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There is a local research group that projects the number of unfilled jobs in Minnesota is going to explode from the current 60,000 to as many as 280,000. That could be devastating. Does that surprise you? Does it make you nervous?

- I'm not completely surprised. It is definitely a scary thought. Think about the legacy of the companies around.
- It is something that enters into our strategy, in terms of continuing with improving our lean culture and trying to minimize labor in the non-value added tasks. It's something we're all dealing with. It points to the need to stay focused on it and accelerate any plans looking forward.
- I think you're absolutely right. It's primarily replacement of retiring labor, and that doesn't even get to any growth jobs.
- We're having to struggle right now. I wouldn't say it's specifically skilled positions either. It's across the board, and we're trying to grow and it's hard to hire. We have 10 open positions.

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How many of those will be technical?

- I think three out of the 10. So, 30 percent are technical positions, and the rest are general operator and inspector types of roles that you can train people into.
- I was just wondering if those stats are just replacement of the jobs that exist today or how much the robotics, artificial intelligence shift has been factored into that.

So, what do we do about it? I read something the other day that says it's time to hit reset on vocational education in Minnesota.

- It's brought out more focus locally, regionally, nationwide. My generation came through vocational at its peak. After that, the push was to merge vocational into the four-year institutions and then everywhere you went, your children or your families were told you cannot survive without a four-year education.
- It seems that there are more career-minded decisions being made. The biggest challenge is probably getting the staff in the schools to go with you on that. It's baby steps right now. You are seeing high schools that are spending mega dollars to bring in technical classes and whatnot and they are going to see those filled up to the brim.

Are we still facing school counselors, schoolteachers, school administrators and parents saying that, vocational education is a fall back, and that the real ticket to success in society is a four-year degree? Is that still a stumbling block?

- That's what I told my kids.

Shame on you!

- We were just at a meeting at St. Cloud Tech a couple of weeks ago. A teacher said we were doing a great job as a whole with schools and counselors, but his takeaway was the parents. It's really a big step for the parents to take that path.

Do you agree?

- We've introduced a welding camp to kids ages 12 to 18. We're trying again, with that middle school age, because once they get to be juniors and

seniors, it's almost too late. We offer it for free. So, they are coming into our facility. They see what's there, and it just maybe sparks an interest. They might not know anybody that welds, or does any of the other various career options that they have there. But that might be the light for them, if you will, to go back to mom and dad and say, or to the counselor and say, "I want this class in my schedule. How can we make it work?" We have a class right now for seniors to come on site and do that. It's a welding class, there's a kid working, it's his second year, and he has students now that are signing up for the welding course at school.

We seem to have these same conversations every year. Are you seeing enough progress?

- So the parents have to be brought into the mix. Your kid is probably not going to be a doctor or a lawyer. So, they can move on to something else that's real. I've seen kids moving more to a realistic point of view, but their parents still have the dream. Just like the hockey kids that, the scout hasn't talked to them and they're seniors, but their parents are still paying \$25,000 for them to play in every hockey division. It's not going to happen for them. So, focus needs to be on parents, and education, realizing that here's probably where your kids are going to go, accept reality, help them be the best they can be, and let them make the best choices they can.
- Manufacturing had a cloud over it for years, as a dirty, filthy environment, hard labor, and rotten working conditions. You don't see that anymore. The fact is our jobs are more technical based, even though you still need that education base, but I think it has to go back to, like you say the parents, and the counselors who have to get to a level where they are identifying the aptitudes of the students. We're not all built the same. Some of us may have genius qualities, and some of us may have far less of it. Helping direct them, into that pathway, it's critical.
- Maybe some of the other manufacturing sectors run into this too, like metal fabricators who cut and bend metal okay, your typical sheet metal people. That is not trained anywhere, anymore, because everybody relies on it being simplified by a machine. There is a certain amount of craftsmanship or personal hands-on that has to be there. You can find welding training. You can find mechanical training. You can find electrical, whatever, but not the old sheet metal, fabricator type thing.

Who should solve this?

- Grass roots always supersedes large organizations.

- I agree, especially with the comments coming from the parents and at home. It really is a matter of driving that confidence and encouraging people within their families to promote it versus trying to do some sort of advertising campaign.
- I think it's a combination of the two. I think we really need the grass roots thing happening, but also parents talking to their kids for sure. I think there needs to be messaging out there to help parents have that conversation, as well.

Is it time to start planning for smaller workforces?

- We are looking at robotics. We're looking at a lot of different technologies because the people are just not there.
- You can't wait.
- One big factor is that we're having smaller families. We don't have the sheer numbers.
- Sheer numbers alone aren't contributing.

How's business? All things being equal, I get the sense that it's pretty good.

- We're seeing orders from our customers and optimism that they have additional programs, and the struggles with finding labor, that would factor into that. Even finding raw materials in certain cases is a challenge, and the price of some of that is rising just due to the strength of the economy right now.
- We work with some global customers, and of course we're only supplying in the U.S. We've been bringing more production within our border, and I think that happened some time ago, but I think one thing that would accelerate that is the change in the tax law, and the repatriation of the overseas earnings, at a lesser rate.

Is the business climate improving? Are things better at the federal level?

- The mold has been broken. Good, bad, or however you make it, we cannot deny progress has occurred by deregulation, by calling out the bureaucratic narratives that have been out there. It's still a fight, but results

are right in front of us every day. Is it good? Is it bad? Probably not perfect, but it's definitely more friendly than it has been in the last 10 years, 20 years.

- I would just say our customers, you can sense confidence in them. You are seeing more inquiries about where we are going to do an expansion, where we're going to look for purchasing additional equipment, whatever it may be. Those conversations are happening more and more. Five years ago, I would say absolutely the conversation tone is much different.
- We're definitely seeing our manufacturing base investing in technology and in automation, and maybe a little bit of a challenge for banks is they've got more cash to be able to do that.
- I talk to a lot of companies. I think there are two things going on. One, there's optimism obviously, with regulation, differences in taxation, but also what I hear is that the sky didn't fall. So, we went through the recession, weathered that storm, went through Obamacare. Over and over and over, people kept saying the sky is going to fall, the sky is going to fall.
- Nowadays it's kind of pent up. Now they're saying finally we get some relief on taxes and regulations. The sky hasn't fallen. It's not going to fall. I'm going to start moving in this direction. If I'm going to beat my competitors, I'm going to stay in the market place, even though the market's tight.

When we first did this project 10 years ago, the market had just fallen apart, but manufacturers dug in and looked for opportunities. It was impressive. What are the opportunities or challenges of prosperity?

- You can never lose focus of your core value. If you do, you will go backwards. To your point of how do you sustain it or how do you grow it? You have to probably work even harder than you did when things were down. To stay in that focus don't get complacent. Don't get fat and sassy. That's a culture. If you can achieve that culture within any company, you will be successful in the end. So, I think that's what we do internally. Not that it's perfect. But we stay the course. Focus on that. Always looking for other opportunities. But the fact of the matter is, people still buy from people. If you can create that relationship, your company will be successful.
- One noteworthy thing that I've seen in the last couple of years is organizations wanting to capitalize on the inability to find personnel.

Creating opportunities for out-sourcing so maybe I don't need to hire full-time permanent employees. Maybe I can take this machine that not everybody needs and I can go out and I can do all of this type of work for this industry. That's one area of maybe thinking around a crisis, because I think the crisis is the shortage of personnel, in a unique way.

- You always have to prepare in the back of your mind, in any business. You have to otherwise you're screwed, so you have the safety of a plan. Whether it's in the back of your mind or on paper.
- I think for those who lived through an experience like that, you are a lot smarter going forward, and you obviously got to share that information. There was a lot that failed out there. I have no idea what they're doing now for themselves.

Where does automation, robotics, fit into this?

- We recently researched a big automation project, and it's hard to find custom automation houses that aren't backlogged six months. The time frame to get something done is growing. That's a great career field to get into.

How does this affect your three-year or five-year plans?

- We have both three and five-year plans that we're working on now. You keep that in the back of your mind a little bit, but generally you're focused on growth and for us, a big part of growth was efficiency and just growing cost from our process itself. That goes hand in hand with growth, and also protects us if things were to drop off, knowing that we'll be getting those excess costs from those processes.
- We're focused on creating that culture of empowerment, from the front line personnel all the way through management.
- It does help morale, if people come to work and know that they have an opportunity to fix something that they struggle with, that they're frustrated with. Knowing that they could speak up and bring ideas to the table, and if we follow through on those, I think people are more encouraged to participate.

Anyone else using people-based lean strategies as a way to develop his or her workforce?

- It's learning to see the future workforce through a different lens, and taking your own biases off the table, and putting on some new ones. It's an education process. It's all about, how do you take your current workforce and add a few along the way? But as Tom said, it's at least for the ones you currently have, it's what are you doing to continuously improve your company through your current workforce. We used to say lean is all about process, today lean is all about people.

- I don't know what you exactly can do. We try to make sure that everybody is informed, and can plan for time off accordingly, but people are kind of good at doing what they're going to do. You know, it's Minnesota and after six months of winter, 68 degrees, you can count on absenteeism.

- We've adopted some cultural thinking amongst those of us that are the older generation. To open up communication lines is probably the biggest challenge that was brought forward to us a few years back, and again it is not a perfect science, but we do get these people involved and if they don't ... Invested.

Is listening as big a part as talking in those communication lines?

- Bigger than talking. Bigger than taking the patience, and like you say, teaching them the skill and here's why you have to do it, and it's okay to not enjoy your job every day, but look at the bigger picture. Absenteeism comes; there are consequences, obviously. If there's too many consequences, they are no longer employed, and you move on to the next one. Maybe two out of 10, one out of 10, you keep.

Are temporary employees still popular?

- Not so much anymore. We found more success by bringing people right into the facility. Whether it's for job fair type activities or whatnot. Not that those agencies aren't a good thing to have. It's another tool in the tool box, but we've had more success from in-house referral and we show them the way.

- With the temporary, the temp agencies, you're not necessarily getting the strongest candidates anymore. A lot of those people aren't good, and so the retention that we see tends to be other people who are coming in actively on their own versus through a temp agency.

- We identified five initiatives about a year and a half ago. The focus

of that team has been much more on the management, where we need to focus, if you want people to feel good about work. That whole “how are we doing?” with them is probably the biggest issue.

How about capital expenditures? Growing?

- No. Right now we have five, six machines in our factory. We can run one of them. Not because we don't have business, but because we don't have the people. Automation for us is having a real opportunity, with the size and frequency of the parts that we run.
- We just have the front-end problem. They come in, they pass a drug test, pretty soon they're not showing up to work, and we're off running. We've hired eight employees in the last two weeks. We have one left. The others just stop showing up. That's what we've seen now for the last year and a half.

Where do they go?

- Back to sitting at home I imagine.
- Back to bed. Yeah.
- It's the people that we see that have high school diplomas with no further education, if they're doing a manufacturing job, they stop showing up, for any number of reasons. Those that have a two-year degree, or a four-year degree, they keep coming back to work. For the same job. We also see a big difference in those that have children. They tend to show up to work. Children they claim. Absentee fathers aren't real concerned about that.

Is lack of available child care a factor?

- We think it's the fastest growing economic development issue in southeast Minnesota. We hear it from a number of companies that child care has significantly impacted their ability to attract and retain labor. We're hearing it from chambers and economic development folks. We're hearing it from people that want to either stay in the region, or high school grads thinking about moving back. I'm extremely interested in the manufacturers in here. Have you had issues with employee retention or attraction related to child care?
- We just had an employee who went from day shift, Monday through Thursday, to working a weekend shift because he and his wife just had a baby. She works a day job, and child care is an issue. So, he's working the

weekend shifts so that she can stay home on weekends with the baby, and he can stay home during the week.

- We had to go to employees that were missing a lot of work because of sick children. It wasn't so much an issue with their primary daycare, but it was a sick child and they couldn't bring them to regular daycare. We've seen a lot of that. We asked our employees that were having these issues, we would pull six or seven of them in, if they could try and rotate, at least with their spouse if their spouse was employed. We know most of their families, they come up here, and they've started that process. We've just had to be more flexible, along with their spouses' employer being more flexible in rotating in and out when they've got sick children. It's helped the attendance, but child care is an issue.
- I think regulation has contributed to that to some degree. There's less and less private care givers that are going to step into that market. We can blame our government. We can blame whatever. I guess it doesn't really matter, but it's a fact. Like you said with the sick child care, that's a critical one. Nobody wants to take them in.
- There are pockets of daycare issues. It's not as big of a deal as some other areas. I would say people are finding daycare providers over time, but it's not always immediate. Whereas in other companies and throughout the Swift area, there are areas in which people are driving 30, 40 miles one way with each kid. So, they are spending an hour a day, two hours a day, on the road dropping off kids.

How much of an issue is transportation—getting your goods to market for you these days?

- We're seeing price increases because of the recent trucking law changes. We have a truck every week that goes back and forth to Kansas, or twice a week sometimes, and the cost of the truck has gone up to about \$600. That's a 50 percent increase.
- Plus a shortage of drivers and timely pick up.
- Definitely it's going to get worse, 2018 is going to get worse. Transportation right now, there is a shortage of drivers, naturally. Capacity is really heavy right now because of the manufacturing growth. Truckers are getting more independent right now and deciding who they are going to haul for, even what directions they are going to take their trucks to.