



FOCUS GROUPS

Roseville

Olsen Thielen
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How's business?

- We were relatively flat. A little minor growth. Flatter than we thought it would be.
- Our last year wasn't as good as some years. We rely on government contracts, and they don't have as much money as they used to.
- It was probably one of the best years we've ever had.
- We're a little impacted by the weather. So, two years ago our customer base had a relatively big year, the last two have been a little bit more challenging.

The worker shortage is with us, but we see new projections that say the number of unfilled jobs in Minnesota is going to grow from 60,000 to more than a quarter million. What are your reactions to that?

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- We're feeling it right now. We've got roughly 10 percent of our positions unfilled right now. There's been some retirements and turn over. To find people and retain people the last year has been a huge challenge for us.
- We're seeing it a lot. We have a tough time retaining permanent people. At these temp agencies that we have, the quality of course is not that. We actually have ten people that'll come a day or two and just walk away. I think it's the quality level of the temporary people that are there. We've talked with agencies. They're very clear about what is required of the people before they go and come into our company. It hasn't really been a good scenario from that standpoint. We're a provider of weaponry for the defense department. Our sales were down in '17 because defense spending was down. We're excited now. We're looking at a 20 percent increase this year and probably another 20 percent increase next year due to the additional defense spending.
- We had trouble last year with people, and that's a real concern for us. The next two years we're going to need more employees. That's our biggest problem.
- I would echo that. We run into the same issue of finding people. I think from a growth opportunity, for us we can staff the shift, but if we wanted to go to two or three shifts, and we're in the textile area, there's not a lot of textile experienced folks in the country, let alone in the local area. Finding people, sometimes it's just the soft skills, can they show up on time? Can they stay there all day? Can you stay off your damn cell phone, and work hard while you're there?
- I've been at COMPANY for 18 years and half of the people there have been there longer than I have. It's because, well for one thing, we're up in Isanti, but the wages that we pay are far and above what anyone else pays in that area, and probably equivalent or better than city wages even. We have good benefits. Our people stay. Most of them do a good job because we get the best people because we do that.
- What's tricky for us is our value of the product going out is shrinking. That's making our margins very, very, very small.
- We're in the Cities; we don't have a huge need. We only need one or two people. But if we grow in any substantial way, it gets a lot more exciting. It's a little different because they're almost all machinists. But we also see that for some of my employees.

- On the machinist side and maintenance side, we struggled for years. We just kind of decided to head down the path of tech schools and grow our own. If we get the culture right, we can build the technical skills. If we don't get the culture right, and I used to work in IT, it's a terrible business when you're in that price war and you don't have the right culture. It feels like you're winning, but you're losing. I just have looked at it saying, you've got to play the long run. So we would rather have too many people that we have to raise up, but now that puts us in a training onboarding and we're not well suited. We've got to think about that.

- The last thing we've talked about strategically is we're never going to get the headcount we need, if we don't hit our growth goals. That's our challenge.

- Are there things you can do to prepare for a worsening employee market? Or are you just too busy trying to keep up?

- Looking at just overall efficiencies. We're going through a process right now just to make our operation as efficient as we can from a manufacturing standpoint, in terms of the waste that's generated, the parts we throw away in certain areas of our manufacturing process. We can't do it in all, but there are some areas where we have incorporated it already, and some areas where we have very little that we could make improvements.

- I'm 55 and my head of manufacturing is in his 60s, he just retired. I think about wherever I've worked, if I'm reasonably paid, and I have my boss and I'd like to agree with people I sit with, I'm probably going to stay. I've been looking at us saying, "Okay. What is our engagement employee survey saying at the micro level about everywhere in our factory?" Because if we bring them in and we train them, like I'm talking about, but they don't feel like they fit in, we're not going to hold onto them, despite the huge investment we've made in them. So, we've been trying to look at ourselves saying everyone wants the same people. What's going to be different about working at our company in a year from now? We think about our culture and say maybe we need to seriously challenge our culture and ask how friendly do we really think we really are? Because if you have a lot of people around like we have, we've been together a long time. I don't think we're as willing to let people into our lunch group. I think that's kind of most people. They want to be part of a group of people.

- I used to work in IT years ago and I remember if you didn't give someone a check mark regardless of wage increase, they walked out the door and went across the street. That was a very uncomfortable feeling of not being in control of your workforce. I'm thinking in the present and the future to ask are we really going to be what we're going to be? Our relationship with people will be on a rolling 90-day basis of whether they want to stay. I'm trying to avoid that. Figuring out how to make them sticky. Maybe the right way. Like sticky customers, who want to keep employees, maybe that's the right way to describe it.
- Part of the longevity of our employees is our culture. Everyone is very friendly and willing to take new people in when we have them.
- We're all fighting for that same pool of people. This isn't meant to be a political statement, but one thing that frustrates me is when I hear comments about the illegal immigration issues we have and that these people are coming to take the jobs that Americans don't want. That really bothers me. There is a lot of textile experience overseas and finding people that actually want to do the job, we may have to look overseas, and we haven't done so yet. We certainly are aware of a lot of people who would love to come to this country and work.
- We tie everything back to values. It's a constant conversation about values and trying to build in employee engagement. One of the other things that we've done in this last year is become completely transparent. Every employee sees our financials and where we sit, and how much income is coming in at the end of the day. They're somehow really moved by that and how they impact that number. So, we've made a concerted effort to show them how they directly impact that number, whether it's giving them all their costs, or whatever it is. Try to get a ground swell of people fixing problems instead of everybody at the top trying to say what the problems are and telling them what to do.

Should we increase legal immigration?

- We probably have 60 people that are Hmong or Hispanic working in our factory. We would not be making our product without them. We've had a tremendous experience over the last 15 years with the Hmong culture. It's different; you've got to work through some issues on gender and stuff, like men working for women, and stuff like that. The language is challenging to me. Every time I hand out awards at the Christmas party, I can't pronounce most the names, but we joke and laugh about it. I have the employees help me do it, so we have some fun with the

differential.

- For us, we're fortunate being on the east side, that we've had that for many, many years and had really good experiences with the employees in that space.

We talked about lean. One evolution of lean is that today it is more about people. Are you taking advantage of that?

- When we have conversations with various business partners, the thought process goes to, "We're going to implement lean and get rid of people." We tried to explain to them it's not necessarily about that, it's about being more efficient with the people that you have, and including them in that. I agree that a lean 2.0, where it's focused on people rather than solely process, makes a lot of sense. I think people are willing to engage in that more.

Let's go back to skilled labor. Are you finding candidates from tech schools?

- I would say, when we can find those folks, we get what we need. Seems to go a little deeper than that, all the way back to high school. There is this, seems like a mentality, that there's college and there's nothing else.
- University and nothing else.
- It's university, and not technical college. University or nothing else. It doesn't seem like it's balanced the way that's going to favor any of us around here. Because now you have a bunch of four-year college degree kids that we're not going to get working at manufacturing.
- When I went to high school, or junior high school, I took metal shop and wood shop. There was a gas engine class. There were things where you could actually go and put your hands on stuff and work with machines. I don't know if that exists anymore. If it does, it's in very few schools. I think that's a shame because it exposes everybody to that. Not everybody is cut out to go to a four-year school.

Why don't more students pursue a two-year technical degree?

- A few years ago, I went to a Minnesota guidance counselor conference and I spoke about technical programs. I was waiting for my

turn on stage, and I looked out and there were 250 people in the crowd. They all had master's degrees in education or counseling. They don't know anything about what you all do. People tend to actually counsel others on things they understand, right? So that's where it comes from. I do a lot of work in high schools. I listen to the conversations when a student is talking to a counselor or a teacher.

- Tech schools are closing shops all over. It's a matter of finances. They're very expensive programs to run. Even at our college level, I fight that. In an English class, I put a teacher in a room. That's my cost for that teacher. And I can put 40 kids in there and teach that class. In a technical program, I need equipment, I need consumables, I need all this other stuff. The CFO looks at it and says, "Wow. This is really expensive compared to this little arts program," and that's where the resources go.
- I think parents tend to want to push their kids towards a four-year degree, or graduate school. For whatever reason, the trade jobs, not that they're not important, but they don't want their kids doing that. I wonder who's going to build stuff? Where are the electricians, the plumbers, the carpenters, who's going to build the houses? Who's going to build the roads and do that hard work? Those folks can make wonderful livings, but parents want to drive them to university.
- I'm willing to say we've got to play the long ball because investing in robotics, I know those kids are probably going to Michigan, they're getting into engineering. But if you're invested in the robotics team, you're invested in the high school, then maybe the kids in the high school that are not in that program, will have a teacher say, "You should go talk to these guys." Then you go think about that school because maybe for your family, for your situation at the moment, you can't afford it or maybe you don't have the grades to get in to a university. Maybe this is a different path. So, we're trying to figure out how to build relationships down at the high school level, and maybe say, engineering. Maybe they'll come work for us in seven years because they enjoy that summer, and they remember us when they come out of school.
- It's a five-year play. It's not how we're going to fill jobs next year.
- I talk to a parent and I say, "A diesel mechanic makes really good money and leaves the two-year college with no debt," as an example. And they say, "That's fantastic. We need people in those careers but my kid's going to the University of Minnesota." When you dig into that, there is a stigma there.

- It's hard to put a future value on it. I have three kids in college right now. The push is always to go to college and it doesn't cost you anything. It might cost mom and dad something, but you're just going to take on a student loan and you'll pay that off over time. So, the kid at 18, 19, 20 years old isn't looking at the value necessarily, they're looking at this is what everyone does. If we would turn it around and say [inaudible 00:39:54] and you looked at that over a lifetime because the tab shuts off with mom and dad in about six months. That would be a little different. We don't do that. We're always going to be there for them. But we just don't do that. We're guilty of it ourselves. We didn't even look at a two-year program. Maybe they would have fit in well, I don't know.
- Manufacturing is not glamorous, by any stretch. Kids today want work-life balance. They want to work from home, and they don't want to be at work more than eight hours a day.
- I hate to say it, when you're scrambling to get people, you start to lower your standards. In the old days, you just assumed everyone came with soft skills, and now they don't. You're just thrilled to have someone that meets the soft skill standard, and then hope that they've got some aptitude for whatever it is you do. Every once in a while there are some great folks out there. But it's hard to find them. No matter how much you talk about your culture and your values and the importance of these soft skills. it's just a job to most people.
- We have a lady at the mill who is 83 years old and has worked at that place for 63 years. That doesn't happen. We have a number of 30, 40-year-old people. That doesn't happen anymore.

What accommodations are you having to make for the priorities of the younger folks?

- They want more vacation time, they want different work hours. I'm drawing a stereotype here, but I think there's some accuracy to it. They're less loyal. They want to know the ladder at which they will be promoted. "What am I going to get back for this investment that I'm putting into this company?" What accommodations do you have to make for them?
- We've been able to have somewhat of a flexible work schedule. Because we don't have a lot of equipment, it's a lot more labor intensive so we can flex people. The other thing is, what I've found anyway, is they want to feel like they're making a difference. It kind of goes back

to opening the book and showing them exactly what we got going on. Because they then see that what they did is making a difference.

- Sometimes it's hard to find in what we do to say, "How does that impact the world?" I think that they want that, obviously, but also making an impact in the company and seeing that it's successful. Then they feel successful about that, sometimes it's a conversation, sometimes it's we just do some more fun things or whatever. Getting them working on their own project where they feel they are making a difference, I think, is one of the biggest things we've been trying to do to retain people longer, instead of just, hey come to work, punch the clock, do your eight hours, go home. No. We want you to spend time working on the business, not just in the business.

- I hear that, and that's important but I think from my stand point, you've got to have the right culture. We did a business plan last year; we talked our private equity owners into a 5 percent salary increase, 33 percent increase in quarterly bonuses, and it was a tough sell, but we were able to sell that. I think they love working there but when we needed overtime, we asked for volunteers and hardly anybody volunteered. So to me, it gets back to a point of gratitude for what we've done for them. I think that's the culture. I think we've got to work on the culture in our company.

- We used to have our employees working 60 hours a week during our busy season. Then about six or seven years ago, we started just hiring temporaries to come in during the busy season. The same people come back every year as temporaries. The employees are happy about it.

Do you have a cell phone policy?

- No cells in a manufacturing plant.
- We realized they could have radios on the floor and so everything is running through Pandora or Spotify or all these things now. Nobody has a radio anymore. We felt that one of the cultural pieces of it was respect your neighbor. You obviously have to have your cell phone to run your speaker, so you can have your cell phone but in your pocket. You can't be on the phone. You can't be texting or anything like that, but you can change your music and others obviously have to respect it. That's one of our core values.
- A lot of that has to do with confidentiality with a camera. There are

formulas you're contracting for with various CPG companies, and it's just something that you have to protect.

- A lot of it is safety.
- No earbuds.
- We took ours away, and we just put a big Sonos system in. That was an amenity that kept coming up in employee meetings. Now all we're doing is every day we have a different type of music rotated on a five-day basis. You got 60 people working together, and they like the enjoyment, and it creates energy. I'm willing to spend a lot of money because we're going to do this in the long run.