

ALTIX INDUSTRY CHAMPIONS INTERVIEW

One on One: Discussion with a Global Industry Champion: Bonfiglioli – Global Leaders in motors and drives

Each quarter we sit down with industry executives and thought leaders to discuss the trends, challenges, and best practices that are transforming their businesses.

Today, we are with Greg Schulte, President of Bonfiglioli USA Inc. to discuss how Greg and his team are successfully developing the North American business for a European / Italian Industry Champion.



Bonfiglioli

USA

Greg, can you please introduce us to Bonfiglioli?

Bonfiglioli is a 65-year-old Italian company founded in Bologna by Clementino Bonfiglioli. *“We are a company that is not your typical household brand name, but our gearmotors and drives are in many of the products and things people use and consume every day. We make the world move!”* Bonfiglioli is a \$1 billion family-owned global leader in the design, production and distribution of a full range of gearmotors, drive systems, planetary gearboxes and inverters to handle the most complex demands in industrial automation, mobile machinery and renewable energy sectors. The industries we serve are nearly limitless.

You will find our products driving equipment in wastewater treatment plants, sugar and alcohol plants, automatic storage and retrieval machines, as well as automation equipment manufacturing consumer goods. We also provide gearboxes to the construction and agriculture markets to drive the wheels and tracks for all the small and large mobile equipment. And lastly, we are the largest pitch and yaw gearbox manufacturer in the world for wind turbines.

Bonfiglioli North America was initially established in Ontario, Canada. In 1999, we first opened in the USA in Lafayette, IN before relocating to our current location in 2002 (Hebron, KY). To meet rapid growth in North America, we needed to transition into a local-for-local business model increasing the scope of the company from sales and distribution to also some level of light assembly. We’ve made several expansions and renovations to our facility to accommodate our growing needs.

Today we are a very different type of operation with a lot more vertical integration and real manufacturing operation. We made significant capital investments and grew from our initial 18,000 SF distribution and light assembly center to an 80,000 SF facility that hosts Bonfiglioli’s

North American headquarters, distribution center, production, and after sales in our current location. 2020 was our largest expansion and this is when we brought Altix to support our team with project management support as we needed an outside perspective and experience to help guide us in this new endeavor. Today, we utilize a modern and state-of-the-art 175,000 SF building to serve our North American customers.

Can you please tell us about your 2020 experience which was impacted by Covid19 and what is your outlook for 2021?

2020 was a very difficult year. At the start of the pandemic, in early March 2020 we were in Las Vegas at the CONEXPO Show. While we did not fully understand what was happening, we could sense that something was wrong. We were watching carefully as the global health crisis unraveled. From Las Vegas we started to plan how to organize remote working for our employees in Hebron. By the time I landed back in Cincinnati, we had things in place for our office team to be able to work remotely and safe working for our production team. To this day, we have folks who have not yet returned to the office.

That experience was very similar to the 2009 housing crash when industries and business were shut down over night. I was thrown into my current position in 2008 and I looked back at that experience as a play book. We immediately needed to control headcount, expenses, capex and protect cash. That first week, there was a lot of uncertainty but putting a rein on our business helped us keep our balance sheet in control and we have done a great job keeping that in-check. March to June was very difficult, but we started to see the light at the end of the tunnel around July 2020. At the end of Q3 and beginning Q4, the business really started to come back strong.

For 2021, we are seeing a strong year with a nice growth trajectory. In 2020 we set up a solid base to help us excel and propel into 2021 and beyond. The challenge for this year will be filling open positions. We simply need good people who come to work every day.

How are you communicating with your team in times of crisis?

We have tried a lot of different things. The management team meets weekly virtually to review business and our KPIs. In December 2019, we launched Workplace by Facebook as our internal communication network which allows us to share company updates, news about customers or the community and stay connected as a Bonfiglioli family. I also created an internal newsletter and publish short 3 to 5 minute videos to keep the team informed of what is happening on a weekly basis. We have had to be creative. We used drones to video record the new plant so we could show it to our team in HQ. Now that we are entering the next phase of this long drawn out pandemic, we must manage employee engagement. Communication is key!

What are the big challenges you want to address in 2021 and how do you prepare Bonfiglioli North America for those future challenges?

In our mobile construction and agriculture business, we are seeing a paradigm shift towards electrification. It's challenging because it's so new in terms of product development, power settings and most importantly, battery technology. Fortunately, we have the ability to leverage

knowledge from our other business units to further innovate new products for these markets where we have been supplying traditional hydraulic products. While we do not see the markets shifting overnight, it is something we are taking very seriously.

Another external challenge is our global supply chain. Unfortunately, with the growth in demand, the continuing global shutdowns from the pandemic, and the limited sea and air freight capacity, we are hyper focused on supply chain. While we are not innovating a new product or process, this has forced us to look at how we promote our products in the market. In the past, we could try to be everything to everyone, but this requires a more flexible supply chain. Now, we are focusing our sales team and new e-shop towards specific products which align with our strategy.

Like many businesses, we are all looking for ways to be more efficient while adding value and overall better customer experience. Since its inception, Bonfiglioli has always kept the spirit of innovation and entrepreneurship instilled by its founder Clementino Bonfiglioli. In 2019, we realized we needed to invest in a true e-commerce platform to better serve our customers by allowing 24/7 access to our products and configurators. We started the discussion of e-commerce at the global company level, and Bonfiglioli North America was given the opportunity to be the test pilot for this program which we recently launched. While we have begun with a limited product portfolio, the configurator and e-shop allow the customer go through a detailed product selection criteria where they can choose a highly customized product with a longer lead time, or something more standard with faster delivery. This puts the customer in the driver seat and offers a fully transparent experience. This will potentially free up some of our customer service representatives' time and allow them to focus more on product or technical support. Ultimately, the goal is to improve customer experience, lead time, cost efficiency and optimize our supply chain.

We are also listening carefully to the market needs to bring innovative predictive analytics and maintenance, Industry 4.0 solutions into our products. For example, we have industrial customers asking for higher levels of connectivity and feedback with improved interface or app functionality. They want to be able to control systems remotely, know how they are performing, and optimize their overall performance, which we can do with our drives. We also see some customers of our large gearboxes using predictive maintenance solutions, which can be done through a variety of methods and are fully connected remotely.

In the mobile world, our new ECGenius can integrate a telemetry system where it provides live feedback related to performance of the vehicle, identify maintenance issues, and allow software upgrades to flash to the firmware remotely.

Digitalization is already happening at Bonfiglioli with all our factories around the world being connected. This gives us visibility on performance and the ability to quickly react based on data from our operations. Digitalization happens at all levels: from sales and marketing, technical configurators and engineering to operations and supply chain management.

How do you ensure that your talent keeps the pace of evolution?

We recognized early on the challenge of scaling a team in a fast pace environment and ensuring that everyone was trained to the same standards. So, we launched a Bonfiglioli, web-based LMS, (Learning Management System). This is a scalable way for us to train our professionals in the skills and techniques required to complete their responsibilities in a consistent manner. It also allows us to test and measure their abilities to assure accurate performance. Nearly all our skilled worker training is now done through this system, which also provides additional courses they can take, if desired, for personal development.

How do you envision the future of business travel post COVID-19 time?

This is a tough question and it's too soon to tell. I believe we will travel again internationally but maybe not to the same pre-pandemic level. Pre-COVID everyone easily traveled around the world with little restriction, which has obviously changed today and I anticipate will continue for the foreseeable future in some form. The pandemic has accelerated the use of technology and created an environment where working and connecting remotely is the "new norm" which helps us become more efficient in some ways. So, I don't see travel coming back to what it used to be, but I'm certain we will all adapt.

As a leader, you are challenged in many ways. How do you personally find your balance and keep your energy high level and positive?

As many people, I struggle with this balancing act. There are a few things I do to keep my sanity. I am a runner and that is my "secret sauce." I run most days of the work week just to blow off steam and collect my thoughts or put closure to them. When I am done, I am relaxed. This is enough to release any negativity and to stay healthy.

Also, I love flying. I have been flying airplanes since I was 17. My wife and I enjoy flying together. During the pandemic, we do weekend gateways where we fly somewhere for a picnic and stay safe and distanced from anyone else.

Thank you very much Greg for sharing with us and our readers the story of Bonfiglioli. We wish you and your team continued success.

ABOUT BONFIGLIOLI:

With more than 60 years of experience and a team of more than 3,700 professionals around the world, Bonfiglioli designs, produces and distributes a full range of gearmotors, drive systems, planetary gearboxes and inverters for the industrial automation, mobile machinery and renewable energy sectors. <https://www.bonfiglioli.com/usa/en>

ABOUT ALTIX:

Altix is the middle-market international industrial champions' management consulting partner, providing business strategy, technology and innovation, and operational excellence support, in the world of advanced manufacturing and international supply chain. www.altixconsulting.com