California Management Review

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When the State Rewires Logistics: A Framework for Automation Strategy in Infrastructure-Shifting Environments

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How senior leaders should design automation strategies when governments are simultaneously transforming logistics infrastructure and data platforms.

Managers deciding where and how to automate supply chains typically anchor their analysis on internal metrics: labour costs, throughput targets, return on investment. Yet in many emerging economies, a parallel transformation is unfolding that makes those static calculations obsolete. Governments are not simply fixing potholes or adding ports; they are fundamentally rewiring logistics infrastructure, integrating previously disconnected modes, and exposing real-time data through digital platforms. India's PM Gati Shakti a GIS-based coordination system linking 16 ministries to plan railways, roads, ports, inland waterways and logistics parks as one multimodal network illustrates this shift at scale. Brazil's PAC infrastructure programme and Indonesia's logistics modernization efforts follow similar logics. The managerial question is no longer "should we automate?" but "how do we design automation strategy when the external logistics system is not fixed but changing under our feet?"

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This article offers a framework for aligning firm-level automation with state-led infrastructure transformation. Drawing on India's logistics automation market projected to grow from USD 1.88 billion in 2024 to over USD 8 billion by 2033, alongside an estimated 80% of warehouses adopting some automation by 2030 the framework identifies when automation amplifies infrastructure gains and when it becomes stranded investment. The core insight: automation returns depend less on "how much technology" and more on **timing, location and complementarity with external policy execution**. Managers who treat automation roadmaps as independent of infrastructure maps risk deploying expensive assets in precisely the wrong places at the wrong moments.

The Puzzle: Why Similar Automation Investments Pay Off Differently

Consider two warehouses in India, each investing roughly USD 2 million in semi-automated sorting, put-to-light systems and warehouse management software. The first sits in an industrial estate 60 kilometres from the nearest rail link, relying on road freight through congested corridors. Power is unstable; broadband patchy. The operator cannot access real-time data on vessel berthing, train movements or port congestion because the facility predates government digital platforms. When customer contracts shift or volumes drop, the sorter becomes a fixed-cost burden the firm cannot easily redeploy.

The second warehouse is located inside a Multi-Modal Logistics Park (MMLP) co-designed with rail sidings, highway access and dedicated power. The operator plugs warehouse management and transportation systems directly into India's Unified Logistics Interface Platform (ULIP), which exposes over 1,800 data fields from 41 government systems via APIs vessel schedules, rail rake visibility, customs documentation, e-way bills. When disruptions hit, the firm can reroute shipments across rail, road or coastal modes because the infrastructure and data to do so exist in real time. The automation investment here amplifies gains from better connectivity, lower dwell times and modal flexibility.

Both firms "automated." Only one captured the complementary value from infrastructure transformation. This is not an India-specific problem; it is a structural challenge wherever states are rewiring logistics at the same time firms are automating operations.

Framework: The Automation–Infrastructure Alignment Matrix

To navigate this environment, managers need a simple but robust heuristic. The **Automation–Infrastructure Alignment Matrix** maps automation intensity against logistics infrastructure quality and policy alignment.

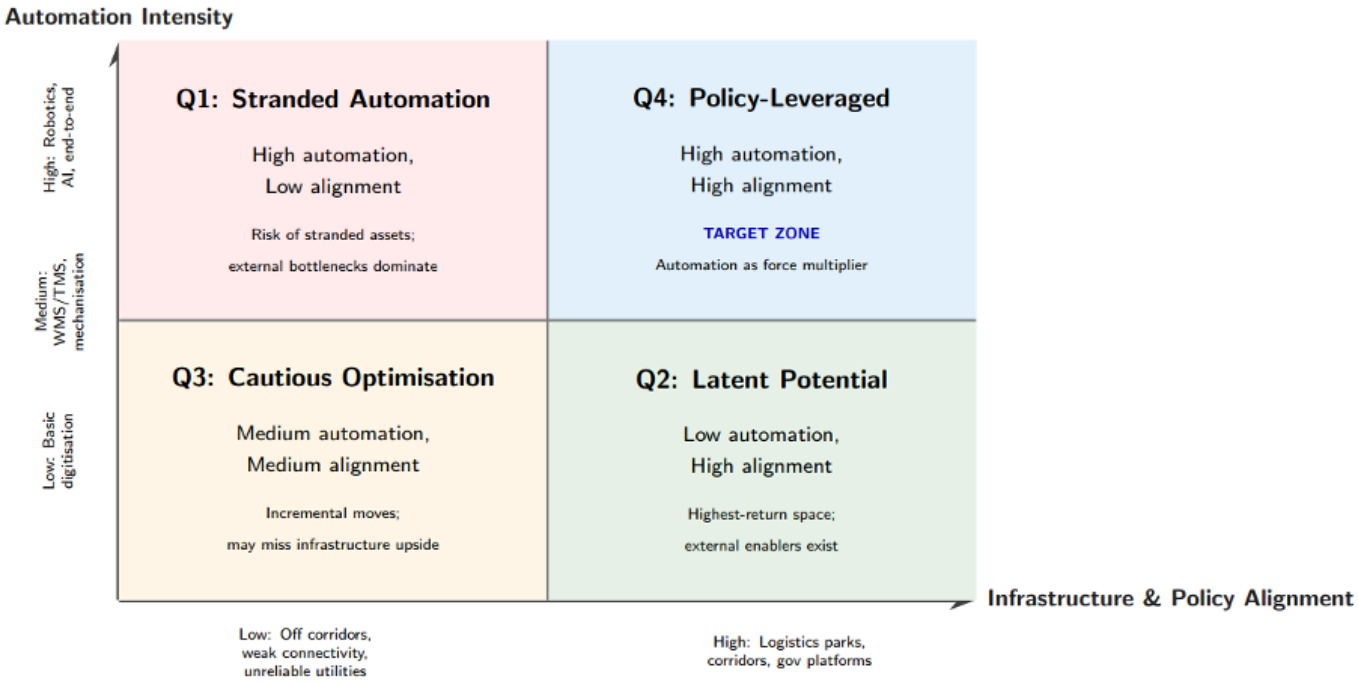

Figure 1: Automation–Infrastructure Alignment Matrix. The vertical axis represents automation intensity (low to high); the horizontal axis reflects infrastructure and policy alignment (low to high). The four quadrants capture distinct risk–return profiles and strategic choices for managers navigating infrastructure transformation.

Quadrant 1: Stranded Automation (High Automation, Low Alignment)

Firms here have deployed sophisticated automation in locations poorly served by infrastructure or excluded from policy coordination. Hardware spend exceeds 50% of total automation investment in India's logistics market, and much of it sits in precisely this quadrant. A 3PL operating a highly automated warehouse off-corridor faces long, variable

lead times that automation cannot compress because external bottlenecks dominate; limited modal choice, forcing reliance on congested road freight; and no access to real-time government logistics data, so planning systems operate with stale information.

The economic risk is acute in volatile markets. When customer contracts shift common in India's fragmented 3PL sector where multi-year contracts are rare firms cannot easily redeploy fixed automation assets. What looked like "strategic" investment becomes a sunk cost eating margin.

Managerial implication: Avoid front-loading automation in locations where infrastructure quality lags. Treat such investments as **options**, not commitments pilot with modular, subscription-priced solutions until infrastructure clarity improves.

Quadrant 2: Latent Potential (Low Automation, High Alignment)

Facilities here sit in well-connected locations Gati Shakti corridors, designated MMLPs, export-oriented industrial clusters but have not yet automated meaningfully. This is the highest-return space for new automation investment because external enablers already exist. India has roughly 35% of logistics automation spend concentrated in Western India's logistics hubs, but many smaller operators in those same hubs remain manual. They benefit from better roads, multimodal access and faster customs clearance, but they leave productivity gains on the table by not mechanising internal flows or digitising planning.

Managerial implication: Prioritise these locations for rapid automation scale-up. IRR calculations anchored only on internal labour and error reduction understate true returns, because improved corridor speed, lower dwell times and modal flexibility compound automation gains.

Quadrant 3: Cautious Optimisation (Medium–Medium)

Most mid-sized firms cluster here: incremental automation in moderately connected locations. Operators adopt warehouse management systems, basic mechanisation and some analytics, but avoid big robotics bets. This is rational risk management in uncertain environments, but it also means firms are not positioned to exploit infrastructure breakthroughs when they arrive.

Managerial implication: Build **node-specific automation roadmaps** tied to infrastructure timelines. When a corridor upgrade, MMLP commissioning or port expansion is confirmed, pre-position modular automation capacity to scale quickly once external bottlenecks clear.

Quadrant 4: Policy-Leveraged Automation (High Automation, High Alignment)

This is the strategic target zone. Firms here combine high automation intensity with strong infrastructure and policy alignment. They operate in or near MMLPs, plug into government digital platforms like ULIP and the Logistics Data Bank (which tracks 100% of India's containerised export-import cargo via RFID), and co-invest in workforce skilling aligned with government training modules. Automation here acts as a force multiplier for public infrastructure, not a substitute.

India's e-commerce and export-focused FMCG sectors increasingly occupy this quadrant. With logistics costs estimated to have dropped from 13–14% of GDP historically to a 7.8–8.9% band recently driven by better infrastructure coordination automation in well-connected nodes delivers compounding returns: faster internal flows meet faster external corridors, and digital integration reduces planning blind spots.

Managerial implication: Anchor major automation capex to this quadrant. Design investments as **complements to policy execution**, not independent bets. Sequence automation to follow infrastructure completion, not precede it. See Figure 2 for managerial implications.

Quadrant	Risk Profile	Return Profile	Typical Mistake
Stranded Automation	High stranded-asset risk; demand volatility	Low to negative; gains offset by external delays	Over-investing in advanced tech off-corridor
Latent Potential	Low risk; infra already in place	High; external enablers amplify automation ROI	Under-investing despite strong location
Cautious Optimisation	Moderate risk; incremental bets	Moderate; steady but unspectacular	Missing policy-linked upside opportunities
Policy-Leveraged Automation	Low stranded risk; high resilience	Compounding; infra + tech gains multiply	None if properly sequenced

Table 1: Risk–Return Profiles Across the Four Quadrants

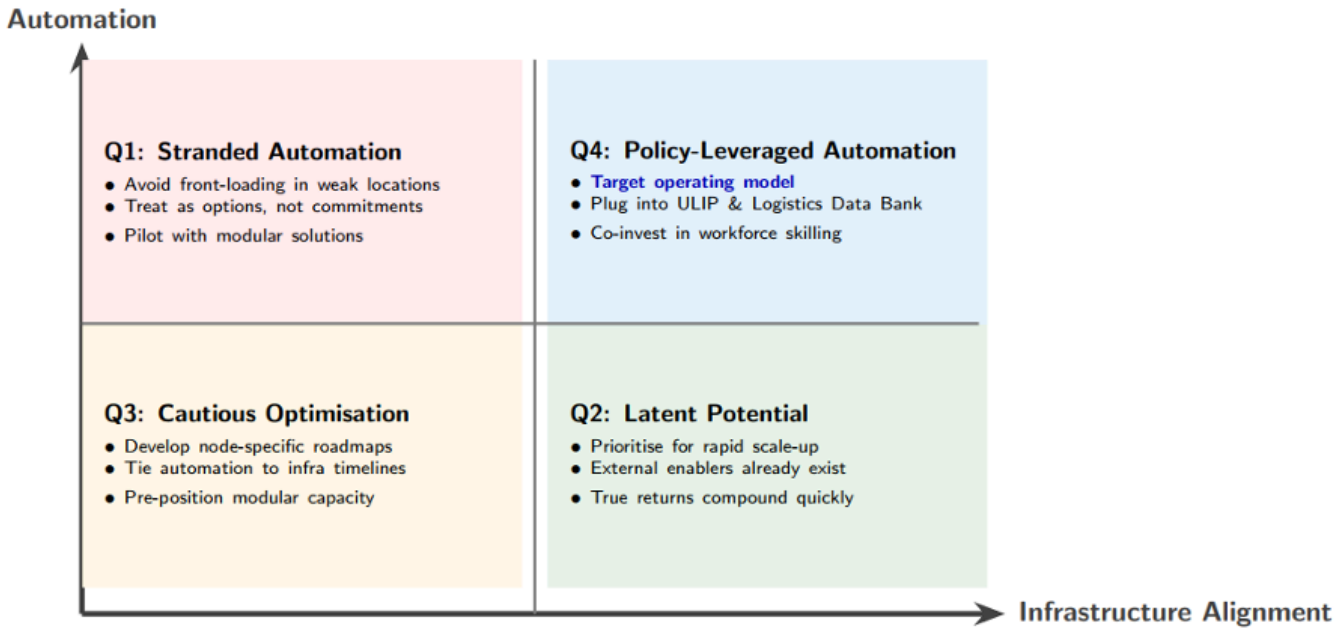

Figure 2: Automation–Infrastructure Alignment Matrix Managerial Implication

Three Complementarities That Determine Automation ROI

Beneath the matrix sits a deeper structural logic. Automation returns depend on complementarity with three external assets the firm does not control:

Network Complementarity: Physical connectivity quality multimodal links, corridor speeds, terminal throughput. PM Gati Shakti's core promise is to move India's logistics infrastructure from fragmented, single-mode planning to integrated, multimodal design. Firms automating yard management, gate systems or control towers inside MMLPs capture gains that isolated warehouses cannot, because trucks, trains and ships actually move faster and more reliably through those nodes.

Data Complementarity: Access to real-time, system-level logistics data. India's ULIP connects 41 government systems and exposes vessel berthing, rail schedules, port congestion and customs workflows via APIs. When a firm's WMS or TMS integrates with ULIP, automated planning engines operate on current, accurate data rather than guesswork. Firms off the ULIP grid automate with one hand tied behind their backs.

Human Complementarity: Availability of supervisors, technicians and planners who can interpret automated systems and manage exceptions. India's National Logistics Policy explicitly targets workforce skilling through platforms like iGOT and logistics training in higher education. Warehouses in Gati Shakti-linked districts that co-invest in training retain talent and exploit automation more fully. Firms that automate without skilling face high attrition, manual overrides and brittle operations when disruptions hit.

Managers should audit automation investments against these three dimensions. A robotics project scoring high on network and data complementarity but low on human complementarity will underperform; so will one that ticks the human box but sits in a poorly connected location with no ULIP access.

Propositions

From the framework and complementarities, three testable propositions emerge:

Proposition 1: *The return on warehouse automation investment is significantly higher in locations with high infrastructure and policy alignment (proximity to multimodal hubs, access to government digital platforms) than in otherwise similar locations with low alignment.*

Proposition 2: *Automation projects that exhibit strong complementarity across network, data and human dimensions achieve greater operational resilience and lower stranded-asset risk than projects that score high on only one or two dimensions.*

Proposition 3: *In policy-active environments, firms that sequence automation to follow infrastructure completion (option-based strategy) outperform firms that front-load automation commitments in advance of infrastructure clarity.*

These propositions offer clear hypotheses for future empirical work and immediate guidance for managers evaluating automation portfolios.

Managerial Playbook: Four Non-Obvious Moves

Move 1: Map policy execution timelines before finalising automation roadmaps

Obtain corridor completion schedules, MMLP commissioning dates and digital platform rollout plans. Sequence automation to follow infrastructure, not lead it. In India, firms can access PM Gati Shakti's spatial data layers through the national portal; similar platforms exist or are emerging in other infrastructure-active economies.

Move 2: Treat automation as real options on policy delivery

In high-uncertainty environments, deploy modular, subscription-priced automation (cloud WMS, robotics-as-a-service) that can scale quickly when infrastructure clarity improves. Avoid large, fixed robotics investments in locations where policy execution risk is high.

Move 3: Build a "policy radar" function in supply chain teams

Designate staff to track infrastructure announcements, budget allocations and digital platform rollouts. Front-load pilot automation in locations where the state is over-investing. In India, Western India accounted for over 35% of logistics automation spend precisely because Gati Shakti and earlier programmes concentrated multimodal investments there.

Move 4: Co-invest in complementary workforce development

Do not automate in isolation. Partner with government skilling programmes, vocational institutes and logistics academies to ensure supervisors and technicians can exploit automation. Firms that upgrade roles from manual pickers to robot operators, from paper-based planners to control-tower coordinators retain talent and sustain automation gains.

Implications Beyond India

The framework generalises. Any context where states are simultaneously upgrading hard infrastructure, integrating modes and exposing digital logistics data creates the conditions for policy-leveraged automation. Brazil's logistics investment corridors, Indonesia's logistics reform agenda and parts of Southeast Asia's ASEAN connectivity push all fit this pattern. The managerial challenge is identical: how to time, locate and design automation so it amplifies rather than ignores or contradicts what the state is building.

The alternative treating automation as a purely internal, firm-level decision produces the stranded investments, brittle systems and disappointed returns that characterise Quadrant 1. Managers who ignore the policy map deploy robots in the wrong places, at the

wrong times, for the wrong reasons. Those who align automation roadmaps with infrastructure transformation capture compounding gains that static ROI models cannot see.

India's logistics automation market, racing from USD 1.88 billion to over USD 8 billion this decade, offers a live laboratory for this dynamic. The lesson is not "automate more" or "automate less." It is: automate deliberately, with the grain of policy, in locations and at moments where external complementarities are strongest. That is how managers turn automation from a cost centre into a strategic lever and how they avoid the expensive mistakes visible across India's warehouses, 3PLs and manufacturing clusters today.

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