



FOCUS GROUPS

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Take 16 Brewery

March 21, 2018

Let's talk about what it means to be a manufacturer in southwest Minnesota, the opportunities and challenges.

- I think the biggest strength itself that Minnesota has is the quality of life. And I don't care where you travel, nobody can travel five minutes to get across town and have a quality of life at a reasonable expense level to raise a family. And the challenge is getting people to come here.

Is there an advantage to being close to Sioux Falls here?

- We use it as an advantage. I mean, you could spend an hour traveling in Minneapolis and go nowhere, or one hour and go to any restaurant you want, or any retailers. I use it as a plus with transportation, certainly.
- Is it quality of life in Sioux Falls to catch a plane or do something like that? And quality of life to see high level, minor league sports, and things like that? Jobs. People like to live here and drive to Sioux Falls for your job, but you still get the quality of life.

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- And there's also a little bit of competition there, as well, just on the business front on a couple of different aspects.
- Like?
- Be it worker's comp and one of the other things we were kind of talking about this morning, the lower taxes, all the way across the board, especially with no state income tax. It's hard, I think, sometimes for competing for business and workers and being a border town to a low tax state.
- It is. I would say that's a big disadvantage for the work pool that's in Sioux Falls, and trying to draw them here.
- I think another positive though in this part of the country is the quality of the people that we have available to us. Because I think the workforce, even though there's a workforce shortage, I do believe that the quality of the people that we find in Southwestern Minnesota is exceptional.
- Population is an issue. I'm in Edgerton. We sat 1,100 people for the last 30 years. Edgerton is too stubborn to change, but it's also too stubborn it's not going to fail. It sits right at 1,100. But if you look at the data coming out of the state, it shows people are moving back, but not to the same level of the young people leaving for other opportunities, other jobs, and so forth. And I realize we're included in that area. We're including Marshall, and I think that all the changes that Schwan's has had, that's a pretty significant number when you look at what's needed in Southwestern Minnesota.
- Worthington would be, I think, safe to say a town of 5,000 to 6,000 people if not for cultural diversity. We are a town of about 13,000, now. Or close to it. When I was a kid, Worthington was always a town of 10,000 people, 99.9 percent Caucasian. Today, it's very much the opposite. But we've grown because of cultural diversity. I think it's a good thing.

What's the challenge of being down here?

- Communication. We have 58 different languages spoken in our community. The other side of that is we have people that are multi-lingual, but they can only speak the language. They can't read and write it in their language. Communication is probably one of our biggest challenges.
- It's a big enough challenge that within our three-year plan, we're going to be moving part of our operation to South Dakota or Texas. We need to

expand, but we don't feel we can find enough people. And a big part of that is taxes.

- And that's where we find difficulty in our workforce is that we need manufacturers who are skilled. Most of our jobs are, they need to understand and comprehend what's happening and have an ability to do it.
- And typically, you're just stealing from somebody else in that regard.

Are you getting sufficient candidates out of tech schools?

- They have a mechatronics program.
- And there are welding degrees, as well. But it's kind of that, we find ourselves in kind of a little niche side of it if we're doing assembly, but we're not necessarily big enough that we can hire unskilled workers for that. It's more of a craftsman type assembly. That's a little bit of the struggle is there's not a big enough market for that style of work, it seems like, down in this area to support our workforce needs.

What about the quality of new employees?

- We've had pretty good luck. The majority of our employees are dedicated and have a good sense.
- I take a little bit different direction on it. It surprises me how many people, no matter what age group, just quit showing up for work. The concept of a two-week notice is extremely rare. We have two people that are leaving us here this week. They gave us one week. We were delighted we got one week.

What's changed?

- It's the breakdown of the family. The absence of a father and a mother that are engaged in the child's development and so forth. I've heard things that most of us knew when we came out of high school at 18, nowadays, they don't know until either 25, maybe even as far as 29, which is amazing to me. Some of it is just common decency, or this is how we do things. I'm with [inaudible 00:13:00] before. I'm so glad we're in Minnesota, and this is the Midwest, because it's better than what it is on the coast.
- We're seeing a definite shift to less, I'd say responsibility, or just less, they're doing the right thing so to speak. We have a whole initiative we're

working through right now, dealing with our values and one of the things is stewardship, and what does that mean? That means show them that you care. We're trying to do it with everybody. Every week, we're meeting groups of 15 people, going through the values of how did you play this out in your life? And for us, it's not just what you're doing at work, but it's also, how you're impacting the world around us. We changed our company purpose here this last year to brighten the world through our actions.

- It's a combination of a lot of different things. I mean, when you're looking from what we're hiring for in production versus management, it's very different. And we don't have a whole lot of turnover in management. We have higher turnover through production. But there's still a huge focus and an emphasis on our culture and our values, and continuing on with leadership training for our leaders. We're doing this thing called People First. We have a great program that kind of grows our own, so we're looking for supervisors from within our organization. But they don't have those soft skills, or the additional education that might prepare them for really dealing with the day to day as a supervisor. Putting forth the effort to put people first, to let them know what is acceptable, what is not acceptable. I've been with the company for eight years, and I can say in the last eight years, I've seen a huge change from the old school method of "this is a packing house you're going to do as I say when I say it," yelling at somebody to, actually taking the time to listen to your people.

There's a report out that projects the number of unfilled jobs in Minnesota will quadruple in the next four years. Does that surprise you? Does it alarm you?

- It doesn't surprise me. We're going to see the same thing with housing. There's going to be hundreds of thousands just left open because there's nobody to take them. You've got all these, in this area, I don't know how other places are, but you've got nursing home facilities, and those types of things going up every day and just filling, and yeah. And there's just, there's a lot of them out there and not a lot of us. I mean, yeah.

- Well, scary perspective to know where we are today with workforce and workforce development and the inability to attract people sometimes, or a lot of times. And to think that it's going to grow by five times is scary. I'm so glad I'm going to be retired.

- Is automation the answer?

- Not for us. But I just laughed when you said automation because I tried

to order a meal at McDonald's the other day, and I almost couldn't do it. I know I like a number three value meal, but I got to design the hamburger contracting thing. And automation is, so when you're interacting with people, and orders, and manufacturing different options, or picking an order, or filling an order, shipping a warehouse type operation, you need attitude and aptitude.

- We bought a robot this last year, so we're going to have proof of concept of how that gets used. Right now, we're researching the AIB technology, so the unit goes and picks up product, delivers product, whatever it is, just to, it's not a value-added task when we're moving inventory around.
- Robotics and automation are great, but it's like the old saying, "Technology is great when it works." And it's only applicable to our company in certain areas, and beyond that we still need qualified people. We need people that are dedicated to showing up for work and dedicated to doing their jobs. It's a little combination. For us, it's a combination of both. But probably heavier, for us, in the future, on the workplace, on the workforce, issue than it is on automation. Because you can only go so far.

Why don't more kids choose a tech school route?

- The lobbying system inside higher education has become a really good job in the last five decades. That's why everybody has school debt that they can't pay back. Because they wanted everybody to go to college and spend the money on the college. And then, they don't know whether they have a job when they get out or not. I think the message is clear that, "Yes, really think this through." But I think there's still, higher education still has this massive marketing and lobbying effort going on that says, "No, everybody has got to go to college if you want to get ahead."
- It also reflects well on the parents if all their kids have four-year degrees or something. And whether they had big debt, or job prospects doesn't really mean much. It's getting that degree and having that respect.
- I think the marketing piece is like the National Association of Manufacturers doing videos and things that show that manufacturing has changed, that these aren't the dark smelting pot jobs that people had 50, 60 years ago. These are pretty good places to work. They're clean. They're culturally driven. They have a balance and a quality of life.
- I think it's more life skills than technical skills myself. We keep going

back to that other question if it's manufacturing related realize there's not enough people doing landscape. There are not enough people doing concrete and so forth so that the college president said that it's kind of like a narrow focus. But anyway, back to your question, for us, it's life skills.

- I think there is a disconnect with what kids are being taught. I mean, they're not accountable. A lot of people aren't accountable for anything anymore. I mean, if I didn't show up for work today, oh, they're going to give me a bye because I wasn't here. Because what are we going to do. We can't just go out and hire somebody, and then, you've got kids, my experience was I did go to tech school. My first two years were at a tech school. I got my degree, and I went and worked while I went and got my four-year degree. I had the work experience on top of the college education. You don't get that now. You have a four-year degree that wants to come in, and they think they know how to do the job. And they want to be paid for that. But they've never actually worked a day in their life in that capacity.

- Or in any capacity.

- Is it time to look at your customer base and sort of cut back on the less profitable customers, the ones that are the squeaky wheels and give you less profitability? Are those the kinds of things that you do, or am I overthinking this?

- Point is if you're making money right now, you can sell fun innovation and technology growth and expand your product line of the knowledge you're generating versus having borrowed and paying interest.

- And I think there's a real opportunity. For me, I'm in a weird spot because I'm looking for my next acquisition. And there are a lot of Baby Boomers who own small businesses in manufacturing and other places that are looking to transition out, and that's kind of an allocation to capital to say, "Are there some of these other industries that bolt on to what we do?" I think there's a lot of back discussion going on, as well.

- And if we have, two of our companies are very much in the startup mode. One that's just going into the fourth year, one that's going into the second year. And both of them are growing at a rapid pace. It's hiring people. It's investing in process. It's investing in capital. Something that's very dynamic. And that model is a little different than a company that's very stable, long-term, always been doing the same thing, and then, growing. These are going back into markets.

- I think it's a very good time to be in manufacturing, but I don't think it's the best time. I think that those days have passed. You're seeing more competition. Some of the stuff we see is what's Amazon going to do next, and how is that going to disrupt the channel that we're in, and so forth. We did four acquisitions over the last eight years, and we feel we have a pretty rich offering of capabilities. We're trying to ask where can we take that and go into different channels, different markets. That's part of our growth strategy.

- We're always looking to make things more efficient. There are standards out there. Corporate wants you to eliminate X amount of positions every year, which you could do. Say, "Hey. We'll just get rid of this person here, this person there, but how is that benefiting our company? How is it benefiting our people? How is it benefiting our end product to our customers?" The biggest thing, I know that our focus is if we are eliminating a position, how are we making it easier? How are we making your job easier by taking away one person instead of just going for numbers?

- Is leadership training becoming part, an essential part of your HR practices? I mean, is there a stickiness when somebody feels like I have an opportunity to be a leader, and I see a pathway to do that? Is that a strategy tactic for retention as well as skills enhancement?

- It has made a huge difference in the terms of the leadership roles that people have in the company, and there are many people that have been there for 10, 20, I don't know, 30 years.

- I think a lot of leaders are sort of born. You can develop leaders, but it goes back to your comment that I think a lot of it comes down to the family issues today. A lot of kids are not being developed to be leaders by their parents, or by single parents, or whatever. We find that we can develop leaders, but it's great if they have that inside of them before they come to the workforce. And that's a hard thing to find. And some people just don't want to be leaders, and that's fine. We need those kinds of people, too.

What about strategic planning?

- It always surprises me in this poll to discover the number of, especially entrepreneurial manufacturers that don't operate from a structured strategic plan. It's like, it's all up here. I don't need to write

it out. I don't need to follow it. Is it true? I mean, do you see, I mean, I know you have a good strategic process in what you do. Do you interface with a lot of people who don't?