybrid and fully remote work situations, companies are challenged with keeping workers productive, secure, and connected.”*

– **COURTNEY CASEY**  
Director of Marketing  
Accent Computer Solutions

Cyber challenges are affecting all companies, whether directly or indirectly. From the in-house environment to suppliers and customers, the threats are real. And they are happening every single day. Most companies are completely dependent on their IT systems. From internal communication to being interconnected with suppliers and customers, critical functions like planning, production, and inventory are dependent on the system. When a disruption occurs, it further exacerbates and contributes to supply chain chaos.

### Hybrid and Fully Remote IT

As workers have settled into hybrid and fully remote work situations, companies are challenged with keeping workers productive, secure, and connected. Microsoft Teams and SharePoint have gained popularity because of their communication and collaboration capabilities. They also have solid security features that make them a go-to workspace when combined with Multi-factor Authentication (MFA). In 2022, companies are going to ask – What else can we do to enhance and secure our remote work experience?

### CyberRisk

Along with the rise of remote work, there has also been an increase in cyberattacks. Increased cyber security needs are uncovering a capability gap in small IT companies and internal teams. 2022 will be a year when more companies turn to outsourcing solutions to provide the cybersecurity expertise they need.

### Outsourcing

The Great Resignation has left many companies with key IT positions vacant. This has resulted in demand for comprehensive IT expertise to offload the responsibility for finding, training, and retaining technology talent. Outsourcing will become more attractive in security and for some IT management functions.

### Cyber Insurance

Cyber insurance is gaining popularity. While business leaders are asking about it as a preventative measure, many customers and vendors require it as a prerequisite for doing business. As a result, companies will be making investments in security that will allow them to get the best coverage and rates for cyber insurance, plus have access to the resources they need to bounce back after a cyber attack.

LAW – BUSINESS: THE CASE FOR RESILIENCY



“  
*If the last two years have taught us anything, it is to be prepared for the unexpected... Creative and resilient companies will succeed, but they may need to pay more attention to the employees who have carried them through the last two years.*  
”  
– MARGARET (PEGGY) HOSKING, Esq.  
Attorney  
Best, Best and Krieger

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Remote Platforms

Companies that quickly shifted to remote platforms or replaced items in their supply chains naturally beat their competitors. We expect this type of resiliency to continue into 2022. The remote and hybrid workplace and video conferencing are here to stay. Some companies are taking advantage of this to reduce their commercial real estate obligations. This, in turn, creates opportunities for that real estate to be redeployed.

Employee Retention

Concurrently though, the novelty of remote platforms has worn off, and fatigue has set in for many. Employees are reevaluating their priorities while contemplating whether their current employers mirror them. Companies that create a corporate culture where employees feel valued and appreciated will have better retention in the face of poaching efforts from competitors. The pandemic has also caused people to examine their own estate planning to ensure that all is in order.

The Effects of Stimulus

The anticipated wave of bankruptcies and reorganizations did not materialize in 2021, largely due to federal stimulus packages. However, without that artificial support, we may see an increase in both toward the end of the coming year, particularly if we see the increased interest rates and inflations that have been predicted. We continue to see strong M&A activity as well as a strong real estate activity heading into 2022. However, some industries, such as retail, may struggle to regain their footing in 2022.

Creative and resilient companies will succeed, but they may need to pay more attention to the employees who have carried them through the last two years.

LAW – MARITIME & TRANSPORTATION: FLEXIBILITY KEY TO SUCCESS



“  
*In addition to expanding supply chains and operations, clients who are thriving are working with customers to set realistic expectations. Flexibility is key.*  
”  
– JOLENE RICE, Esq.  
Attorney  
Collins & Collins, LLP

Ports and rail terminals continue to struggle with backlogs due to COVID and the surges of imports due to now-increased consumer demand.

Flexibility

In addition to expanding supply chains and operations, clients who are thriving are working with customers to set realistic expectations. Flexibility is key.

No one can really be certain about what to expect. The continued uncertainty presented by the pandemic has created a fertile breeding ground for regulations – local, state and federal. Hence, flexibility is key to success.

LOGISTICS - EFFICIENCIES: TRAINING & EDUCATION



“ 2022 will be focused on working the solution. With no end in sight for supply chain disruptions, successful customers are working on controlling what they can control - improving forecasting processes, diversifying the supply base and creating better working environments for their teams. ”

– B.J. PATTERSON  
Chief Executive Officer  
Pacific Mountain Logistics

2022 will be focused on working the solution. With no end in sight for supply chain disruptions, successful customers are working on controlling what they can control - improving forecasting processes, diversifying the supply base and creating better working environments for their teams.

Inflation

Inflation will continue to put pressure on hiring, as wages will have to keep pace. Forget about the “market disruptors,” when inflation shows up, so does cost containment, and execution becomes key.

Competitive Edge

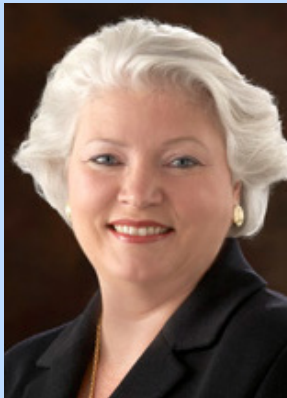
Training and retention are what will set companies apart from their competition. A well-trained and seasoned workforce is what it will take to take advantage of this year’s opportunities.

The environment will remain challenging. Customers will no longer tolerate poor performance from their vendors. Additionally, new players with limited experience will be hard-pressed to make headway with companies just trying to survive the continued environment of ‘more business than you have people.’ The companies that succeed will rely on their well-trained and seasoned workforce and encourage creativity to create a competitive edge.

Creativity

Many customers struggling to get enough product to meet demand have gotten creative by moving manufacturing to new markets - Mexico is hot right now.

MARKETING & COMMUNICATIONS: THE CUSTOMER, EMPLOYEE AND VENDOR EXPERIENCE



“ The company brand and voice have become critical in keeping prospects, customers, employees and vendors connected. The customer experience, the employee experience and the vendor experience are now (or should be) the responsibility of and interconnected to marketing. ”

– KATHLEEN MCENTEE  
President  
Kathleen McEntee and Associates, Ltd.

Before the pandemic, marketing for many companies focused on targeting prospects and customers. The pandemic essentially required an expanded marketing reach for many companies.

The company brand and voice have become critical in keeping prospects, customers, employees and vendors connected. The customer experience, the employee experience and the vendor experience are now (or should be) the responsibility of and interconnected to marketing.

Chaos with supply chains, the great resignation and remote working environments affected all of these experiences and have changed the way companies communicate to their audiences.

The Customer Experience

Supply chain chaos provided opportunities as well as challenges. It highlighted the need for honest communication about the status products, services and solutions. It required companies to set expectations and find new and different ways to accommodate customer needs. As demand shifted, so did the type of communications. Despite the work-from-home environment, print advertising continued to decline. Whether B2B or B2C, digital is the preferred method of communication. And video is the most popular method to initiate engagement.

The Employee Experience

Remote working required new and different ways to stay connected. Add to that the talent shortage that quickly evolved, and managers needed to manage and communicate differently. While virtual quickly replaced in-person meetings, companies are still trying to find the best ways of staying connected to employees. Virtual platforms are ok for group meetings but still leave people feeling disconnected. Younger employees especially want to feel valued and understand how their contributions fit into the organization and how they can grow. Regular, consistent communication updates that reflect company culture and values and encourage employee engagement can provide a platform managers can use to engage with employees.

The Vendor Experience

Vendors are an often forgotten part of a company’s target market. After all, without vendors, there would be no supply. And with supply chain disruptions, relationships with vendors can be the difference between having inventory and not. Vendors want to feel like they are part of an organization. Communicating with vendors to provide updates and status goes a long way to make them feel a part of the process and maintain essential relationships.

# MERGERS & ACQUISITIONS: ACTIVE & ROBUST OPPORTUNITIES



*A strong stock market, anticipated tax increases and COVID health concerns led to many business owners looking to sell in 2021, which will continue in 2022.*

– MARK O'KEEFE  
Managing Director  
Ambrose Advisors

2021 was an extremely active year for Mergers & Acquisitions. At the minimum, I anticipate the first half of 2022 will remain robust.

## Market Drivers

A strong stock market, anticipated tax increases and COVID health concerns led to many business owners looking to sell in 2021, which will continue in 2022.

## Factors to Consider When Planning for a Sale

- **Quality Financials** - Ensure the financials are well maintained, owner-related personal expenses run through the business are carefully tracked, and the financials are reviewed or audited by an independent third party. Messy financials causes money to be left on the table and delay closing.
- **Mitigate Risk** - Reduce customer concentration, wrap up any outstanding legal matters, ensure there are no environmental issues, and execute supplier and customer agreements to the extent possible. The lower the perceived risk, the higher multiple a buyer will pay.
- **Strong Management** - Make sure there is middle-level management capable of taking over the business when the owner leaves.
- **Growth Opportunities** - Have a strong backlog and favorable 12+ month outlook. Buyers know when an owner is trying to sell at a peak and will reflect a negative near-term outlook in their offer.
- **Document Organization** - Make sure all due diligence materials are organized in one place (preferable an online data room).

# PLANNING: PREDICTABILITY & WHAT-IF SCENARIOS



*Customers are using technology to analyze “what-if” scenarios to understand how potential changes in demand and supply lead times affect inventory levels they hope to keep.*

– ARA OHANIAN  
Chief Executive Officer  
NETSTOCK

With the unpredictability of supply chains, smart companies are looking at ways to drive predictability.

## Using Technology to Determine Risk

Customers are using technology to analyze “what-if” scenarios to understand how potential changes in demand and supply lead times affect inventory levels they hope to keep. Organizations can better focus on forecasting and replenishment by planning for best- and worst-case scenarios, especially for inventory that is most lucrative to the business.

## Prioritizing Key Inventory

Inventory critical to the business can be prioritized so that steps can be taken to evaluate current and add new suppliers to ensure that priority inventory is in stock to fill orders.

The sophistication that technology now brings to the table can help organizations understand supplier risk, make more accurate forecasts, and plan a course of action for high-risk situations.

PORTS/REGULATORY: GLOBAL AWARENESS OF SUPPLY CHAIN



“Businesses must examine their supply chains from end to end, find their weaknesses, and work with key stakeholders and partners on identifying and implementing solutions for both the short-term and the long-term.”

– ELIZABETH WARREN  
President & Chief Executive Officer  
Dialed-In Partners”

The silver lining to the pandemic has been to bring global awareness to the supply chain. Logistics is now a household term.

Supply Chain and the Ports

As one of my colleagues recently said, “Supply chain went from the backroom to the living room.” The flip side of that silver lining is that all of the vulnerabilities and weaknesses of the supply chain were not only exposed but were also exploited as supply chains broke down at every link in the chain. Highlighted in the breakdown were the ports, where pre-pandemic inefficiencies were exacerbated, exposing backlogs, shortages in trucking, the handcuffs of regulations, and the list goes on.

Supply Chain Fixes

Even though 2022 will bring more of the same challenges we have faced over the past two years, those challenges have been elevated to the top levels of government. Local, state and federal governments are trying to find creative and innovative ways to address supply chain challenges head-on.

Businesses must examine their supply chains from end to end, find their weaknesses, and work with key stakeholders and partners on identifying and implementing solutions for both the short-term and the long-term.

SUSTAINABILITY: SCRUTINY & COSTS OF CARBON EMISSIONS



“For the supply chain, expect greater scrutiny, accountability, reporting, disruption (from Clean Tech) along with significantly compressed timeframes to implement new processes and ways of moving materials and products.”

– MARK D. WOLF  
President  
LavaFish Advisors”

Supply chains will experience additional scrutiny in 2022 beyond customer, regulatory, consumer and supplier COVID-related demands. This is due to a confluence of many factors related to reducing carbon emissions to net-zero.

ESG Progress & Accountability

First, investors are looking at ESG (environmental, social, governance) factors with the same rigor they traditionally used to assess operational and financial performance. On top of fixing supply chain logistical performance, expect data demands to increase from stakeholders (including employees). Greenwashing will not fly anymore since investors perceive that companies have frequently overstated or exaggerated their progress on ESG when disclosing results. When Larry Fink, Chairman of Black Rock, says, “Climate Risk is Financial Risk,” know that trillions in investment resources will be using new methods to hold companies and their operations accountable.

Natural Resources

Second, the recent UN Climate Conference (know as COP26-Glasgow - from which the 2016 climate accords previously emerged) has seen some dramatic shifts in what will/will not be tolerated in the use of natural capital (water, air, trees, land, food, oceans). Just like plastics came out of nowhere a few years ago (outside the sustainability community), deforestation has become a key focus of the international business and regulatory systems. One clear implication for logistics - start thinking about pallets made from materials other than wood and how long of a useful life they can provide.

The Cost of Moving Goods

Third, Carbon Tax will become a reality. Heating the atmosphere regardless of the source of fuel creates visible changes in the very environment in which people live and work. Given the experience of heat domes, polar vortexes, stronger tornados and hurricanes, more powerful storms (and storm damage), the regulatory environment is ripe for holding companies financially accountable for their GHGs (greenhouse gas emissions). The supply of renewable energy is not yet large enough to supplant fossil-fuel-based energy (including natural gas). Translation, the cost of moving goods will rise even after the supply chain logistical issues return to their pre-pandemic level of normalcy because carbon-based fuels will cost more.

Sustainability Deadline is Now

Finally, sustainability leaders voice an even greater sense of urgency around all of the issues - changes that they knew were coming for decades and now playing out in a way that makes prediction models gasp. For the supply chain, expect greater scrutiny, accountability, reporting, disruption (from Clean Tech) along with significantly compressed timeframes to implement new processes and ways of moving materials and products.

TALENT – BENEFITS & RETENTION STRATEGIES



“  
The most successful clients have spent the last year developing workforce strategies that not only attract but retain top talent. The success of these organizations is attributed to leadership’s ability to listen, learn and implement.  
”

– NICHOLLE TRUGMAN  
Associate Vice President  
OneDigital

The most successful clients have spent the last year developing workforce strategies that not only attract but retain top talent. The success of these organizations is attributed to leadership’s ability to listen, learn and implement.

Retention Strategies

Clients have initiated a range of retention strategies that can include diversifying benefits, creating mentorship programs, employee compensation benchmarking, revised training and development with career pathing, flexible work schedules, etc.

Prioritizing Employee Needs

While the goal has been to integrate the strategies that make sense for the organization, successful organizations recognized that the strategies needed to be prioritized. Instead of deciding what was best for the workforce, most leadership teams administered surveys to drive employee engagement, gather insights and prioritize strategies. These surveys, “Pulse of The People,” put employees first, a significant step in initiating and keeping employee engagement.

Doing good for your workforce is doing good for your business. Talent is attracted to those organizations that have made doing good for their people a business model.

TALENT – RESKILLING AND UPSKILLING: TALENT SHORTAGE & AUTOMATION



“  
Remote work continues to be the #1 priority for candidates looking locally and nationwide.  
”

– JOE VAN TASSEL  
Managing Principal  
Integress, Inc.

2022 is going to look similar to what happened in 2021. The talent shortage has created a real problem for most manufacturing and technology companies.

Recruiting the Best Candidates

Remote work continues to be the #1 priority for candidates looking locally and nationwide. If a company is inflexible with hours and workday schedules, it will continue to be an uphill battle from a recruiting perspective. Companies that are attracting the best talent are the ones that are listening to the candidates’ needs.

Company Culture Counts

With that said, we believe companies see a huge value in being in person and building a culture that differentiates itself from its competition. Collaboration, innovation and connection still have a compounding effect on the business. We see more companies having vaccine mandates to safeguard company workplace environments, and we believe this is one of many steps to try and bring employees back to work.

Investment in Technology & Automation

Technology continues to be at the forefront of most companies’ initiatives. To offset the shortage of talent, companies are investing in automation. Industrial automation tools can have a large upfront cost. Yet, the ability to streamline processes and procedures can be invaluable. Manufacturers are automating with new and innovative tools - vision systems, robots and conveyors - to increase productivity and predictability.

And, we see ERP upgrades with the addition of data tools to help better understand the business instantaneously for predictability and planning.

# TRANSPORTATION & WAREHOUSING: THE SYSTEM OF SYSTEMS CONUNDRUM



“The co-dependency of the warehousing sector on the “system of systems” has never been more evident. Warehousing and the supply chain are co-dependent and have struggled at every node in the supply chain.”

– **FRAN INMAN**  
Senior Vice President  
Majestic Realty Co.

The co-dependency of the warehousing sector on the “system of systems” has never been more evident. Warehousing and the supply chain are co-dependent and have struggled at every node in the supply chain.

## Industrial Market Facts

- The industrial market for warehousing space is tight across the U.S.
- Industrial space is essentially sold out in Southern California
- E-commerce increases have increased demand for logistics (fulfillment space)
- With no excess capacity, industrial rents have experienced record increases

## Challenges at the Ports

Despite all our efforts to improve efficiencies, port delays continue to increase. Record import levels (over an extended period of 18 months) preceded by uncertainty and cargo surges caused by new tariffs or the threat of new tariffs, along with struggles with the trucking industry, continue to wreak havoc at every turn.

## Industrial Space Expansion

The shift in demand and supply chain challenges has driven the need for more industrial space throughout the U. S. Expansion seems to be everywhere. In addition to California, hot markets include Texas, Arizona, Nevada, Oregon, Pennsylvania, Florida and Georgia. Our strong economy and restricted entertainment and travel options have shifted consumer spending towards consumables. In turn, this has increased freight volume and, subsequently, demand for warehousing.

Capital seems to be available, but entitlement challenges are the norm. This has been a boon to the construction pipeline, but delivery times are long and costs are up (impacted by supply chain issues for materials and labor shortages). The bottom line: expect demand to outpace supply for the foreseeable future.

## Challenges in a Hot Market

- COVID-Variant impacts could bring another round of government closures
- Inflation rate increases could affect consumer confidence levels
- Labor and materials shortages impacting supply chains can contribute to demand shifts
- Regulatory requirements like the impact of the ISR on warehouses, new ISR on ports and rail facilities and the Advanced Clean Fleet Rule can add costs to the system that will be passed on to the consumer
- Alternative energy needs are still unknown; how much energy will the goods movement sector need and what type – ZEV and/or hydrogen and the infrastructure needed to support it are yet undecided.

# TRANSPORTATION: UNPRECEDENTED BACKLOG IN TRACTOR-TRAILERS



“Freight backlogs and the costs associated with it may be around for some time to come. Let’s be grateful to the truckers who ensure we receive what we need when we need it. Remember, “If you got it, a truck brought it.”

– **VERONICA REYNOLDS**  
Assistant Vice President  
HUB International

The tractor-trailer sector of transportation is experiencing a backlog not seen in the last 40 years. While backlog could be perceived as positive, the extensive backlog is beyond capacity.

## Transportation Challenges

Like many industries, there is a labor shortage - truck drivers. That, coupled with the challenge of getting tractor and trailer parts when needed, has trucking companies frustrated. And, that is before the added challenge of new regulations.

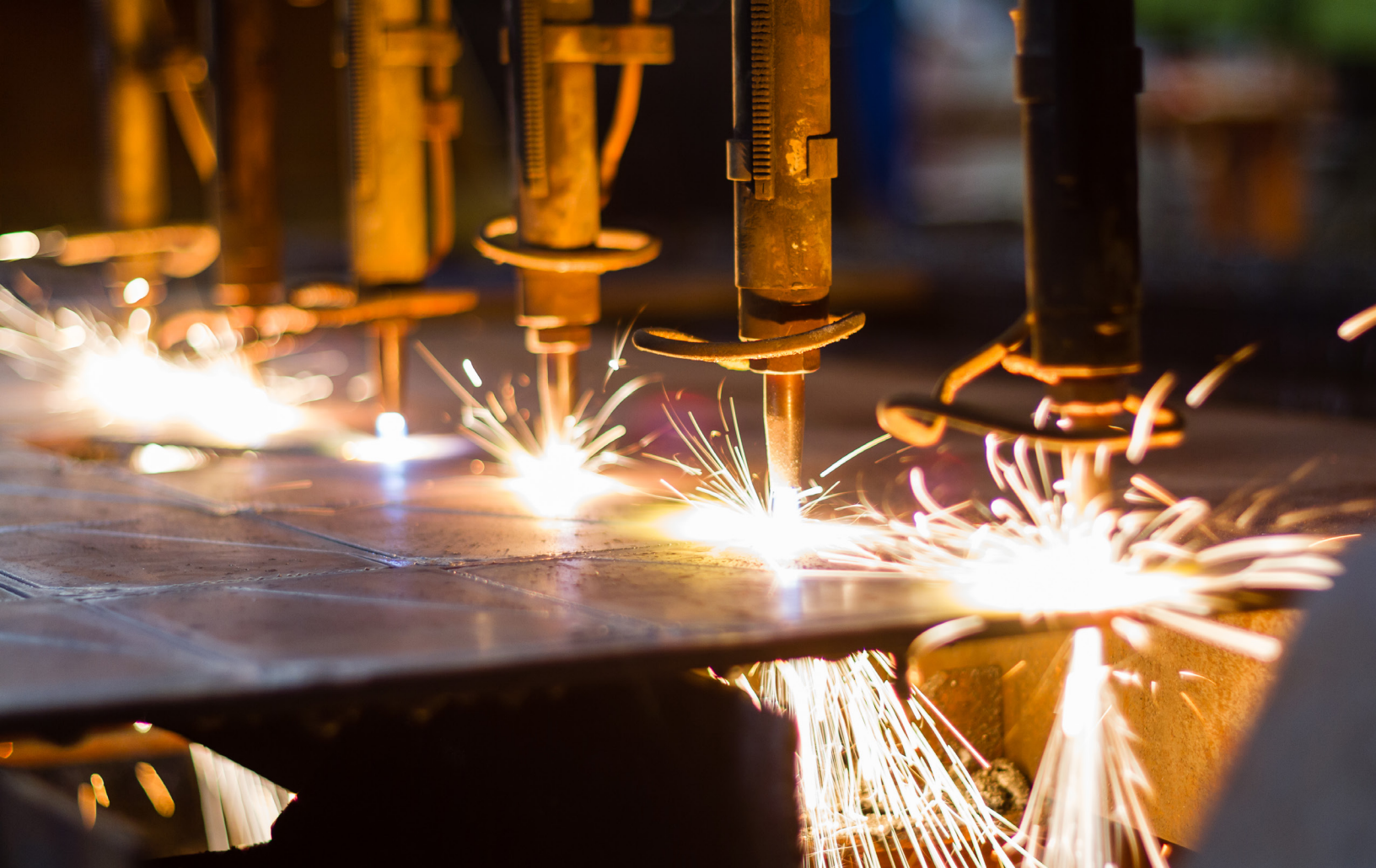
## Looming Regulation Changes

Several regulations and bills have been introduced to reduce the requirements for Class A drivers. These requirements will affect insurance carriers and their program eligibility guidelines. Insurance companies are not happy with the new regulations. They perceive the changes to be a reduction in the standards of the currently held professionalism of Class A drivers, thus increasing the insurance companies’ risk.

## Improved Safety Measures

Trucking companies have responded by installing more telematics in trucks to increase safety standards, thereby improving the accountability of trucking companies nationwide. Safer trucks mean less congestion on the highways due to fewer accidents. This translates to higher wages and benefits for drivers. It also helps protect the bottom line of trucking companies, many of which are incentivizing their staff to share the profits.

Freight backlogs and the costs associated with it may be around for some time to come. Let’s be grateful to the truckers who ensure we receive what we need when we need it. Remember, “If you got it, a truck brought it.”



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