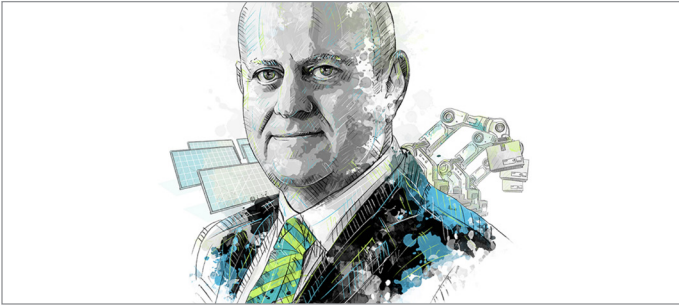




GROUND BREAKERS

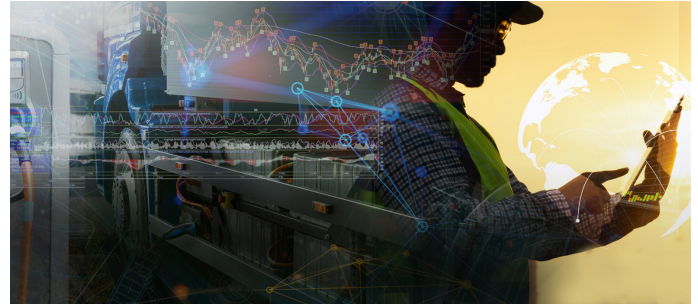
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MESSAGE FROM **THE CEO**

Past is prologue: Hamid R. Moghadam shares renewed optimism and trailblazing innovation born from an era of supply chain transformation.

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LESSONS IN **LOGISTICS**

Top takeaways from the pandemic upheaval.

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REAL ESTATE **REAL IMPACT**

For help navigating hybrid work, employee wellness and even sustainability, business leaders are enlisting new allies: brokers like Greg O'Brien, CEO of markets at JLL.

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Q&A **PETE BUTTIGIEG**

The U.S. Secretary of Transportation shares his and the administration's vision for the supply chain.

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YOUR WORKFORCE CHANGED **DID YOU?**

Ideas for supply chain employers in the industry's great resignation.

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ROADMAPS TO **RESILIENCE**

Modern resiliency is built through a combination of cutting-edge, predictive technology powering smart, agile decision making, says CEO Annette Clayton.

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Global logistics provider Rhenus tackles CO2 challenges by land, air and sea.

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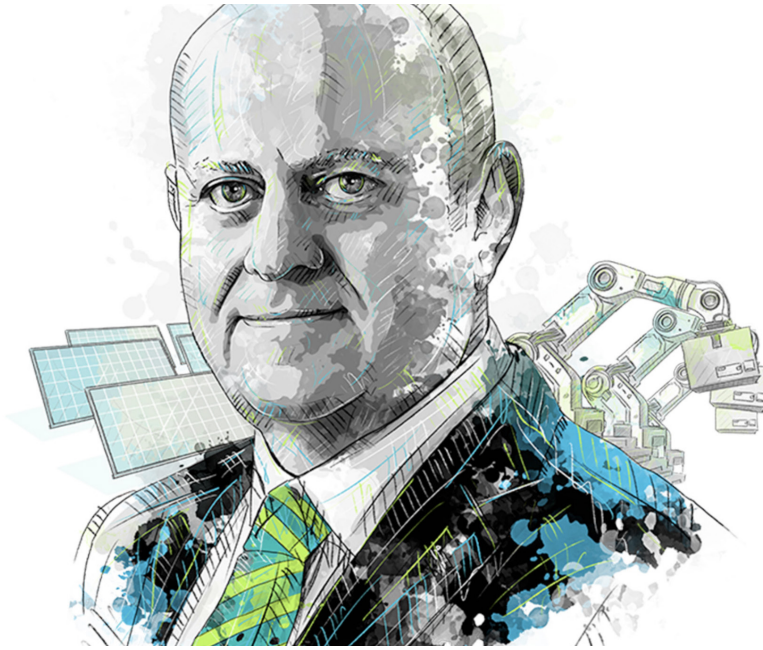


SUPPLY CHAIN INDICATOR **MAY 2022**

Prologis' look into the factors that affect the way U.S. goods flow, informed by our proprietary data.

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MESSAGE FROM **THE CEO**



ISSUE 2, JUNE 2022

THE SUPPLY CHAIN'S GREAT TRANSFORMATION

As I reflect on the unprecedented events of recent history and look ahead to the future of global logistics, one word comes to mind: transformation.

The context for this concept changed dramatically in the last two years, but business leaders who've learned to navigate shifting consumer behavior, booming e-commerce and digital transformation know that the pandemic, as extreme an event as it has been, merely accelerated a decades-long metamorphosis. Those who hoped for a return to normalcy in 2022 have likely by now awakened to the reality that supply chain struggles will continue; the future is less foreseeable; and business is anything but usual.

Disruption is now endemic.

What was once an invisible, intricate web of moving parts working quietly and efficiently in the background to deliver goods to your door, is now headline news and watercooler fodder.

Its vulnerabilities laid bare.

Fortunately we have not simply battened down the hatches to weather the supply chain's great transformation. We have tackled it head-on, and from unimaginable chaos has come incredible innovation. In this issue of GROUNDBREAKERS, we tap into the expertise of game-changing, risk-taking visionaries across sectors and find out how they are transforming their businesses and industries. We also highlight cutting-edge tools, such as advances in AI, machine learning and green technology that are helping future-proof supply chains.



Customers are also increasingly seeking support from logistics partners to reach aggressive new sustainability goals.”

It has been a chapter of immense transformation for our customers and partners, who require faster and deeper multitier visibility to navigate a rapidly evolving environment. In this issue, Annette Clayton, energy groundbreaker and CEO of Schneider Electric North America, unpacks the latest 3D modeling technology providing this crucial end-to-end purview.

Policymakers are also looking to increase collaboration and visibility to ease supply chain strains. In the U.S. Prologis has joined 18 organizations, including FedEx, Target and Albertsons, who are working with the federal government to create and launch the Freight Logistics Optimization Works (FLOW). As U.S. Transportation Secretary Pete Buttigieg explains, the data-sharing initiative will develop an information network providing first-of-its-kind visibility into the flow of goods.

Customers are also increasingly seeking support from logistics partners to reach aggressive new sustainability goals—marking another transformational shift toward a greener, more resilient supply chain. Look out for our interview with logistics groundbreaker and Rhenus executive board member Karsten Obert, who lays out the company's impressive eco-roadmap and issues a climate change call to action. As real estate groundbreaker and JLL Markets CEO Greg O'Brien points out, these efforts are good for business, too—to the tune of \$300 million in energy cost savings for their clients.

Data and analytics continue to be unsung heroes in the race toward resiliency. Since 2007, Prologis' research group has provided valuable metrics that illuminate key trends affecting our markets. Never has this information been more critical than during the past two years of uncertainty. In June, we're highlighting top takeaways from our long-standing, industry-leading Industrial Business Indicator (IBI) with the inaugural Supply Chain Indicator. It's a new report with even bigger picture insights, but the goal remains the same: to arm our customers—and the world—with the most up-to-date information impacting the global movement of goods. We're particularly excited about our new proprietary metric, Prologis True Months of Supply, which captures the full scope of supply and demand by comparing vacant spaces to trailing net absorption.

There has never been a greater time for leadership transformation. As Maria Flynn, workforce Groundbreaker and CEO of Jobs for the Future, so eloquently shares in this issue, authentic and transparent two-way discussion has never been more vital nor felt more vulnerable as we navigate unprecedented pandemic challenges together.

Looking forward, I'm more confident than ever that our industry is rapidly evolving and rising to meet new challenges. And, as I hope you'll take away from this issue, there are innovators and game changers who are well equipped to face what lies ahead.

LESSONS IN **LOGISTICS**



ISSUE 2, JUNE 2022

TOP TAKEAWAYS FROM THE PANDEMIC UPHEAVAL

The nationwide baby formula shortage marked the latest high-profile chapter of supply chain snarls that crippled operations, contributed to consumer price hikes and captured international attention. As headline-making empty shelves and port backups play out on the public stage, logistics leaders see an urgent opportunity to accelerate innovations. They're collaborating behind the scenes and across sectors to reimagine business as usual. Here's how industry groundbreakers are navigating the ongoing uncertainty of today while forging a more resilient supply chain for tomorrow.

1. EMBRACE UNCERTAINTY

PLANNING FOR PLAN B

Despite early optimism for a post-pandemic return to normalcy, our experts agree that supply chain disruptions are likely here to stay for the foreseeable future. McKinsey Global Institute predicts that over the course of a decade, shocks ranging from natural disasters to political unrest may cost up to 45% of a company's annual profits.

The best defense, according to Karl Siebrecht, CEO of programmatic logistics leader Flexe, is embracing uncertainty and building "structural flexibility" into your strategic plan. This includes using technology and networks—instead of assets and leases—to pivot quickly in the face of disruption or address consumer behavior changes.

Through a single technology platform and a network of warehouse operators, brands—such as Staples, Walmart and Ace Hardware—are solving discrete logistics problems as they happen. They swap fixed investments and

long-term leases with transactional programs designed to overcome demand spikes, distribution bottlenecks and product overflows—the new normal in supply chain operations. As the pandemic ushered in a brutal wake-up call in forecasting, many retailers recognized the value of integrated, open logistics networks like Flexe: “The most innovative companies understand that they can’t predict everything and now prioritize technology investments that deliver flexibility,” says Siebrecht.

2. INVEST SUSTAINABLY, IN SUSTAINABILITY

CALIFORNIA’S ENERGY OVERHAUL

Hollywood loves a comeback story, and Los Angeles’ ambitious clean energy tale is one for the ages. The transportation sector accounts for about 50% of California’s greenhouse gas emissions. In its efforts to transition to 100% renewable energy by 2035, America’s smoggiest city is on the road to becoming one of its greenest.

LA is already 10 years ahead of California’s statewide targets, according to Los Angeles Board of Water and Power Commissioners member Nicole Neeman Brady. The board oversees the nation’s largest municipal utility, LADWP, which plans to reach the city’s aggressive green goals by “continuing to rapidly expand renewable energy resources, investing in energy storage, fostering transportation electrification, transforming our in-basin generating stations and helping customers reduce energy use,” says Brady. LADWP already sources more than 60% of its power from carbon-free energy resources.



With over 1 billion square feet of warehouse space in key urban centers, Prologis will enable this future through onsite solar and storage projects close to where energy needs will increase most in a net-zero electrified economy.”

Vibhu Kaushik

Global Head of Utilities and Energy Storage,
Prologis

The city’s next major milestone will be the biggest electric vehicle station in North America. The project in Torrance, California, a collaboration between LADWP and Prologis, will replace 146 Class 8 diesel trucks with all-electric counterparts. The sustainable superstation will be a major boon for air quality—diesel trucks produce nearly half the country’s smog-forming nitrogen oxide emissions—and for shippers’ bottom lines as record-high diesel prices wreak havoc on profitability and cost predictability. Prologis is supporting LADWP’s efforts to provide solar power to the electric grid by offering to blanket more urban warehouses with rooftop panels and develop storage systems to house the surplus of renewable energy the solar arrays generate. Vibhu Kaushik, who recently joined the Prologis from Southern California Edison, leads the company’s global utilities and energy storage efforts. His vision: a green future built through collaboration and innovation between utility companies and their large customers. “With over 1 billion square feet of warehouse space in key urban centers, Prologis will enable this future through onsite solar and storage projects close to where energy needs will increase most in a net-zero electrified economy,” Kaushik says.

3. DOUBLE DOWN ON DIGITIZATION

TECH TO KEEP ON TRUCKIN'

Along with fleet electrification and continued pain at the pump, chatter in the trucking industry has focused on another hurdle: driver shortage. With more than 70% of America's goods moving by truck, labor scarcity threatens to drive disruption across operations. The industry was reportedly down an estimated 80,000 truckers in 2021, and the American Trucking Association warns that number could reach 130,000 by the end of the decade.

Although alarming, the dire headlines may be missing the mark. "One of the things we have talked about too much is the number of drivers," says Weston LaBar, head of strategy at Cargomatic. LaBar's AI-enabled platform works like Uber for freight and matches drivers with shippers who have product to move. "But what we should focus on is making efficient use of the trucks that are already on the road. It's about ensuring that every time a truck is moving, it's hauling freight and being productive," he says.

According to LaBar, the key to a sustainable transportation network is working smarter, not harder. Cargomatic's digital marketplace lets shippers instantly tap into a network of 35,000 drivers across the country. The self-service platform uses real-time location data to find the right cargo space at the right place and time, leveraging technology to create capacity on demand. This approach improves utilization by up to 30%, reduces empty truck moves, and shortens wait times at warehouses and ports. Doing double the work with half the number of trucks makes for a smaller carbon footprint, too.

Ultimately, agility is the name of the game when volatility is the new constant. LaBar underscores the importance of investing in technology that enables real-time visibility and nimble decision-making to respond quickly to disruptions and forecast what's coming next.

4. PRIORITIZE PEOPLE

PLANTING A STRATEGY FOR GROWTH

The trucking industry is a microcosm of the wider supply chain labor shortage where turnover soared to more than 55% in 2021. Evolving employee priorities are, in part, fueling this unprecedented trend. "The idea that we align our careers to one company isn't the way you and I think about our jobs anymore, and it's not the way supply chain employees think about theirs," explains WorkStep CEO Dan Johnston. "Frontline workers are taking more ownership of their careers than they ever have before."



It's this beautiful moment when the right thing to do from a human perspective and the right thing to do from a business perspective are the same thing, which is to invest in your people."

Dan Johnston

Global Head of Utilities and Energy Storage,
Prologis

According to Johnston, the mass exodus is about much more than money. WorkStep—which creates retention technology focused on warehouse, trucking and manufacturing roles—surveyed more than 18,000 workers and discovered that lack of career advancement is the top reason for turnover. Put simply, employees plant roots where they feel they can grow. “All of those things that make us feel appreciated and satisfied, like we have purpose, matter more than ever,” adds Johnston. He says misaligned job expectations and poor manager relationships are also pushing employees out the door.

Today’s modern labor crisis requires modern solutions. Smart data analytics paired with integrated digital tools are essential to identify issues and take action before workers quit. Founded in 2017, WorkStep’s technology provides valuable insights at every step of the employee journey. For hiring, WorkStep matches employers to candidates from their network who are a fit in both skills and job preferences. On the retention side, the platform collects regular feedback, analyzes that data, and evaluates employee sentiment and turnover drivers over time. These insights have helped companies like WestRock, one of the nation’s largest packaging enterprises, reach 82% retention rates with WorkStep-placed employees.

As the Great Resignation shows no signs of slowing and a record 4.5 million workers quit in March, the need to listen to workers and prioritize their happiness has never been greater. “It’s this beautiful moment when the right thing to do from a human perspective and the right thing to do from a business perspective are the same thing, which is to invest in your people,” Johnston says.

When it comes to predicting risk and disruption, we all know visibility is key. Prior to the pandemic, however, focus centered largely around the last mile: a shipment’s location in a warehouse or its whereabouts on the road to the customer. An end-to-end view of the chain of production, including everything that happens before something is made, has remained opaque. A recent report found that about half the companies surveyed understood the location and risks of their tier-one suppliers, but only 2% have visibility beyond that. These deep-tier blind spots have brought industries to a halt, as seen with the global semiconductor shortage.

“We’re in a moment of crisis,” says Evan Smith, CEO at Altana AI, a federated artificial intelligence platform creating a shared source of truth for the global supply chain network. “Whether it’s geopolitical, COVID or natural disasters, disruptions are typically occurring upstream from the finished goods. To build resilient networks to reliable supplies and reliable economies, we’ve got to bring those upstream movements into the light.”

The solution seems obvious: visibility for every tier of the supply chain. But much of this crucial intelligence is padlocked behind data sovereignty, intellectual property and data privacy protections. Enter federated learning. The technique, coined by Google in 2016, is a decentralized form of machine learning that enables the sharing of key data insights while hiding identifying information. When applied to the vast amount of potentially sensitive supply chain information, it allows Altana AI to create shared global intelligence without sharing actual data.

Global enterprises, like Boston Scientific and Merck, are using this technology with the Altana Atlas platform to create multi-tier visibility for each of their product’s value chains. This allows them to engage and collaborate with their extended network to build resiliency, navigate compliance requirements, and get ahead of risks and disruptions. The logistics industry is evolving, and its forward-thinking leaders are adopting next-gen technologies, such as AI, machine learning and data analytics to keep pace. Smith says the old ways of doing business, from antiquated software to closely guarded supplier relationships, are being rewritten and replaced as a matter of survival. Collaboration, transparency and visibility are today’s competitive advantages, he says.

REAL ESTATE **REAL IMPACT**



ISSUE 2, JUNE 2022

CAN THE BUSINESS OF PROPERTY BENEFIT THE PLANET? GREG O'BRIEN THINKS SO

Progress in commercial real estate is often measured in years and decades, not days and months. But the pandemic had a way of turning incremental transformations into overnight pivots. Now an industry synonymous with incremental change is moving to address some of the most immediate and important trends facing our world.

Greg O'Brien, CEO of Markets at real estate services firm JLL, has spent three decades helping clients buy shopping malls, optimize their factory floors and acquire land for their next fulfillment space. Recently, however, clients are turning to him and his colleagues in real estate to help them solve pressing challenges born of a series of global crises: hybrid work, employee wellness and sustainability.

DRIVING SUSTAINABLE BUILDING OPERATIONS

With real estate responsible for nearly 40% of total carbon emissions, the sector has both an opportunity and responsibility to help the world discover new ways to reach emissions goals. Part of the solution includes major investments in renewable energy sources, such as hydropower, wind energy and solar. "As an industry that's a part of the challenge, we're excited to help make the built environment part of the answer," O'Brien says.

Sustainability efforts are not only good for the environment, they're also good for business. In 2020, JLL helped clients reduce their carbon dioxide emissions by 194 million pounds, driving \$300 million in energy cost savings.



Everyone, regardless of where they work, wants to be in an environment that's safe, comfortable and attractive.”

Greg O'Brien

CEO of Markets, JLL

JLL has invested in building out its in-house sustainability practice, helping clients both shape and execute their green efforts. “The reality is any company can be carbon zero tomorrow if they just shut everything down. But we know that’s not a reasonable ask,” O’Brien says. “What they have to do is go on a journey. We help them figure out where to start.”

SUPPORTING HEALTHIER URBAN ENVIRONMENTS

COVID-19 supercharged the e-commerce landscape. Almost overnight, it overtook brick-and-mortar shopping for many consumers, spiking demand and straining the supply chain. In the first quarter of 2022, e-commerce represented 14.3% of retail sales, up from 11.9% prior to the pandemic and down slightly from the pandemic peak of 16.4%.

This rapid shift accelerated demand for industrial real estate, too, particularly in densely populated urban markets. Many companies have struggled to keep up with the spike. In the U.S., vacancies fell to 3.4% in the first quarter of 2022, marking the sixth consecutive quarterly decline. Overall leasing volume increased 17% relative to last year, led by logistics and distribution companies.

Increased consumer demand coupled with record-low vacancy rates has driven many companies to build upward. Multistory warehouses, commonplace in Asia, are becoming increasingly popular in the West. The first vertical warehouse in the U.S. opened its doors in Seattle in 2018, followed by plans for similar construction in New York and San Francisco.

“It’s a bit like renovating your house,” O’Brien says of the current situation facing space-constrained companies. “Maybe you need to shrink the dining room to expand the kitchen. If you need to stay in your house longer, then that’s what it’s going to take. This is the kind of calculus our clients are doing right now where they feel the supply constraints.” While market demand has so far propelled warehouses upward, the vertical trend also has important implications for sustainability. Vertical warehouses allow companies to place their fulfillment centers closer to population centers, reducing truck traffic and cutting back on carbon emissions, while reducing delivery times to consumers.

MAKING WORKPLACES WORK BETTER FOR PEOPLE

Just as the commercial real estate industry can help improve outcomes for the planet, it can also make life better for employees. Over the past decade, an increasing number of forward-thinking companies have pursued WELL certification, optimizing their buildings to prioritize the health and safety of workforces. Focused on the attributes of buildings that affect human health the most, WELL measures how buildings optimize indoor air quality, how they leverage illumination levels to improve worker mood, and even how they support mental and physical health.

These efforts come at an important time. Driven by the existential concerns raised in the pandemic, an overwhelming percentage of the workforce has prioritized wellness, flexibility and even purpose when evaluating job opportunities. Thus, the built environment has become a critical component of attracting and retaining talent.

In addition, dynamic occupancy planning, powered by artificial intelligence, is giving companies valuable insights into how employees are using office space. Where are people sitting? Who do they sit with? Are fewer people using the office than we expect? The answers to these questions inform critical decisions about layout, construction and utilization.

“Something that still surprises me is that, despite the fact that labor is the No. 1 challenge for companies today, you still see many big firms that are trying to hire people into distribution centers supplied with just soda machines and aluminum chairs,” says O’Brien. “That just doesn’t work anymore. Everyone, regardless of where they work, wants to be in an environment that’s safe, comfortable and attractive.”

For O’Brien, these conversations reflect the shifting role of a centuries-old industry that has evolved from static spaces to dynamic environments. It’s also a sign of the times for brokerages like JLL, that were traditionally tasked with fulfilling fully baked business plans and are now integral partners in building those transformation roadmaps.

Q&A

PETE BUTTIGIEG



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Pete Buttigieg might be the most famous U.S. Secretary of Transportation. Yes, in part, it's because of his candidacy for President, but it's equally due to the unprecedented visibility of the country's transportation system, which he oversees. The backbone of what we call the supply chain isn't just the everyday concern of the Secretary; it's on the radar of everyday Americans now, too, anytime they can't get building materials for their company or formula for their babies. We asked Sec. Buttigieg to share his and the Biden-Harris Administration's vision, the challenges still looming, and the historic opportunity to meet them.

ON SUPPLY CHAIN OPTIMIZATION

So many more people are now talking about where the supply chain is broken and how we can fix it. How has your understanding of the supply chain, its parts and their interconnectivity evolved, and how does this administration's approach differ from past thinking?

Pete Buttigieg, United States Secretary of Transportation: Recent events have highlighted the importance of our supply chains—regional or global networks that are mainly privately operated but depend on public infrastructure. Everything is tightly connected: A bottleneck or shutdown in China will be felt at the mall near my house in Michigan. Achieving better fluidity in our supply chains requires us to work across all of the different modes involved, and also pay attention to the digital technologies that cut across the modes but are always not adequately integrated.

Today the USDOT, together with the Supply Chain Disruptions Task Force, is engaging partners across the supply chain landscape, from ports to rail to trucking to warehousing, on near-term operational improvements that can help get goods from ships to shelves quicker and more affordably while we make long-needed investments in our nation's critical transportation infrastructure for the long term.

The past two years have accelerated a transformation in how goods are moved across the country. What are some of the innovative approaches you have seen to streamlining processes? And what role do you see the government playing in helping to solve the supply chain's most pressing challenges?

PB: It is important for our transportation supply chain network to creatively address today's challenges, with an eye toward the future. One innovative approach that the Biden-Harris Administration has helped make a reality is supporting temporary or "pop-up" container yards near exceedingly busy ports, which has helped us move significant amounts of goods through, for example, the Georgia Ports Authority, Port of Oakland, and Northwest Seaport Alliance.

We've also brought together companies in sectors such as retail, shipping and logistics, chassis operators, and ports to share better data with each other, help goods move quicker, cut down on shipping costs, and ultimately lower prices for consumers.

One of the critical roles we play is that of an honest broker among regional and private-sector players. We have been bringing different key entities together weekly—if not daily—to overcome barriers, coordinate more effectively, and help alleviate some of the bottlenecks.

What is the FLOW Initiative, and how were initial participants selected?

PB: FLOW is an information sharing initiative between players across the goods movement supply chain. These key stakeholders, of which Prologis is one, are currently working together with the Administration to develop a proof-of-concept that gives companies better information on the health of the supply chain at key nodes, and a preview window into demand and capacity, so that cargo can be moved more quickly, ultimately bringing down costs for families. FLOW includes private sector participants that were selected because they represent a range of perspectives across our supply chains, including beneficial cargo owners, warehousing, and logistics companies, ports and more.



While public-partnerships exist at a smaller scale throughout the supply chain, a national data-sharing initiative to smooth supply chains at this scale is unprecedented.”

Pete Buttigieg
U.S. Secretary of Transportation

How unique is this public-private partnership across the supply chain? Why was it so crucial to gather stakeholders from so many sectors?

PB: USDOT has a history of data collaboration with the private sector, including in the aviation industry and with automotive companies. Investing in this kind of private-public innovation around the supply chain is critical, given the leading role of the private sector in owning and operating the bulk of our supply chains. While public-partnerships exist at a smaller scale throughout the supply chain, a national data-sharing initiative to smooth supply chains at this scale is unprecedented.

Why is data transparency important? How might it ease bottlenecks caused by global events such as China's shutdowns and the war in Ukraine?

PB: Right now, data and the health of the supply chain are largely assessed after the fact. FLOW improves upon this approach by providing participants with a preview of what and where bottlenecks are estimated to occur so companies can act proactively to address them, thereby allowing goods to move faster and ultimately bringing down pressure on shipping times and costs.

ON THE BIPARTISAN INFRASTRUCTURE LAW

These investments are aimed at future-proofing our supply chains. What are you most concerned about when it comes to the future? What types of events must we prepare for?

PB: Over the last two years, global supply chain disruptions caused by the pandemic have affected families, workers, and businesses—deeply and personally. After decades of underinvestment in America's supply chains, the investments we are now making in freight rail, ports, inland waterways, highways and bridges and more, are going to modernize America's infrastructure and make it stronger and more resilient for generations to come. The partnerships we are building today will help as well. This resiliency matters precisely because we can't fully predict what will happen next—pandemics, weather disasters, conflicts or other shocks to the system—but we know that with these collaborations we will be better prepared for the unknown.

How will you ensure equity for underserved communities when it comes to the investments and the workforce that will put these funds to use?

PB: When we look at past infrastructure investments in this country, it's clear that they did not benefit all Americans fairly or equitably—including when it comes to who was hired to build them. At USDOT, in a number of our largest discretionary grant programs, we have made clear that we are looking for how project sponsors are proactively considering equity considerations in their proposed work and weighing this in our decisions. That could mean, for example, that projects with workforce development programs focused on hiring people from the local community now will be more competitive. One of our new programs, the Reconnecting Communities grant program, is investing in communities that have been disconnected by past infrastructure decisions, supporting work to ensure that the future brings good transportation connections to jobs, education, and critical services like health care.

How will the law support climate and clean energy goals?

PB: The Biden-Harris Administration set a target for the United States to achieve a 50-52 percent reduction from 2005 levels in economy-wide net greenhouse gas pollution by 2030. In just the first 15 months of this Administration, we've finalized new fuel economy standards that will save people hundreds of dollars at the pump and reduce vehicle emissions, supported development of sustainable aviation fuels to make air travel cleaner, partnered with DOE to deploy historic funding for states to start building a national network of EV chargers, and released funding that will support 1,000 low and no emissions electric buses every year over the next five years, and the facilities to support them, so people don't breathe in toxic fumes on their way to school or work. The Bipartisan Infrastructure Law contains funding for important climate investments, including so much of the above, which will put people to work, save lives, and help ensure U.S. global competitiveness for decades to come.

YOUR WORKFORCE CHANGED **DID YOU?**



ISSUE 2, JUNE 2022

Almost everything became more complicated during the pandemic, but Maria Flynn's mission of advancing job opportunities for underserved populations took an especially complex series of twists and turns. The CEO of nonprofit Jobs for the Future (JFF) finally has a moment to reflect on what happened during the last two years in the workforce—and at JFF—and how it might foretell what's to come in the next decade.

For one, she says, companies still greatly misunderstand the so-called Great Resignation and what it means for the future. It's not just about disgruntled workers quitting to cash in on a competitive market. "Employees have power they haven't had before, and they are exercising it to demand what they need to be successful and how they expect their employers to show up for them," explains Flynn, a longtime workers' rights advocate, a former U.S. Department of Labor executive and one of Prologis' inaugural Groundbreakers.

Flynn is redefining modern leadership—both for the business community at large and within her organization. With 77% of supply chain personnel planning to quit in 2022, the opportunity for rumination is short, and the time for action is now. She says employers must embrace the lessons of a dramatic few years, overhaul corporate culture, rethink inclusion and make bold moves to keep pace with the evolving labor landscape.

A CULTURE OF RESILIENCE

Today's top companies are rethinking their approach to talent as employees demand more than just a paycheck. Workers seek supportive corporate culture, work-life balance and a focus on mental, physical and financial wellness. This means investing in what Flynn calls "workforce resilience," initiatives that help people persevere through chronic shocks and stresses. "It could look like regular check-ins to understand employee well-being, flexible schedules and work arrangements that prevent burnout, and comprehensive benefits packages alongside equitable compensation," Flynn says. This modern approach to employer responsibilities "pays dividends" when it comes to building, developing, and retaining or strengthening teams, she adds.

Recognizing that crisis recovery will be a pressing challenge for the foreseeable future, retailer Sam's Club and JFF designed new, more holistic trainings for frontline managers. The program, now available to about 95,000 warehouse and supply chain workers, addresses issues accelerated by COVID-19, such as loneliness, burnout, hiring and retention.



Maria Flynn, CEO, JFF

A PLACE OF BELONGING

It's not new nor surprising that workers want to feel heard and valued; they want a sense of belonging. Now, they're simply not accepting anything less. In fact, a recent analysis of more than 1.4 million Glassdoor reviews found that toxic culture, described as "failure to promote diversity, equity and inclusion" and "feeling disrespected," was the No. 1 reason people quit.

While the past two years saw many organizations issuing admirable ESG goals, employees are demanding results and programs that add personal and professional value. Salesforce, for example, launched The Warmline in 2020. More than 1,000 staffers have used the call-in service, which connects Black, Indigenous, Latinx and LGBTQ+ employees with advocates who help with career navigation, community building and issues of belonging.



As a leader, you must trailblaze a path forward and illuminate the journey for others through authentic discussions of uncertainties and your experience navigating them.”

Maria Flynn
CEO, Jobs for the Future (JFF)

The shift away from physical offices also ushered in a new era of inclusivity. JFF was already casting a wider net through remote hiring but went “all in” when the pandemic shutdown began. Then, as the Great Resignation raged on, Flynn began rethinking culture and inclusion through the lens of remote retention. “This included doubling down on investments in staff, stipends to outfit home offices, resources to support regional meetups and programming, as well as more transparent, equitable and competitive benefits, such as unlimited paid time off, generous parental leave, dependent care leave and tuition reimbursement,” she says. “We are continuously assessing what additional changes are needed.”

CEO CALL TO ACTION

Finally, Flynn notes that demand for corporate activism among employees and consumers alike has perhaps never been greater. A 2022 survey of more than 36,000 people found that nearly six in 10 workers expect their leaders to be vocal on societal issues. “Though this is a complex dynamic for a nonpartisan, nonprofit organization like JFF, it is fundamentally important to take a stand on issues that impact the populations we seek to serve and that may impact our employees,” she says.

Amid the pandemic, Flynn issued statements denouncing systemic racism following the murder of George Floyd, one of renewed hope during the 2021 presidential inauguration and, most recently, a post encouraging employers to provide access to safe and reliable reproductive health care. If thoughtful and authentic, corporate activism can be instrumental in anchoring one’s “mission, values and programmatic work within larger social, cultural and political contexts,” Flynn says.

ADVICE TO LEADERS: SWING FOR THE STARS

How can others create more meaningful, inclusive and inspiring workplaces? Flynn suggests seeking out fresh outside perspectives, leaning on peer support and leading with transparency. She shared her personal pandemic struggles, which included overseeing the schooling of her young daughter and caring for elderly parents, with her teams to build mutual empathy and ease lockdown isolation. “As a leader, you must trailblaze a path forward and illuminate the journey for others through authentic discussions of uncertainties and your experience navigating them,” she advises.

Flynn is also a proponent of swapping safe old playbooks for grand ideas that may feel risky. “The pandemic taught me that we have the ability and capacity to do more than we typically think possible to enable greater efficiency, effectiveness and impact,” she says. “It showed me the importance and promise of taking big swings.”

At JFF, one of those swings was around remote work for their own Boston-based operations team. It was an oft-debated topic, but once in place, the shift to work-from-home allowed JFF to engage a broader talent pool and inspired a new digital workflow. Today, nearly 45% of the staff is not affiliated with a physical office, and employees are spread across 35 states. Flynn’s teams are now thriving in flexible work. It’s a moment of exhale for a leader who has spent the last few years in survival mode, a chance to take stock of recent lessons learned and apply them to future possibilities. “I now regularly ask myself and my leadership team, what else have we put in the ‘what if’ category that may, in fact, belong in the ‘must do?’” she says. “How do we identify those big-swing opportunities that have transformative potential?”

ROADMAP TO **RESILIENCE**



ISSUE 2, JUNE 2022

BLAZING A HIGH-TECH, HUMAN-LED TRAIL WITH SCHNEIDER ELECTRIC

For Annette Clayton, CEO of Schneider Electric North America, resilience is more than just a pandemic buzzword; it's her core philosophy. Building and maintaining resiliency is central to every facet of her business, from cultivating talent and creating an inclusive culture to delivering results for customers and shareholders.

The energy management and industrial automation giant, which reported 28.9 billion euro in revenues in 2021, combines world-leading energy technologies, real-time automation, software and services to help homes, buildings, data centers, infrastructure and entire industries achieve a more resilient future. Clayton has been focused on making Schneider Electric inherently more adaptable, sustainable and prepared for what she calls “the decade of disruption.”

Modern resiliency, she says, is built in both the virtual and real world through a combination of cutting-edge, predictive technology powering smart, agile decision-making. “You can't know the unknowable,” Clayton admits, “but you can build a strong team armed with the right tools to navigate it.”

AGILITY IS ANYTHING BUT RISKY BUSINESS

When asked what has been most critical to the energy giant's success during this era of disruption, Clayton answers without missing a beat: high-performing teams. With over three decades of supply chain leadership experience, including heading GM's Saturn division, Dell's global operations and now overseeing 33,000 of Schneider Electric's 128,000 employees globally, Clayton is considered an expert teambuilder. The key ingredients, she says, are common objectives, accountability and trust. "High-performing teams have spent time together building that trust, genuinely care about each other and have the psychological safety to talk about what is not working," she adds.



Have you lived and worked internationally? Have you had children? Have you been through a divorce? Have you taken care of your parents? This, combined with your education and all the skills in your toolbox, make a flywheel of learning agility that really talented people can apply to the next challenge and the next.”

Annette Clayton
CEO, Schneider Electric North America

Perhaps the most important component to Clayton's dream team is what she calls "learning agility," an ability to apply a combination of competencies, life experiences and skills to new roles. "Have you lived and worked internationally? Have you had children? Have you been through a divorce? Have you taken care of your parents? These are life experiences that build strong fortitude," says Clayton. "And this, combined with your education and all the skills in your toolbox, make a flywheel of learning agility that really talented people can apply to the next challenge and the next."

While some may consider this approach risky, Clayton believes seeking out non-traditional qualifications is a surefire way to create diverse, resilient workforces. She also notes that the risk goes both ways. As someone who has "said yes to things I had no idea how to do," Clayton advises everyone to take chances when opportunity knocks—especially women. "This is where gender bias does play out because we see our male counterparts often more willing to tackle something they've never done before," she says. "Fortunately, I had mentors along the way who pushed me and gave me confidence, so when doors opened I took the risk to walk through them."

A STRUCTURAL APPROACH TO FLEXIBILITY

Like many pandemic-era leaders, Clayton was confronted with the challenge of building resiliency amid an unprecedented labor upheaval. Schneider Electric's answer to the urgent retention crisis was an adoption of intentionally flexible policies. "We made sure to meet people where they were at, be very family friendly and give as much latitude as we possibly could," says Clayton, noting how this approach continues today. "We instituted part-time programs because we didn't want to lose someone who was just overwhelmed by life."

Flexibility proved particularly valuable for female employees, who were quitting at higher rates than their male counterparts. According to Labor Department data in 2021, 2.5 million women left the workforce amid the pandemic, compared to 1.8 million men. In response to what she calls a "very alarming" trend, Clayton launched flexible initiatives specifically targeted at women. The global company, which spans more than 100 countries, also took a decidedly localized strategy to account for cultural nuance. In India, for example, which leads the world in the number of female engineering graduates, there was a concerning pattern among Schneider Electric employees: Scores of women engineers were quitting as their children were taking examinations. Recognizing that test preparation often falls to mothers, "We created a unique leave program, sabbaticals for them to do that function in their family and then allow them to return to the workforce," says Clayton.



If you don't de-carbonize your supply chain, you're not really de-carbonizing."

Annette Clayton

CEO, Schneider Electric North America

Her other tactics include "forcing the conversation" around hiring to ensure there are at least two female candidates for every opening and instituting a returnship program to support women reentering the workforce.

DIGITAL TWINS WIN THE PANDEMIC

"As a leader, the best thing you can do is facilitate the team to the best possible outcome," says Clayton, which includes surrounding them with the right technology. She says the most transformative tech trend to emerge for her business from pandemic-era chaos has been the application of the digital twin. This virtual replica of a company's supply chain, manufacturing process or production line uses real-time data to simulate performance, analyze risks, model "what if" scenarios and provide valuable insights for navigating future disruption. "People are throwing out traditional forecasting processes," says Clayton. "Digital twins allow more stakeholders to add input into the modeling, significantly increasing visibility across value chains."

As COVID-19 lockdowns shuttered factories around the globe, multinational energy company ENEL used digital twin technology to develop a semi-autonomous plant overnight, transitioning 30,000 workers in Italy to a cloud-based remote model without disruption to their operations.

First applied to manufacturing in 2002, the modern digital twin is more powerful than ever, thanks to advances in machine learning, data science, artificial intelligence and the internet of things (IoT), which describes the universe of digitally connected physical devices feeding data to the 3D models. Today, these virtual tools mean real-world big business. Valued at \$10.3 billion in 2021, the global digital twin market is expected to reach \$54.6 billion by 2027.

Digital twins are now helping save the planet, too. Predictive modeling increases visibility of energy use and efficiency, which ultimately increases savings. In China, Schneider Electric's digital twin technology, paired with its energy-saving and automation tools, helped Sanning Chemical design a new ultra-efficient plant. The results: Energy consumption was cut by 5% while production increased by 30%.

GREENING GLOBAL SUPPLY CHAINS

According to Clayton, if leaders truly want to move the needle on sustainability—another core tenet of her resiliency roadmap—then they must look beyond their own backyards. For the average company, carbon emissions are 11 times higher in their supply chain than in their own operations. “So if you don't de-carbonize your supply chain, you're not really de-carbonizing,” she says.

Recently ranked No. 2 in Gartner's Supply Chain Top 25 for 2022 list, Schneider Electric is committed to halving the carbon emissions of its top 1,000 suppliers' operations by 2025. A major milestone on that journey includes partnering with Walmart, the world's largest retailer, to increase access to renewable energy for the company's U.S. suppliers.

LEADERSHIP IS A TEAM SPORT

A competitive athlete at a young age, Clayton excelled at individual sports, like track and cross country. She says it wasn't until she got to the boardroom that she realized the power of a team effort. This has never been more apparent than over the past two years. “One of the things that was very clear as we managed through the pandemic and continue to navigate the uncertainty of today, is that I don't have to have all the answers. We worked together to find better solutions than any of us could have individually,” says Clayton. “So my best advice, especially for new leaders, is to have the courage and wisdom to listen to the people around you.”

CLEAN LOGISTICS



ISSUE 2, JUNE 2022

GLOBAL LOGISTICS PROVIDER RHENUS TACKLES CO₂ BY LAND, AIR AND SEA

Ask any executive in the logistics business about challenges these days and you're likely to get an earful about post-pandemic supply chain miseries. From closed factories in China to backed-up ports and scarce containers, the complaint box is as full as warehouses from Long Beach to Bremerhaven.

But Karsten Obert at Germany-based Rhenus Group is already looking beyond today's supply chain problems. As a member of the executive board of the third-party logistics provider, Obert focuses on the long-term challenge of building a sustainable, climate-friendly logistics infrastructure into every facet of the business, from air freight to land transport, sea cargo to warehouses. A chemist by training, Obert knows it's the right thing to do for the planet. But he says Rhenus also considers it a form of future-proofing. "Customers and policy makers will not allow unlimited CO₂ emissions anymore," he says, "and logistics companies that don't bother to do this work will go out of business."

The family owned company with 37,500 employees worldwide approaches sustainability the same way it handles supply chain issues: through a corporate culture that stresses decentralized decision-making backed up by a strong balance sheet. “We have teams on the ground who know the values that we never compromise on,” says Obert. “We empower them to make tough business decisions relatively easily with fast approval. That enables us to have a lot of different responses to a problem very quickly with solutions that are specific to the location.”

ON THE ROAD

Rhenus pioneered field testing of the first Mercedes hybrid truck in 2011, inaugurating a fleet of 50 powered by a 220-horsepower diesel engine and 60-horsepower electric trucks, each powered by six batteries providing a range of 100 kilometers. Two years later, the company began operating the first heavy-truck e-fleet in Germany with six fully electric 44-ton haulers.

In their quest for the best technology, Rhenus tested trucks from three manufacturers: DAF, E-Force and Futuricom. The trucks, with a range between 100 and 250 kilometers, were used around Contargo terminals along the river Rhine. Motors were charged with sustainably generated electricity and eliminated 440 tons of carbon dioxide every year—a 90% reduction from combustion technology. “Our first electric trucks were from startups because they were faster to develop the technology than OEMs,” recalls Obert. “They were literally ripping the combustion engine out of existing trucks and putting in an e-engine. Then, when the OEMs woke up to green technology, we began partnering with every major manufacturer of commercial trucks.”

Also with Contargo, Rhenus is testing one of six Scania overhead-wire hybrid trucks on a 10-kilometer stretch of autobahn in the central German state of Hesse. The area has the most congested traffic in Europe’s largest country; this so-called ELISA Project, partly funded by the EU, is an initiative to reduce carbon emissions from cargo traffic.

Beyond innovative vehicles, Rhenus is developing traffic algorithms to help drivers conserve energy and working with manufacturers of battery charging stations to optimize green power generation. “We partner with a lot of external asset owners to make these technologies work,” says Obert.



Management Board Member, Rhenus

SUSTAINABLE STORAGE

Rhenus’ land-based innovations don’t stop at the end of the road. The company is pioneering sustainable warehouse operations—notably at its sleek new distribution center in Tilburg, the Netherlands. Known as the Tube, the 430,000 square foot building is solar powered, heated without gas or oil, daylight optimized and fitted with LED dimmable lighting. The building features triple-glazed windows, rainwater recycling and even biodiverse landscaping.

In other warehouses around the world, Rhenus is using electric forklifts and autonomous mobile robots, combined with optimal charging that extends the lifetime of batteries by up to three years. Yet another initiative is developing building materials that can be recycled when a warehouse is no longer useful.

ACROSS THE SEA

Obert notes that ships take far longer to develop than trucks—often decades—so change can be slow. That said, Rhenus Maritime Services developed and commissioned five Hanse Eco Short Sea Coaster ships; the first of the 295-foot-long ships was delivered in January 2022. The sleek boats are powered by hybrid engines that use 20% less fuel than equivalent diesel-only ships. Designed for routes in the Baltic, North and Black Seas, they also feature catalytic converters and exhaust after-treatment. “I think sustainable fuels are going to play a big role in shipping going forward,” says Obert. “But they are not emission free. So, we need to just be clear on that. The critical question will be how sustainable it really is.”

Portside, the company is already using electric-mobility vehicles. It also runs an eco-efficient cargo crane at the Maasvlakte deep-water terminal in Rotterdam. Aside from reducing carbon emissions, the crane lowered both operating costs and noise at the terminal.

ABOVE THE CLOUDS

Obert believes the future of sustainable air transport will eventually have to involve hydrogen fuel technology, which likely takes decades to be available at scale for air cargo. Meanwhile, Rhenus offers air freight customers a free service that helps them choose the most eco-friendly flight routes—often at no higher cost.

On the tarmac, Rhenus maintains an innovative electric air hub at Zurich with 22 freight haulers, 16 armored haulers for security services and three internal transport trucks, saving several hundred tons of carbon dioxide every year.

THE TIME FOR ACTION IS NOW

With corporate climate pledges becoming commonplace, Obert warns that savvy consumers can spot the greenwashing. At Rhenus, sustainability success is measured in continued investments, innovation and measurable results. The company ranks among the most successful 4% in its sector by EcoVadis, an independent agency that evaluates corporate social responsibility.

One thing the Rhenus Group will not do is purchase carbon offsets as a stand-alone solution. “You can buy very cheap offsets that don’t really take your CO2 out of the atmosphere,” says Obert. (For example, planting trees only works if there is a true guarantee that the trees do not end up being burnt.) “We feel we need to cut our actual emissions instead. It shouldn’t be a matter of ‘How can I do a little bit of marketing around this and try to get away with as little cost as possible?’ We must collectively work toward real solutions that actively solve our climate challenge.”

SUPPLY CHAIN INDICATOR **MAY 2022**



WHY BIG ECOMMERCE'S PAUSE IS A BLIP IN THE SUPPLY CHAIN STORY

Recent headlines paint a dramatic picture of warehouse upheaval as the world recalibrates from the e-commerce boom and prioritizes post-lockdown experiences over products.

The data's response? Meh.

Undoubtedly, Amazon's announcement in mid-May that it would shed space, at least 10 million square feet, created waves—in markets and among owners of logistics real estate. Other big-name retailers sparked chatter with proclamations about inventory in the wrong product categories.

Contrary to some foreboding buzz, the industrial real estate market's growth held firm in April, extending the momentum of a robust first quarter sales—rising imports lifted results. Overall, the data representing how warehouse customers have so far acted presents a story that's headed in the opposite direction from headlines about an e-commerce behemoth's bearish moves.

Prologis' research highlights a need for logistics customers to expand inventories to meet consumer demand and improve resilience as the economy recovers, coupled with a need for logistics companies to build more space for customers to lease. At the end of Q1, the vacancy rate in the U.S., 3.2%, was an all-time low. Given supply-demand dynamics at the time, the U.S. was on track to run out of available logistics space in just six months. That precise interplay of supply and demand is captured in a new metric that Prologis introduced in Q1, the True Months of Supply (TMS)[™]. The next TMS is planned for release at the end of Q2.

Of course, that dynamic—and Prologis’ recommendations—could change if retail sales growth further slows and the U.S. enters a downturn, as some economists predict. But so far, the big picture is far more optimistic than the buzz might have you believe. Here are the key details from our numbers: The ability to tackle emission-reduction goals comes easier to some companies than others. New regulations and ever-shifting ESG requirements often leave clients with lofty ambitions—and no way to achieve them. To that end,

IF YOU ONLY REMEMBER THREE THINGS...



Industrial Business Index Activity, Seasonally Adjusted

1. People are buying more stuff, and supply chain bottlenecks are easing. Imports from China jumped 12.7% in April, combined with an 0.8% rise in nominal seasonally adjusted core retail sales. Prologis’s IBI, our industrial business activity index, rose to 68.3 from 67.4 the prior month and 65.4 at the end of Q1 2021 (greater than 50 indicates growth, demonstrating we’re well within growth territory). The increase is a key forward indicator of logistics real estate demand across the U.S.

2. E-commerce isn’t going anywhere—it’s diversifying. Prologis leasing data shows that in the year through Q1 2022, non-Amazon customers accounted for 85% of new e-commerce leases, up from 66% in 2020.

3. Our advice for those wanting warehouse space: Plan ahead. An extremely low vacancy rate, historic low in True Months of Supply (TMS)[™] and high utilization rate (85.6%), means the pandemic-era space race isn’t slowing down.

Bottom line, Amazon is the undisputed heavyweight champ of e-commerce, often defining strategy for an entire industry. The move of one e-commerce giant, however, does not encompass the entire story of the U.S. logistics real estate market nor does it indicate a changing tide in the broader supply chain.

Think of this moment like the one in September 2021 when headlines blasted news about a second massive cargo ship stuck in the Suez Canal. Just six months earlier, the Ever Given ran aground in the canal for six days, wreaking havoc up and down the supply chain. This time, despite the seemingly symbolic images of another giant vessel sitting askew in an infamous bottleneck, the ship was freed in about 15 minutes.