



FOCUS GROUPS

Owatonna

Southern Minnesota Initiative Foundation

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Most manufacturers are experiencing some levels of prosperity in this economy. What are the strategic opportunities in prosperity?

- We're taking the opportunity to strengthen ourselves through ISO certification. The general answer is to strengthen for growth because even though it might be prosperous now, it won't be always. We got certified in '17 and that process doesn't stop. It forced us to think more about strategic planning.
- Knock on wood, we still have more work than we have people to do it. We're looking at how to be more involved in the pipeline program, apprenticeship programs, and ensuring the development of the workforce. That's our biggest constraint.
- Last year was huge for us. We made almost a couple million dollars in capital investments, both in equipment and systems, that have put us back on the leading edge, so we better serve our customers. What keeps me up is I'm our management team and our succession plan. We need to be training our replacements.

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Does the combination of the worker shortage and the great economy make you reconsider your less profitable customers?

- That's hard because we're a job shop. We like to say yes to everything. Our owner has said, don't fall in love with any parts or customers, because you start making irrational decisions. We do have one customer that we talked to and that wasn't easy. They don't like to hear it, but the feedback we got was that they liked that we were frank and open and honest. We told them, we're not making money and here's why. If we don't fix it, we can't continue. We're not a charitable organization. The problem is we love that customer and they love us.

How about planning? Did long-term planning make a comeback?

- Yes. We made some huge investments in the last couple of years. Now, in short-term, we've had a little headwind but the last two years, we've kind of reinvested in our plant here. There's a trend (in our industry) for larger products. So, all of our equipment needed to be super-sized. We've invested probably close to \$100 million to do it.

That's a big bet on the future.

- Huge. You know, part of what gives me gray hairs is I got to have the people for that. The last thing our parent companies want to hear is that we need \$100 million, but we can't find people. We have close to 80 people, probably more that are technical to maintain some of that equipment. In the old days, you have somebody with a tool belt who could maybe maintain it, and it's completely different now. This is very sophisticated, automated equipment, so we're working hard to bring people in who have some of those skills that can help us in the future. Of those 80 people, about 50 percent of them will be gone in the next seven or eight years. That's a huge issue for us.

We might as well go there. There is an organization that projects the number of unfilled jobs in Minnesota to grow from 60,000 to as many as 280,000, not just in manufacturing but across all sectors. The Boomers are retiring and there is insufficient population in the young generations to make up the difference. Is that a heartburn issue for you?

- Every day. You can find people but it's trying to find good people. We use temp agencies to help see if they have what it takes to be part of our

company. We also tap into the drug court program in Waseca, in Steele County. I probably got three people out of 35 who are full time. They have so many people that have run afoul of the law that they don't have enough room, and they give these people an opportunity to come clean.

In general, are you less profitable today than you could be if you had access to more people?

- Yes.
- I have the luxury of being fully staffed for the first time, in probably two years.

How did that happen?

- New union contracts. We basically threw a dollar on the starting wage and a dollar on the base wage, but that doesn't tell the entire story. We have also aggressively recruited people from the Karen population out of the Minneapolis and St. Paul area. The Karen are Southeast Asians, Burmese. Political refugees.
- We have a really solid base, and we're seeing those people moving to Albert Lea. People are buying houses. If you go to Clark's Grove, Minnesota, that's where they are targeted to live, so it's really interesting and they are a very good group of people. Some of it is a learning curve on our part, where it might be one of the first jobs that they have ever had in their life, so there was a lot of training and education involved in that. Another thing is that they work three to four months and then take some time off, or swap time with someone else. Their husband will work for three to four months, then their wife will come in, start work, and the husband will take off. There is a lot of learning on our part, and on their part, but I really feel that this is probably one of the best investments that we've done. We've got 471 employees and now we've been able to take on some other projects from our customers for their international markets. Now, we can staff those positions so they can sell their products overseas.

How did you find that pipeline into the Karen community?

- I think Marshall and Worthington started to recruit them. The Karen like to be with their family, so they were going back to the cities every weekend. Albert Lea is a little closer, so they kind of migrated to us. It's been fantastic. The people are great.

Anyone else leaving business on the table because you can't find people?

- We're always looking for people. Now, we've got somewhere between 105 and 110 people and we've got 12 open positions at all times, from somebody just starting out on the paint line to somebody running a CNC. We've had to train people to run a CNC because you can't find anybody. You know, it's been that way since we put in our first machine. The Baby Boomers are retiring and the Mayo Clinic, it's sucking up everybody that it can, all the way from Northern Iowa down to Houston. Plus, our population keeps going down. The only thing that we can do is automate and try to train people ourselves.
- We have a lot of systems within our organization that depend on the tribal knowledge of a lot of these Baby Boomers. Last week, we had over 100 years of experience retire. That's why we've really focused on continuous improvement, dissecting and evaluating and documenting processes from start to finish, so that when these people retire, someone else can walk right into those positions and they know what to do.

Lean has evolved from just being process-oriented to being people-oriented. Is that right?

- It's really transformed a lot of our operations. We've broken up a production line into individual components. It's really documented, both with words and pictures: "This is what you do. This is how you clean it. This is what it should look like."
- A lot of that is just through lean and continuous improvement, getting people involved, breaking it down and realizing these are all the components that need to happen for us to run efficiently and cost-effectively.

Somebody has suggested that it's time to hit reset on vocational technical education and find ways it can better serve the end users, the manufacturers. Is that your sense?

- I can speak for both of us. Our connection is with (NAME OF SCHOOL) ... Anybody here been to their lab lately? It's nice. The problem is, they can't get people to go into it. Why? My frustration is literally at the high school level. What are they teaching the kids? What's the message? Four years of school. They're only preparing those kids for that. I'd love nothing more than to have our booth at parent-teacher conferences so I can

explain to them how much their kid can make and the fact that they won't have to pay a dime to get him up to speed.

How do they respond?

- They ignored us.
- Fewer than one in five jobs in the American economy require a four-year degree.
- We need two chiefs and twenty Indians.
- I think the parents are the problem, too. This generation of parents, and I include myself, we just think everyone needs to be a doctor, a lawyer.
- Right. Where 50 years ago you tell your kid, "Hey, if you can get a job at that plant, stay there and you're good for life." So, it's a different dynamic.
- Anybody who hasn't worked in manufacturing is clueless about it. Our plant is spotless. If I dropped a sandwich on the floor, I'd pick it up. It's that clean. Every person that walks into the place, notices that everyone is on a computer. The technology is everywhere. Kids could understand that the video games they play could carry over into that. We just need to get them exposed to it, but we can't.
- Someone mentioned automation, which sounds great, but we need to consider who is going to work on that equipment. We need to have kids come along that have that aptitude that can work on this stuff. It's just unbelievable that we have a hard time finding maintenance guys. What we've been doing lately is raising our own pups. Finding somebody that's got some mechanical aptitude. "Hey, we'll send you anywhere you need to go. We'll foot the bill for you." We've had good luck with that. But are those people that we've taken on the gang going to be that E-Tech or that electrician someday? The jury's still out.

Somebody told us you have to wait eight months just to find someone to program your robots.

- We have bright people and institutions in this state but I don't think we're always focused in the right area. So, I like your idea of maybe pushing the reset button or encouraging some of that partnering with business and industry to make this more prosperous.

- I'll get on my soap box. We send a lot of bright kids to Mankato State. I am critical because has Mankato State visited anybody's company? Have you ever been contacted by a professor that says, "Hey, I have got a couple of kids who need a project. We have this computer system here that can help you," or whatever it is. Iowa State does that a lot with material science. They'll come and for no cost they'll do virtual factories and help you with flow and stuff. There are states doing that and they are more proactive. Minnesota, I think, we're just fat and happy but are going to wake up and find out we've been left behind.

When you go to Mankato, what are you told?

- They want to do it. They say all the right things. I graduated from Mankato. I can tell you that the curriculum looks very similar to what it did 30 years ago. One of the things I hear is there are union issues. I think we have some union contracts that keep us with one foot in the old.
- It is all about good money. It took a long time but we sponsored in Mankato State an engineering program, \$20,000 a year. We are doing it up in Duluth in their engineering program and also at Iowa State, but as long as you fork out the money, they will let you come in and help them write a curriculum to teach design.
- Correct me if I am wrong but most of us in this room are taxpayers. The fact of the matter is the schools work for us. We shouldn't have to go pay them to do what needs to be done. If I ran my company the way schools run their businesses and states run their businesses, I'd be out of business. Customer focus is one of the main things. We have got to take care of our people. Why aren't they out talking to us? And that goes back to whatever you want to call it. It is not even legacy. I refer to it as dinosaurs. If they don't change, they are going to be extinct.
- They won't because they have our tax money.
- And they have all of that baggage that they are carrying. If you throw the money out there ... We have thrown enough money at it.
- Wisconsin has done a better job too, I think, of identifying institutions that will say, "Hey, you are going to focus on this. You are going to focus on that." It seems like we tried to do all things to all people at Winona, at St. Cloud and at Mankato. There is a lot of duplication.

- I very distinctly remember back when the Ventura administration said this is no longer a priority for us, and we will cut that funding. It is just one small example but I think it resonates down. What does our government do to encourage this development and growth?

- They get in the way. That is all I am going to say.

- They are going to do one thing. They are going to pay off the student debt. Looking at a system that is broke you have one simple equation. I am an MSU grad, back when it was cheap. You graduated, you could pay off your student loan or you had already paid it off because you were working. You look at the debt that has been mounted on graduates of college and they can't pay their bills because 80 percent of them can't get out of school and get a job for more than \$36,000 or \$34,000 a year or whatever the number is now. And you pay \$40,000 a year?

- If anybody in this room thinks that our education system is correct at the higher end level, you are drunk. You haven't looked at ROI in the last decade or two. My kids both went to school at \$27,000 a year and I thought that was asinine but what did you have to do to get out of the school? You pulled out a pen. You signed a federal document that basically attached your ass to their performance and their ability to pay. I wouldn't do that if I could right now. There is no way in hell.

- I know how the system works. I've listened to too many people over at MSU that are no longer associated. What did the profs get for wages? They don't work. They have grad students teaching their class. Give me a break. Not to get out the soap box but our problem is that you take a person that is retiring right now, check out how many hours they work on the average a week if they are a salary person. You find me another salary person that graduated from college in the last year on the average that will do the same thing? It is a miracle. You don't have the same mentality. So, you've got this dichotomy that shifts in every direction. A whole bunch of people retiring, worked their asses off, they never complained about overtime as long as they kept their job. All that sort of stuff. Now you have got this side.

Let's move to another issue. When you can attract a new generation of employees, some say they are lacking in the soft skills.

- They don't exist. Say thank you. Say please. Open a door. You'll find them everywhere, even in our own houses, don't get me wrong.

- Especially at an entry level. Essential skills. Interpersonal skills. Work ethic.
- We've been only marginally successful at being able to assess that or maybe we dropped the bar down a little bit for too many people.
- For those that do drug tests, the amount of people that fail a drug test is disturbing and it's been suggested to me that we no longer do them. We no longer test for marijuana. Quit testing for marijuana because it stays in your system for a long time, so why are you testing for it. It's a slippery slope I think, but you do what you have to do.
- I agree. Right now, we don't test for marijuana.
- Right now, we probably run a 35 to 45 percent failure on drug tests.