



BEC
CONFERENCE™

DISRUPTION IS COMING...
ARE YOU READY?

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PRESIDENT, APOGEE ARCHITECTURAL SERVICES, HARMON
2024 BEC CONFERENCE | MONDAY, MARCH 4

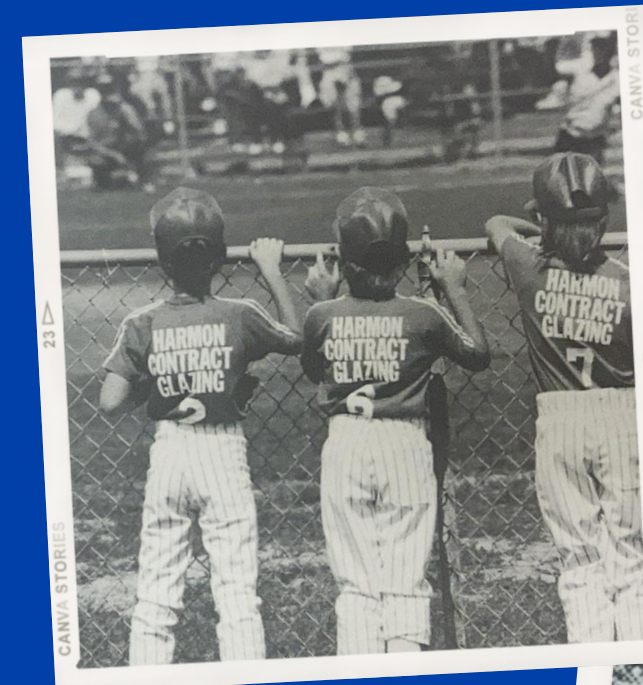


75 YEARS



1949 - 2024

On July 12, 1949, Harmon Glass Company was born, marking the beginning of Apogee Enterprises, Inc., and the Harmon brand as we know it today.



DISCLAIMER

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AGENDA

01

**SETTING THE
STAGE**

02

DISRUPTION

03

**WHAT CAN YOU DO
TO BE READY?**

SETTING THE STAGE

1

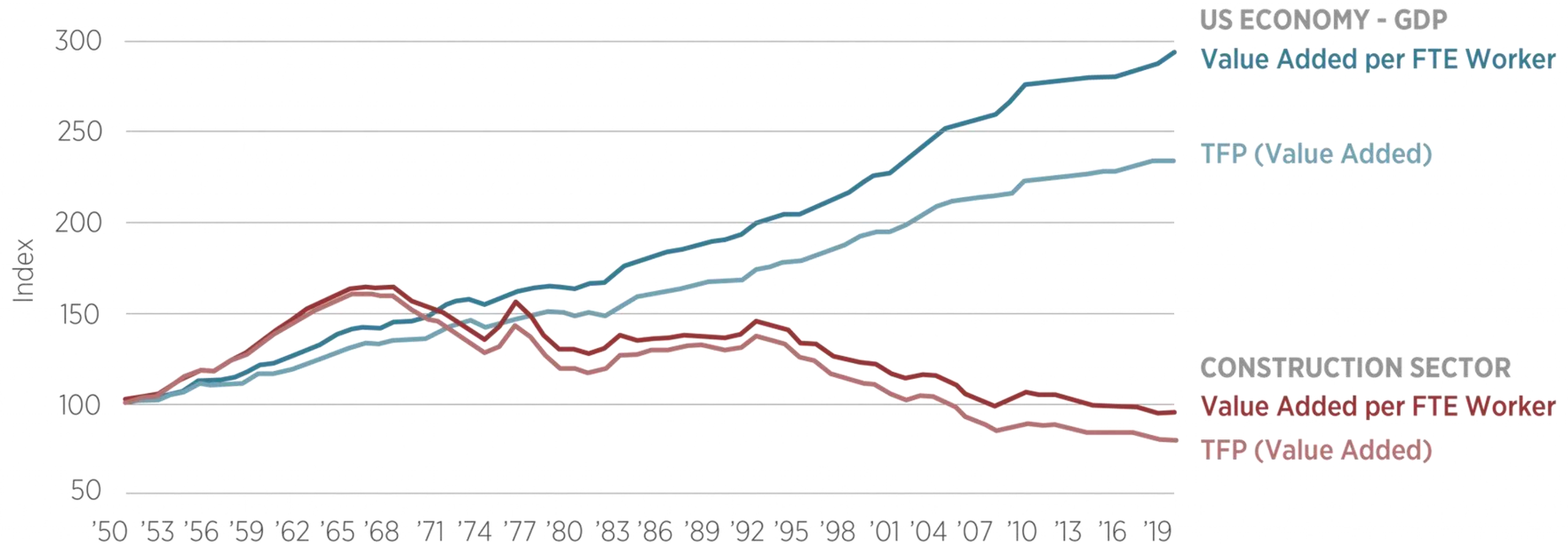


The Greatest Industry



Regressing productivity

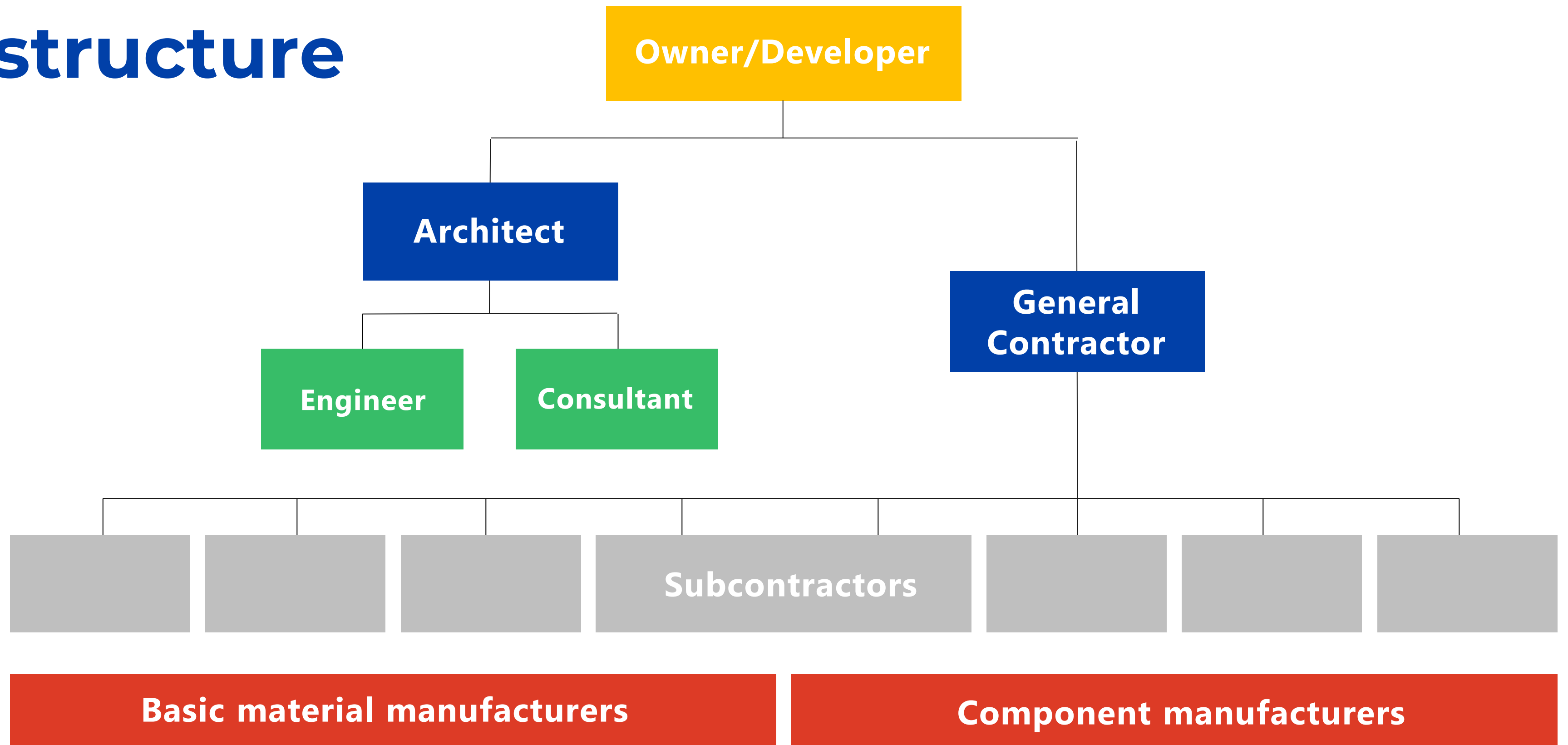
Indexes of Value Added Per Full-Time-Equivalent (FTE) Worker and Total Factor Productivity (TFP), Overall US Economy and Construction Sector (BEA Data)



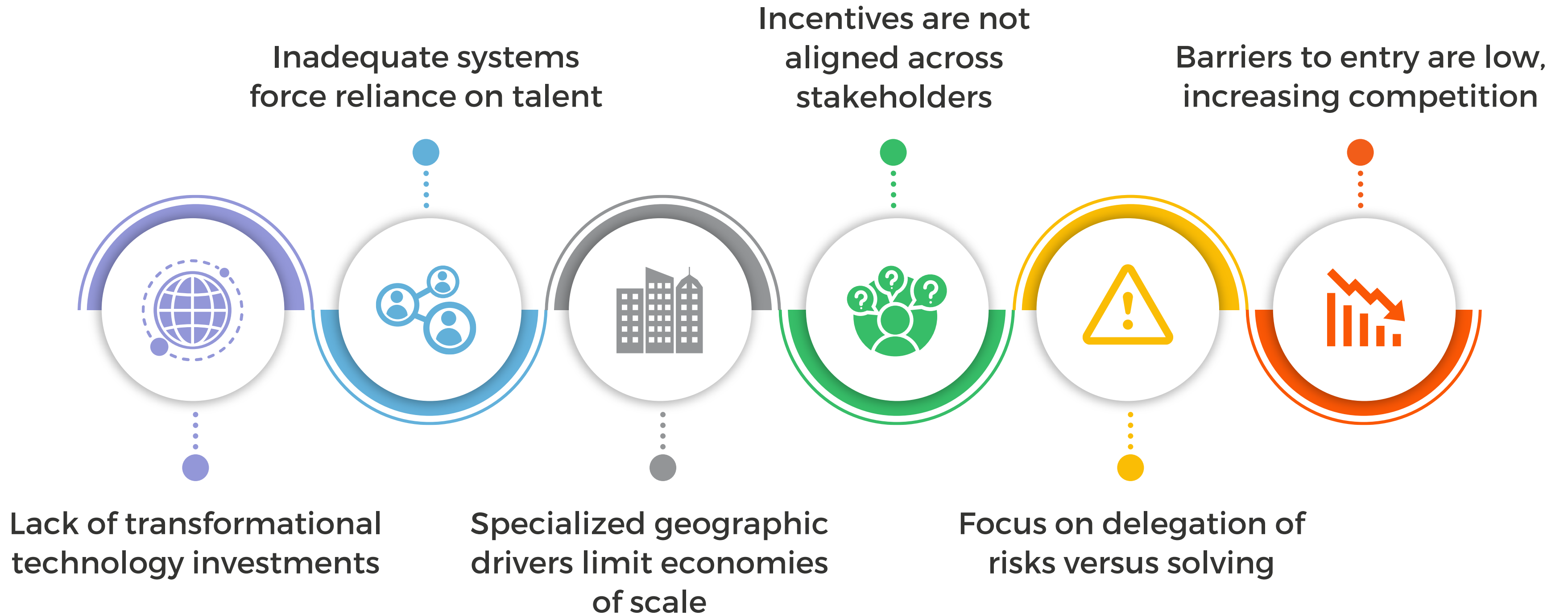
Note: This figure shows indexes of US construction sector labor productivity and total factor productivity (TFP) from 1950 to 2020. For comparison, it also plots the same indexes for the overall economy. Throughout the 1950s and well into the 1960s, both measures of construction sector productivity grew steadily. Indeed, they outpaced their whole-economy counterparts during that period. By 1970, however, the construction sector's labor productivity and TFP had both begun to fall. This downturn was not temporary; the decline has continued for the past half-century.

Stakeholder structure

TRADITIONAL STRUCTURE



Root Cause



The Right Now - Accelerating Change

COVID ERA



Supply Chain



Inflation



Financing



Office RTW Dynamics

OTHER TRENDS



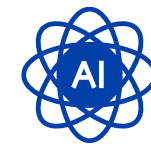
Climate Crises



Geopolitics



Demographics



Artificial Intelligence

In Summary

THE GOOD

We have a great industry

THE BAD

There are systemic challenges

THE UGLY

Significant stress is driving change at an accelerated rate

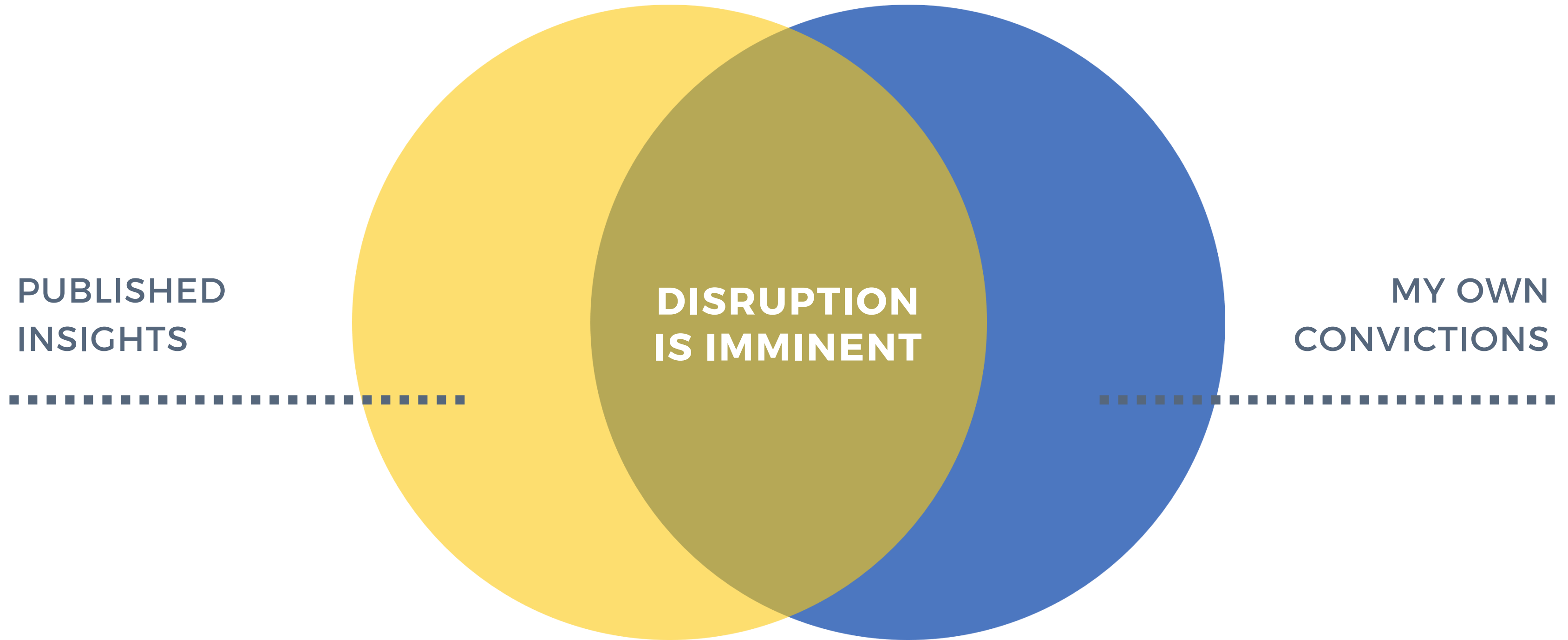


DISRUPTION IS COMING

2

Disruption: radical change in an industry or market due to innovation

TWO PERSPECTIVES



Executive summary

The next normal in construction

How disruption is reshaping the world's largest ecosystem

June 2020

Published Industry Insights:
McKinsey & Company

McKinsey: The Next Normal in Construction

Future Dynamics

1) Product-based approach

2) Specialization

3) Value chain control and integration with industrialized supply chains

4) Consolidation


5) Customer-centricity

6) Investment in technology & facilities

7) Investment in Human Resources

8) Internationalization

9) Sustainability



“A significant transformation is expected in the next 15 years, accelerated by evolving technology and the Covid era, that could double the profit pool in construction and shift as much as 45% incumbent value to others.”

**The information on this slide was presented in a 2020 McKinsey & Company report, “The next normal in construction: How disruption is reshaping the world’s largest ecosystem”*

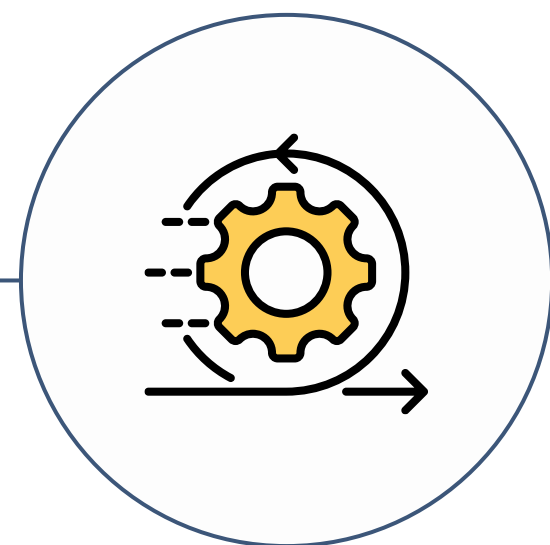
My Positions of Conviction



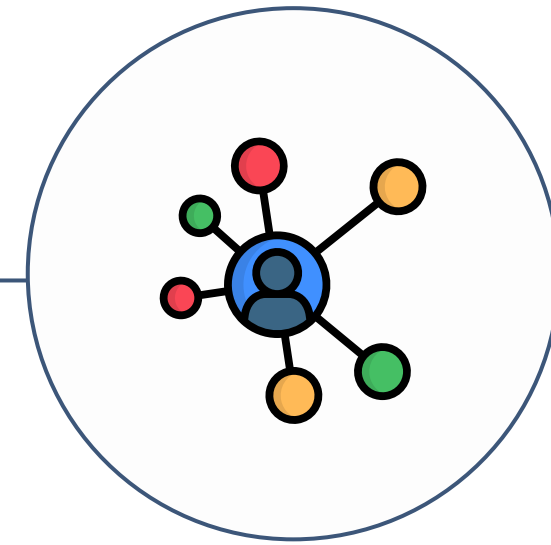
**New entrants will
be the disruptors**



**Agile incumbents
can still win**



**Winners will
achieve scale**



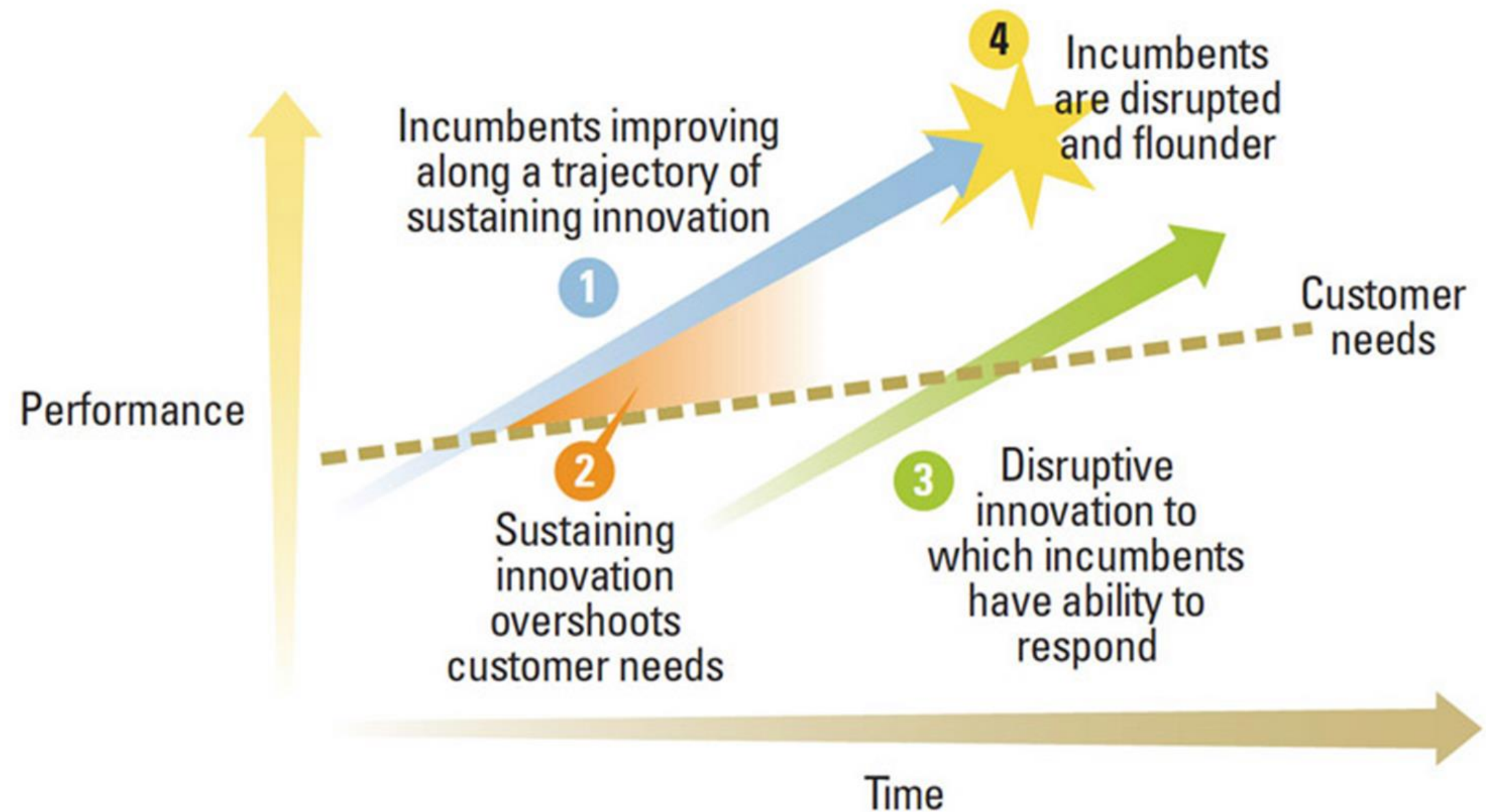
People still matter

New entrants will be the disruptors



New entrants will be the disruptors

New entrants likely to reshape ecosystem, create new business models

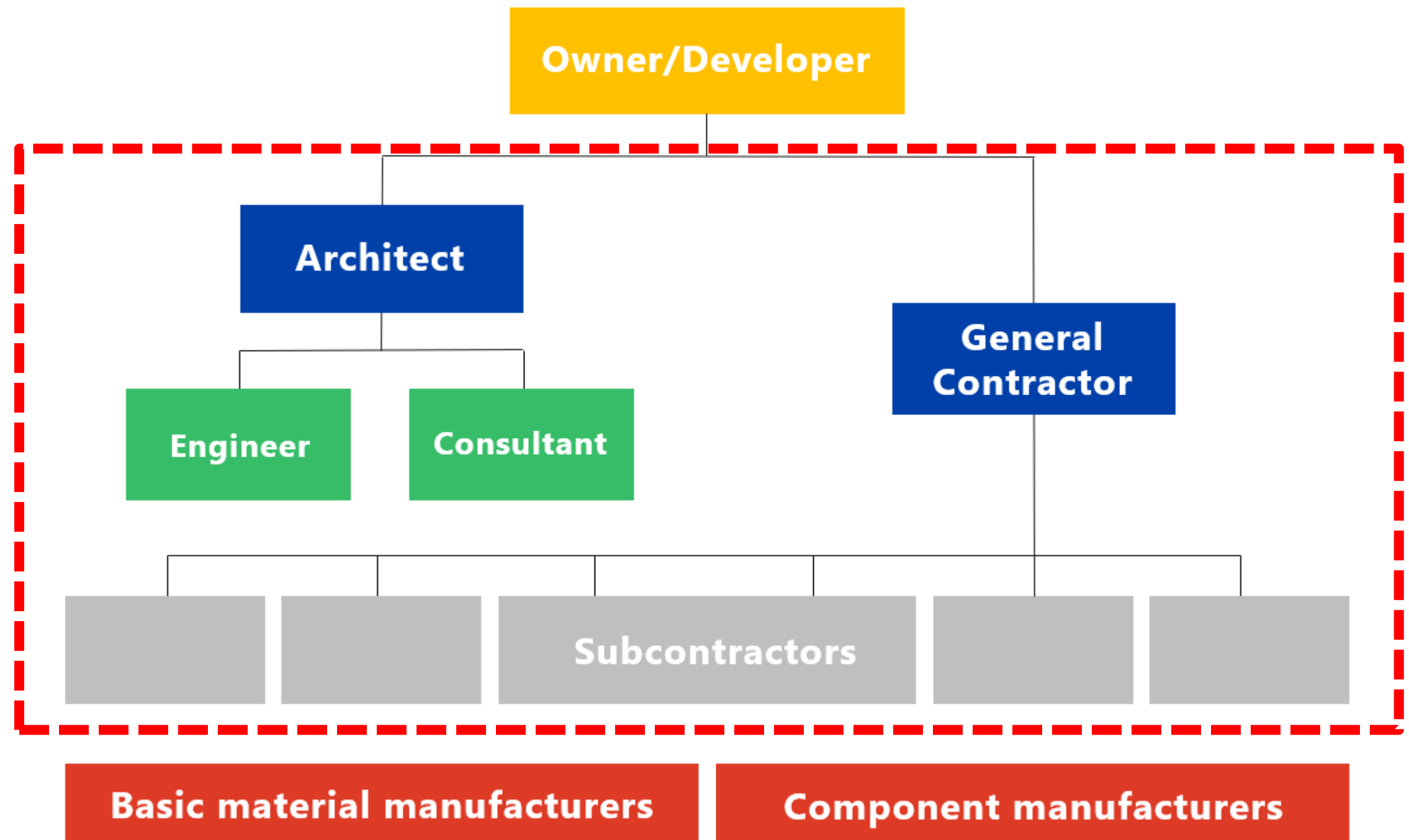


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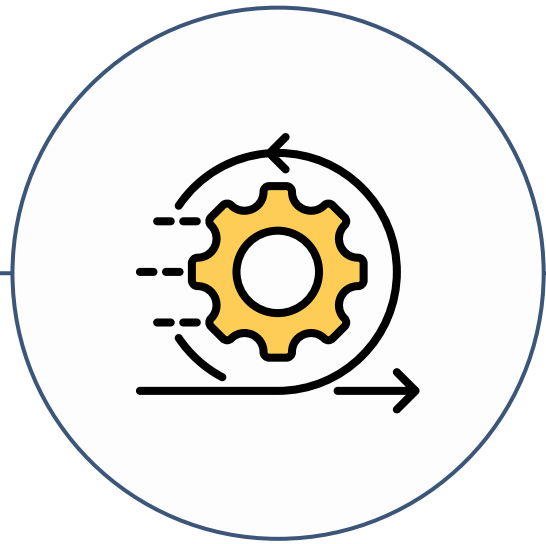


Agile incumbents can still win

General Contractors and Specialty Subcontractors likely to compete



Winners will achieve scale



Winners will achieve scale

Consolidation
Integration

Value chain control
Industrialization

Owner/Developer

FEWER, LARGER INTEGRATED COMPANIES

COMPANY #1



COMPANY #2



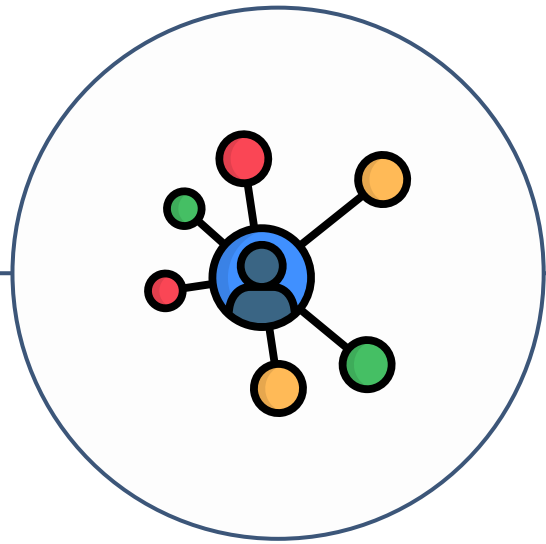
COMPANY #3



Basic material manufacturers

Component manufacturers

People still matter



People still matter

Need for experiential skill will remain

Operating system changes will amplify value of talent



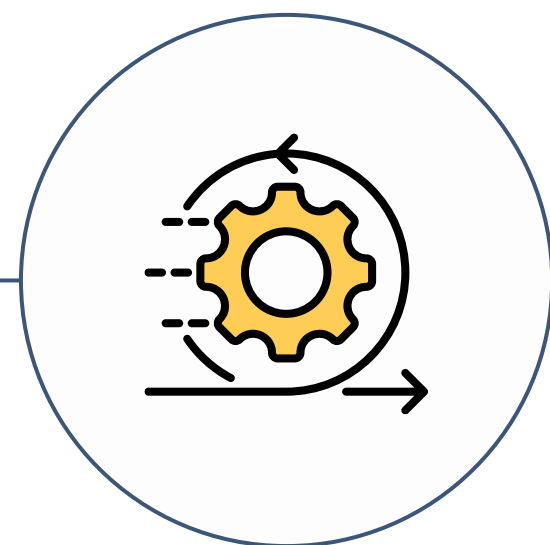
Disruption Final Thoughts



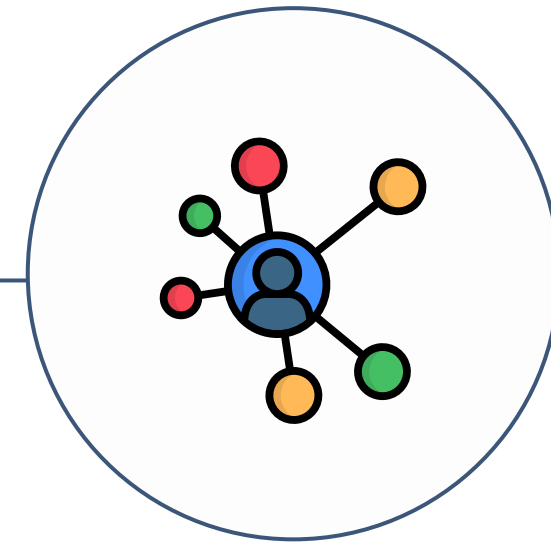
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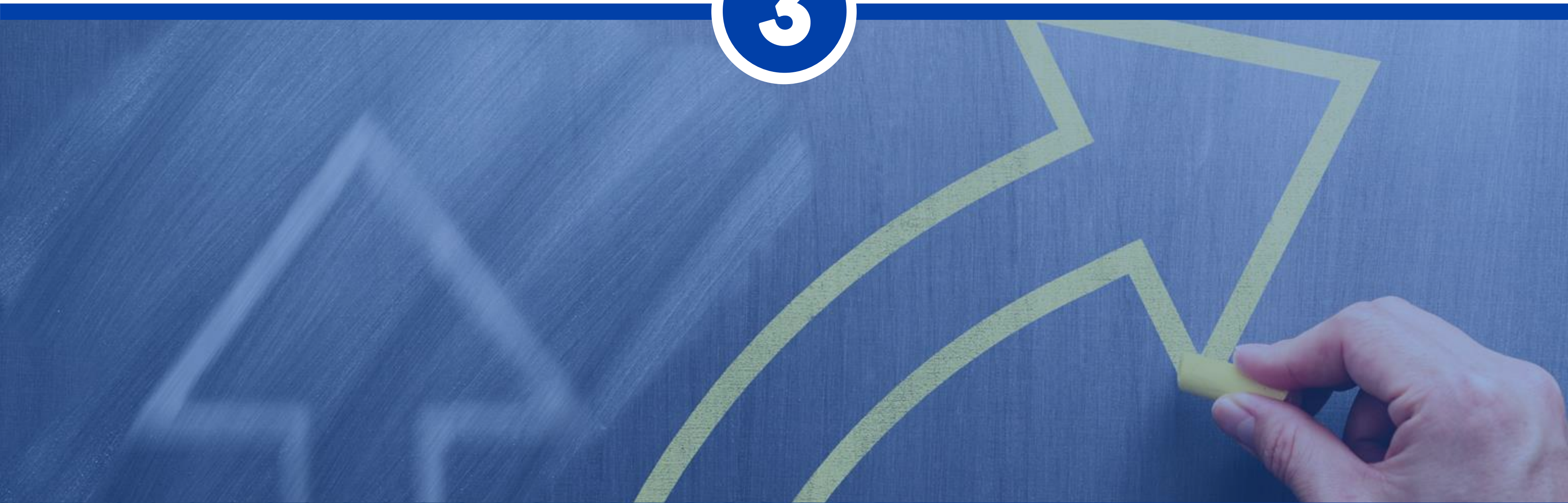
**Winners will
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People still matter

ARE YOU READY?

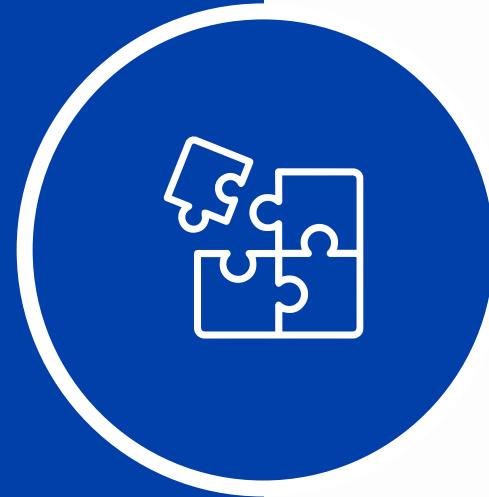
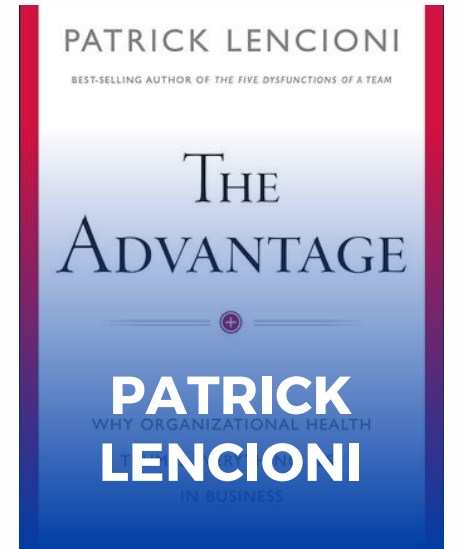
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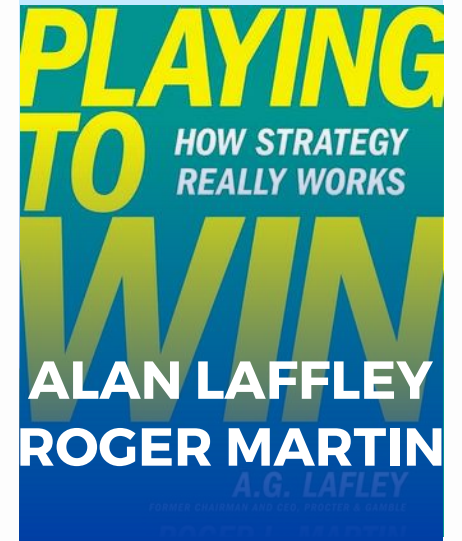
COMPANIES
Need a strong
foundation:



**Organizational
Health**

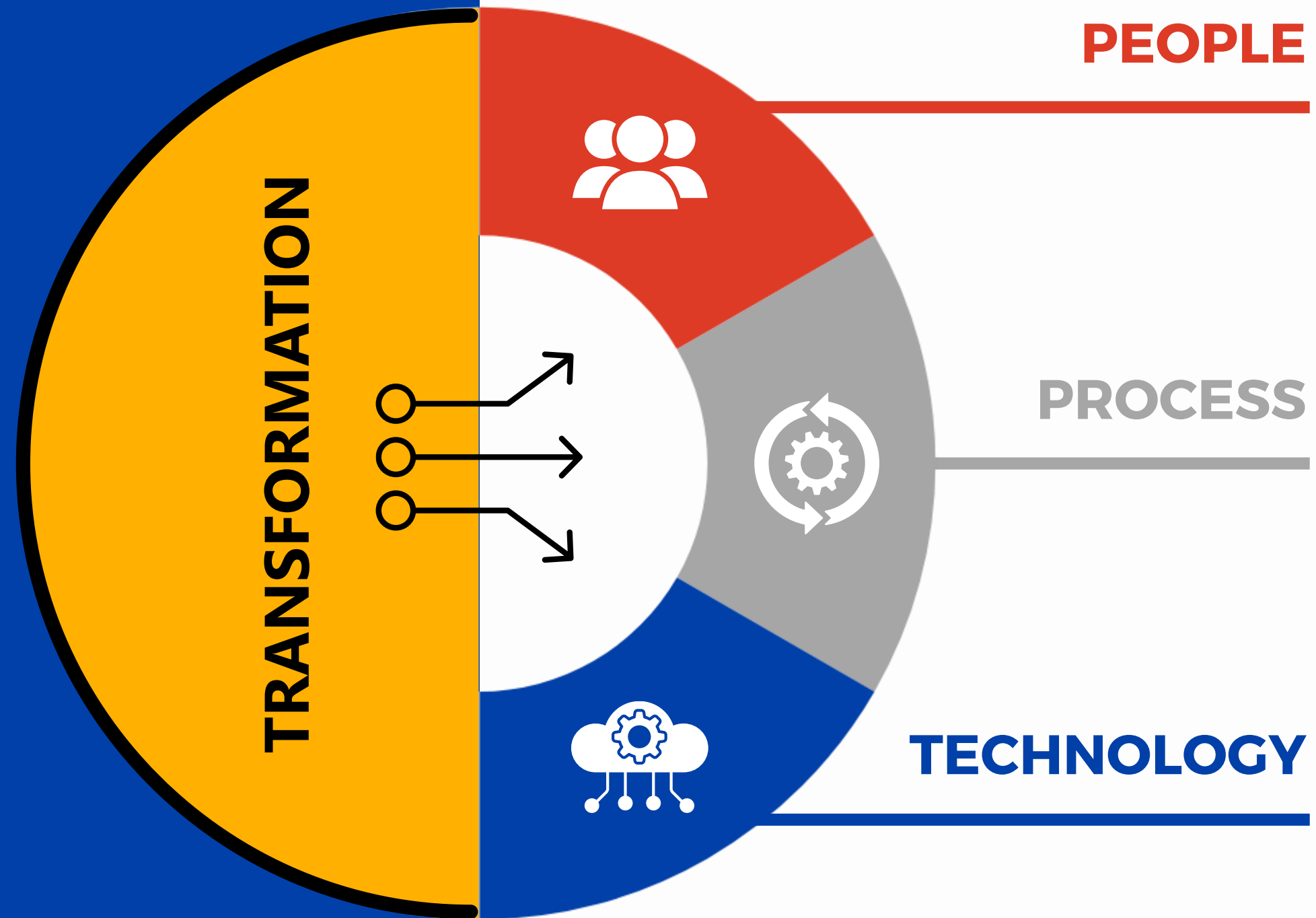


Strategy



COMPANIES:

Strengthen your operating system



SPOTLIGHT

Role clarity

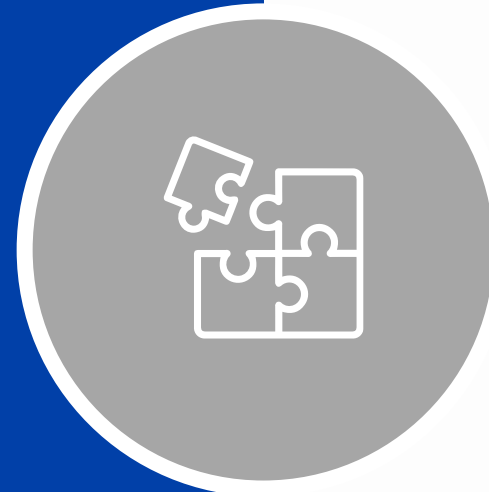
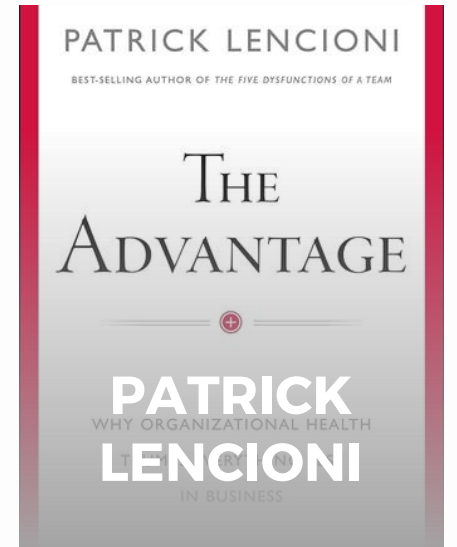
Capture institutional knowledge

Data governance

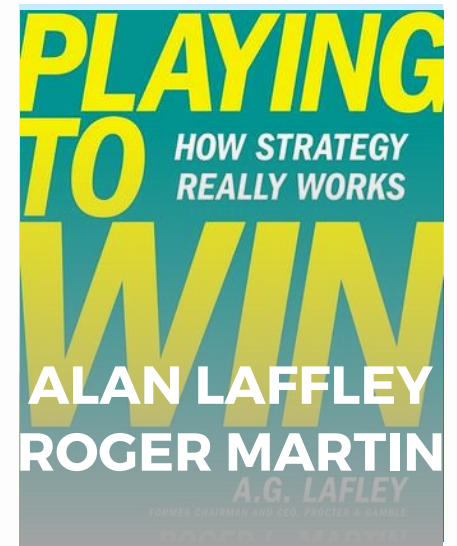
COMPANIES
Identify unmet
customer needs



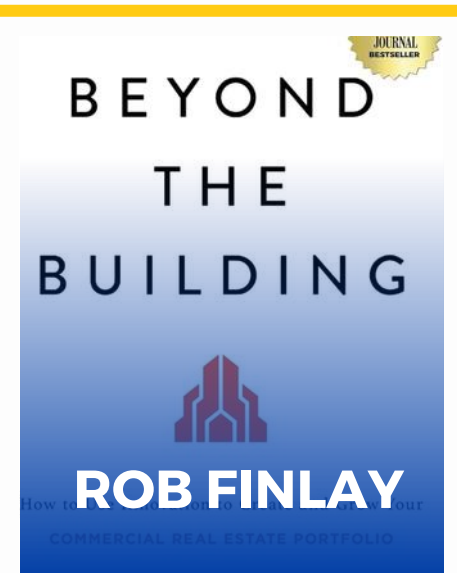
**Organizational
Health**



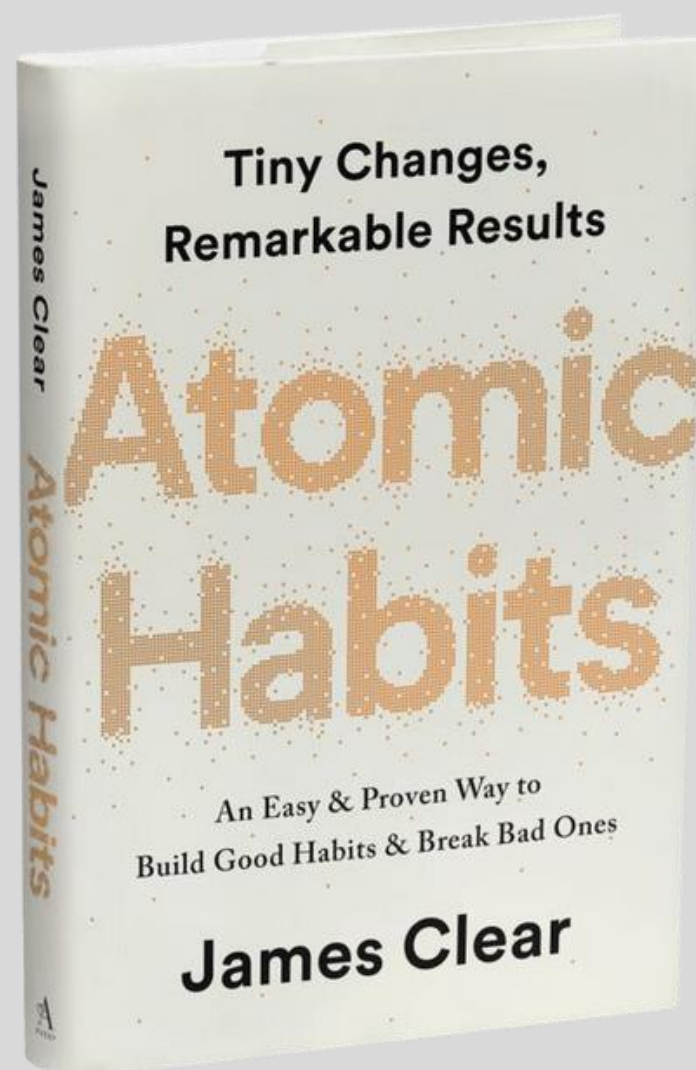
Strategy



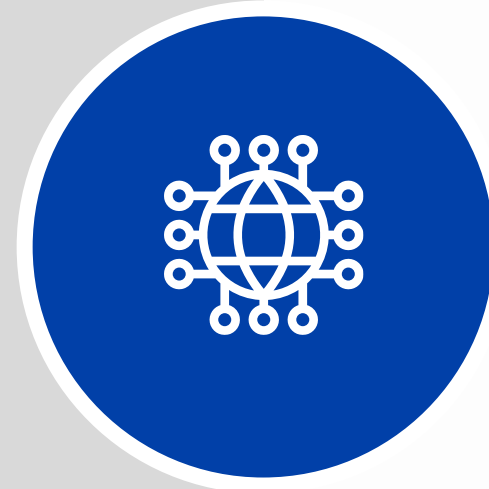
Customer



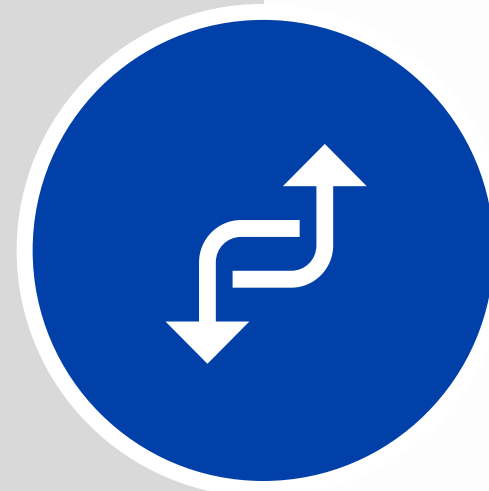
**INDIVIDUALS
embrace a
growth mindset**



Skill acquisition

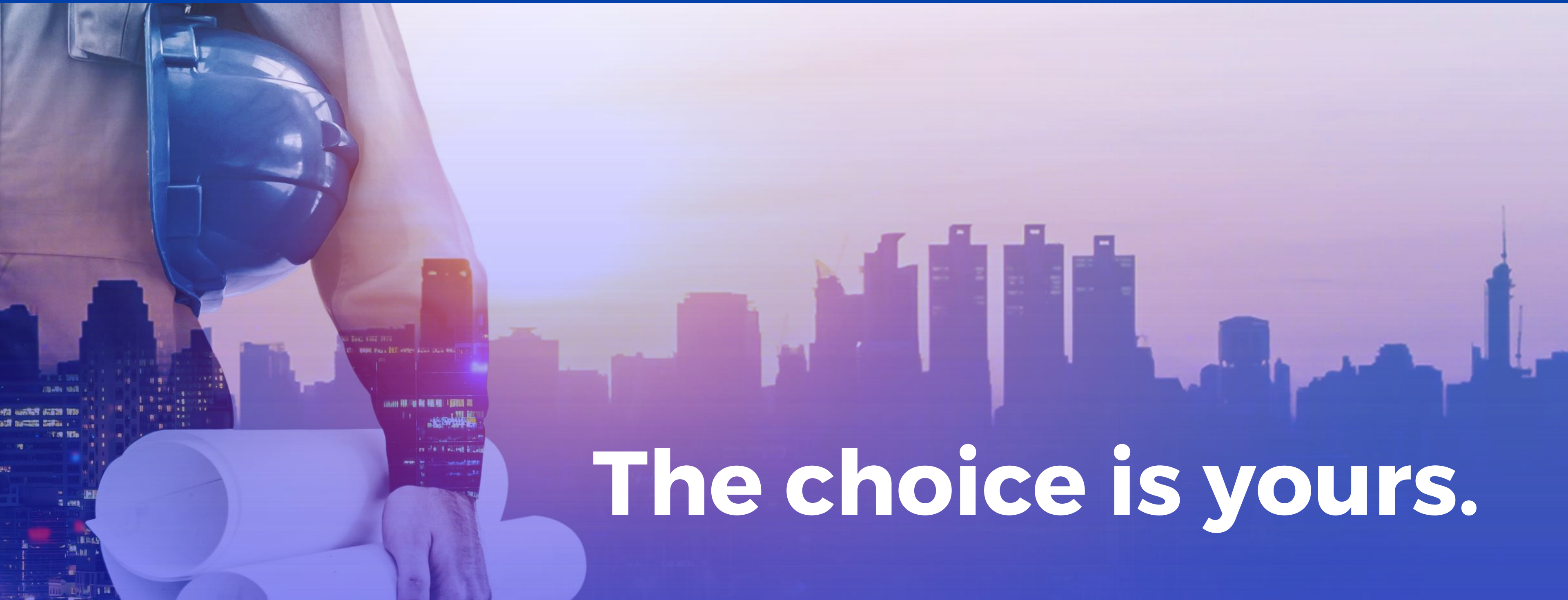


Digital literacy



Embrace change

The Future: OBSTACLE OR OPPORTUNITY?



The choice is yours.

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QUESTIONS?

