



# Focus Group 1

**Brooklyn Park  
Hennepin Technical College  
September 16, 2024**

**Let's start with your outlook about the economy. Do election year politics influence what's going on at your business this year? If so, why? If not, what does affect your business during an election year, if it's not politics?**

- The biggest thing that always affects us from an election is tax changes.
- I think everybody's afraid of retroactive taxes depending on who gets in.
- I don't think it affects our business. I've never seen an impact one way or the other.
- I would agree. Everyone seems to talk about it, but I haven't really seen the impact of it.
- Coming out of the 2020 election, there was an increased fear of capital gains increasing, and that drove a lot of transactions to occur in 2021, just in anticipation of that tax implication. There's a big gap between ordinary income and capital gains, and so that was a factor, I think, in terms of our clients exiting. Right now, there's a lot of talk about interest rates and things like that, and I don't know how that coincides exactly with the election. But there's been a reduction in capital expenditures.

**Let's dovetail off that. Are you experiencing that with capital expenditures? Are you thinking of investing more or less?**

- We're looking at more automation of our processes. I do think that back in 2016, when a lot of tariffs were put on products coming in from overseas, that caused a lot of reshoring and a lot of people in manufacturing that I know saw an increase in business. Some of my customers are starting to reshore

products from China to Mexico because it's less expensive to produce product in Mexico and then bring it up here for final processes.

- We weren't really planning any capital expenditures this year, in terms of big ones, so it wouldn't have had really any bearing. If you're a conspiracy theorist and you believe that in an election year, they drive down interest rates artificially to make the economy better, that may have been a factor in the past. I haven't seen it this year. We've outgrown our facility, and we have our capital expenditures planned, and there was nothing planned for this year.

**Looking forward to 2025, is it going to be a year of growth? Economic expansion? Recession?**

- I think there seems to be less and less manufacturing and less and less people to do it every year, but I think there's still going to be manufacturing that must be done. So, the small shops that can provide that, or companies that can provide manufacturing services competitively, are always going to be in business and always getting or having customers. Somebody always is going to need your services. I do believe that.
- As far as capital goes, we tend to be very driven by our customers' needs. During COVID, we went through a huge capital investment time period when we were adding capacity to keep up. Now we're in a little bit of a catch-up the other way, if you will, and taking a breath from some of the capital. But regardless of the pending election, we'd do the same

thing, we'd figure out how to make what our customer needed happen.

- The economy in total, I think, is going to continue to grow. I don't see a true recession happening for a while because I think so many factors have been put in place to contradict any sort of mass recession. There will be small dips. That's my opinion. From our business perspective, we'll see growth again. We see growth almost every year though, so it's hard to judge off us, but we'll continue to grow. And the election won't have an impact on it. It doesn't really matter what interest rates are or aren't. Maybe our return on that investment is a little lower because the interest rates are a little bit higher, but if it makes sense, we'll do it.

**As a manufacturer, what's the biggest issue that you face right now?**

- Finding people and keeping people.
- Yeah, employees.
- I'd expand on that; it's finding people who want to work.
- It's hard to find good people and keep them.

**Is the issue of finding people the same as it was a year ago? Is it worse? Is it better? Have you guys become more agile at dealing with it because it's been around for a while?**

- We have become more creative with trying to keep people, offering different incentives, that type of thing, whether it's a signing bonus or a referral bonus or whatnot. A lot of companies have adopted that. We are trying to get as much training for them as possible to make them feel part of the team, bring value to the company, and just hope they stay on. But it's tough. You get a young engineer in our business and it's not glorious looking at wire harnesses all day. They would rather be building a machine or product. We don't make anything ourselves, it's all customer's prints, so the design aspect really isn't there for them, so it's hard to keep them engaged.
- Some of them haven't shown up for work. They use up all the safe and sick days and there's been, from what I've seen, more and more who are on the short rope because of it. They just don't want to come to work.
- I think COVID really killed the work ethic. Once people got used to sitting at home and doing nothing, it got really hard to get people to go back to work. The only thing that I've been focusing on is creating a positive atmosphere. That's been the goal of the company for years — to create a positive work environment. I know that my role in the company is to set the tone for the company. Our average employment tenure is nine years.
- Turnover is probably the biggest cost we have as an organization.
- We went to a four 10-hour shift model about four years ago, and I think that's truly why we still have people.
- Yeah, we do four nines and a four, so that half day, everybody's always in a good mood on Friday.

**Let's switch to supply chain. Are you seeing a reduction in supply chain challenges? Did you ever have them? Do you have more?**

- I think it's improved.
- Yes, significantly improved. Not perfect, but it never will be. It never was.
- During and after COVID there were real issues getting material. I think it's still there, but not to that extent. Stuff that we considered pretty normal, average stuff that you'd buy every day of the week, was all of a sudden not available for four, six, eight weeks. So, we ended up buying a lot of material for inventory and just inventoried it ourselves as much as we could, especially our higher volume parts.
- Some of our customers told us that they're still sitting on a lot of that inventory.
- We had a lot of that in the beginning of COVID from our medical device companies, because nobody knew what was going on. So, we were getting double and triple orders throughout COVID, and then after COVID it slowed down because everybody had access to inventory. That seems to be lagging. They really haven't gotten beyond that. The orders are still there, but for certain sectors they're not like what they were before COVID.
- Our customers were really busy during COVID, as were we. While we aren't seeing that they're not busy anymore, it was more of a spike. They continue to grow, so they continue to order. From our aspect, we did the same thing. We upped our inventory during that time and now that has come back down. We've probably dropped inventory 12 to 14%. That's with a 17% growth. And that's just supply chain. We don't need to carry as much because the supply chain's better.

**Let's talk about strategy and succession planning. Do you have a formal strategic plan? Are you thinking about succession planning?**

- I feel like our situation is unique, but maybe not. We have an 80% owner who is mostly distant, on the outside, and there's no family remaining on her side, so it's an end-of-the-road sort of a thing. It's a very difficult subject to broach with her. It didn't get much traction. On the other hand, from an employee standpoint, we are working on identifying the high priority people who we need to have a plan in place for. That's one of top three concerns — replacing the people who have the technical knowledge and have been with the company for 30, 40 years. It's especially tough with the technical positions. For injection molding, we've started sending employees here to Hennepin Technical College to go through the plastics program there. We identify the people within our organization who we think we want to grow and groom and provide them the education to get to that next level. It's too early right now to really say whether that's going to work, but you have to do something.
- It's been my goal to render myself useless in the company for years. They tell me I'm pretty much useless every day, so it's working. I have a couple of key employees who I'd

like to start profit-sharing with, create an incentive for them, and potentially give them shares in the company. So, at that point, when I choose to retire or move on or whatever, if they want to purchase the company from me, they can. That's one avenue. But on the other hand, if I want to sell the company to an outside person, then that makes it a bit of a challenge. My company is so diversified with different clients. We're a printing company, but we're locked down in four to five different channels, and so to market a company like that is a bit of a challenge.

- I actually have been reading up quite a bit about succession planning, and I need to get my ass in gear and get this donut rolling. Otherwise, my kids will be mad at me and never talk to me again. My strategic plan is to work on a strategic plan.

### **Do you believe manufacturers know what automation actually is? Are you using a lot of automation in your companies?**

- Some of our machines are very prone to being automated — Swiss machines, lathes with bar feeds. But since we're a job shop, we don't do a lot of long-term, long-run mill type parts, and therefore automation becomes a little bit more difficult as far as return on investment with that kind of stuff. Just the milling is always a bit more difficult to automate. I know there's a lot of stuff out there that is versatile, programmable, robotic stuff, but it still takes quite a bit of setup. We do use automation in a simpler way with tool setup and program management.
- Some of our clients are jumping into automation a little bit. Some of them are still a little skeptical about it, but I think that they want to do it and they know there's a cost to it, as well. I know some of them are leaning heavily on their employees to come up with something. So, part of that is getting your employees more involved with your work and with your company, and giving them that sense of gratitude or sense of being there at the company. They're leaning heavily on that.
- I think everybody wants to go that way, but I think cost is one of those things that they look at. And they also want to make sure that if they get the automation in there, who's going to take care of it? Because there's the mechanical side of that stuff too, and taking care of that is not cheap.
- Automation doesn't always seem so versatile. If you're a job shop or have a lot of different parts, it doesn't seem like you can use it in every facet of every part you make, so it seems like it's more specialized. But I will say that we do a lot of lights-out running. We know that we may not be running the parts at maximum efficiency because we traded off for reliability and knowing that tools aren't going to fade or fail and that they're just going to run overnight. We never do that until we have enough experience with the part — that it's going to be there and run and we know what the tool life is and can predict all that stuff.
- I don't think people are afraid of automation. We have semi-automation, so our one-up pieces of equipment we put index tables on and the index tables drive the operator. They keep up with the table for loading the parts. I did invest in a feeder

bowl and a packaging machine for a particular item I've been purchasing for 30 years., Had it for one year and, wouldn't you know, the manufacturers stopped making the product. Unless you do a lot of something, it really doesn't pay to fully automate.

- For the product that we produce, the things that we could automate, we don't do enough volume. If there's something big and long-term that comes on, I would certainly entertain the idea, and my employees are definitely for it as well.

### **At Enterprise Minnesota, we use something called VESSA, and if you are interested, there's an article on it in our Winter 2024 issue of Enterprise Minnesota magazine. It's making sure that you are lean enough and ready to automate rather than just go out and buy a piece of equipment and then you hang the laundry on it because you're not ready to use it as an organization. Is there some of that going on? If not in your own shop, are you hearing that just within the industry at all?**

- I think that's a very true observation. You can come up with the greatest ideas in the world, and they could be really viable and really work well, but unless you can sell it on everybody else and somebody can maintain it and use it, it's worthless. When you turn around and walk out, somebody else has to be able to take it over and make sure that what you have in mind is also what they understand.
- We have various degrees of automation. The presses all have robotics on them. I feel like we could take it to another level, but we tend not to. I look at it like, "How could we use automation to ensure that one step further, the packaging, we can get correct as well?"
- We do a significant amount of automation, not only on our production floor but in our office space, as well. How does that then incorporate into what the floor can do better?
- I have to believe AI's going to make it easier, too, in the future. Instead of needing a programmer to program in something, you can just tell them what to do and it's going to do it.

### **Let's talk about AI (artificial intelligence). Do you see manufacturers using it to enhance their businesses? Or is there a fear factor out there?**

- Both. I think everything you pick up and read, everything you look at, it's AI all over. It's already all over, whether you want it or not. I think there is a certain fear that goes with it, whether it's going to take over everything. I'm not of that camp, but I do believe that businesses are going to be using more and more of it going forward, for whatever it may be — software, robotics, finance, you name it. It's going to be in everything.
- It's for sure coming, it's a big deal. I've used it. I asked it to create an online job application that you can fill out and submit. And that whole process took maybe 10 minutes, so I was very impressed with that. We haven't even imagined the ways we're going to be using it yet, right? It's coming, and it's going to be good, I think. I'm going to embrace it because it's

going to save a lot of time. It's a good second set of eyes, so to speak.

- It's integral. We're now taking your tax returns and just running them through, and it'll automatically spread it. Even just something that simple will help free up our credit analysts' time to be able to pump out more. There is a security aspect that is kind of scary. We're already seeing the potential for recording your voice and the fraud that'll come in. "Hey, I'm Mark, give me information on my account." And it's not Mark. We deal with fraud every day, so I see some of the negatives on that. Otherwise, I think it's helpful. It's going to really automate our credit process.

**So, we always ask this at every focus group, and it's called the heartburn question: What keeps you up at night? What is the number one issue that you face?**

- For me, it's what our legislature, specifically state, is going to dream up next — new regulations or requirements that we have to do. Right now, it's obviously paid family and medical leave. I'm just very concerned about the impact that's going to have on the workforce. We already have people figuring out how to get out of working, and now they're going to be able to get out of working and be paid at least some percentage of their normal salary to do it.
- For me, sales. Finding the right type of business that we can work with because of the specialized printing that we do. I think I found a solution, but we have to give it a chance. That's been our biggest challenge — getting the right type of client for our capacities.
- For me it's definitely the employee side. Recruiting and finding qualified people who you can afford to hire.
- It's people; keeping people.
- I just heard that the cost of employees is going to go up as the government mandates more benefits that are basically mandatory and not optional. I think most employers want to give employees benefits and motivation to stay there, but they want it to be reasonable, too. They don't want to give somebody a free ride or a retirement for the rest of their life after a couple of months of work. So, keeping it contained and reasonable.
- We're expanding in other locations because of the laws that are being forced upon us.

**Are people in your communities aware of manufacturing? Do they understand how much your companies contribute to the local economies and the families of the people you employ?**

- No. I had people working for me who didn't understand manufacturing. We're a consumer economy. People have very little idea where things come from. We got so used to going to Target or Walmart and buying stuff off the shelf and having no idea where it came from. Everything came from overseas, and the manufacturing culture left. If you go to certain parts of the country, it's there. But most people, I would say, are not aware of manufacturing or the importance of manufacturing.
- The mentality of every kid having to go to college, it just

doesn't need to happen. We have plenty of college graduates, and everybody thinks that they're above manufacturing. People are sending their kids to college when they have no business being in college.

- As a technical college, all of our programs are hands-on, applied learning programs. And we are seeing, for the first time in 10 years, some big growth in enrollment. We were up 20% over the summer and 15% now for fall semester, which is exciting to me. I'm starting to feel like there's a little bit more energy in high schools and from parents. I think COVID is partially to thank for people realizing the high-need, high-wage jobs that come in manufacturing. The whole world shut down, businesses were closing all over the place, and manufacturing saw its biggest growth. I think it started to shift mindsets for people in the community. I think there's legislative movement around the trades too, which is helpful. Our manufacturing programs are definitely holding their own. We recently expanded our automation robotics program. Our electronics program was on the brink of closure for a while, and the semester this year was close to full enrollment. So, we're seeing good, positive enrollment trends. But our faculty will say the same thing as all of you with making sure students know they actually have to come on time and work hard while they're here. They struggle with that with students today, too. And keeping them off their phones and that kind of thing. So, it's a combined effort for all of us and for all of you.
- In order to feed that interest or get people interested in order to feed vocational schools, you have to expose kids to the trades and these industries at the junior and high school level.





# Focus Group 2

## Alexandria

**Alexandria Technical & Community College**

**Alexandria Area Economic Development Commission**

**September 18, 2024**

Due to technical difficulties, a transcript of the 2024 Alexandria focus group is not available. Thank you to Alexandria Technical & Community College and Alexandria Area Economic Development Commission for their support of this focus group.



# Focus Group 3

## Detroit Lakes West Central Initiative September 26, 2024

### How do you see the next six to 12 months in your business?

- Overall, we feel pretty positive about the business climate. If you don't know, we are in the apparel industry, and we are the T-shirt when you go on vacation. We are the memory maker when you bring your kids on vacation from the Caribbean to Alaska and every point in between. And overall, our consumer is out on vacation, so we're feeling pretty good about the business climate, from a customer standpoint. From a manufacturing standpoint, supply chain continues to be an issue. Worldwide supply chain issues and unrest. We've seen unrest in Haiti, for instance, and then also India and Bangladesh. Global supply chain concerns continue to be a concern for us. And then, probably, the biggest thing is labor in our facilities.
- I'm in the engineering side, not directly in the sales role. I'm kind of pinch hitting. But from what I'm gathering, there's a lot of good activity out there and there are a lot of projects. Five, 10 years ago, we were doing a lot of supply equipment for the fracking sand processing industry. That was gangbusters. There's a lot of activity out there, and it seems like the outlook could be favorable, but the last couple of years a lot of projects have been on hold, a lot of tentative spending. I would just say, maybe anecdotally, I don't have any data to back it up, but it seems like every election year, people hold the reins a little bit. So, I'll be curious to see if people are going to hang on to projects for the next couple of months, and then we will see what happens after that.
- We're generally positive, looking forward. Interest has

been good. We built an elevator that takes people from their home down to their dock. It's a product that is somewhat recreational, and somewhat a necessity for some people. The election, I think, makes people stop and think. I've been in manufacturing areas for my whole career, and it seems to slow everyone down. But then, as soon as the election's over, things jump back to normal. I think there's a little hesitancy. I hear that from a couple of our dealers. Overall, we're still looking positive. We're looking for growth this year.

- Over the next six to 12 months, I would say, we're pretty dependent on the housing industry. We make floats for septic tanks panels and for septic tanks, too. And it's not just housing, it's also municipalities. But I feel like the growth is going to be slow. We are projecting 15 to 20% growth in our company, but I don't know how much of that is market, versus us grabbing some market share, maybe. With the election, one of our biggest concerns is tariffs and if they'll get raised or not. That has hurt us. We do get a lot of our plastics and electronic components from China, so we've been slowly trying to bring it back to the United States. We have things lined up just in case it gets worse. So, we're working on that. But overall, I think maybe a little bit more growth is in our future.
- We're still kind of small, and we have our circuit boards manufactured in China. We are trying to find a circuit board company in the United States, but they don't want to touch us because we're too small and not a big dollar enough, yet.

**Let's talk about supply chains. It seems like, during COVID, the customers and suppliers, in many cases, were a little bit more benevolent in how they dealt with you. Has the relationship with your larger customers gone back to where it maybe was before, where they're a little more demanding?**

- They're probably more demanding, especially at lead times. But they're also looking at sourcing more work in the U.S., especially with products that they're sourcing overseas right now. They want to bring that work to the U.S. before something happens, and they're actually willing to pay a premium to do it. We're getting more work that was produced overseas, and there is potentially more work there too.
- It's almost back to normal for us, I would say. We don't necessarily treat it that way, because every once in a while, you don't know what's going to be the long lead time. And so, in my engineering group, we're kind of pre-ordering as much as we can, as soon as we know that it's safe. As far as the supply of things go, I feel like it's a much better lead time, so we're probably more demanding on our suppliers just because we're trying to make sure that we're not the slow gazelle in that case, I guess.
- We do a lot of recreational snowmobile parts, for other parts, and basically, we had orders in spring, and they pushed all the orders out to next year, partially because of inventory, partially because there was no snow last year, so their sales were down. But a lot of it still is inventory. The way they explained it to me, they overbought. They bought everything they could buy and put it on the shelf, and now some of it's still sitting there.

**How about capital expenditures? Whether it's new ERP systems, whether it's handling equipment, whether it's tablets on your shop floor. How are you seeing that over the next year or so?**

- That's definitely growing with our business. We're doing quite a bit with automation right now to keep up with demand and some changing elements of our business where we have to react quicker. We just simply can't move people to address it. We have to find faster ways to do it, and that's really only automation. So, capsule equipment, some automated presses for some business that we're getting into, and folding the base labor. It's hard to find employees who are going to do those jobs. It's expensive equipment, but not compared to the labor cost.
- We're actually implementing a new ERP system. We're in training right now. Over the next month, we'll go live around that timeframe and go paperless at the same time. Plus, then, everything will be in one system.
- Our biggest investment over the next three to five years is in technology, to update our antiquated 10-, 15-, 20-year-old technology.
- We're looking to spend quite a bit of money. We're actually going to be expanding or doubling the size of our building and adding a ton of equipment. Some of it is automation where we can, such as a rotary table, for example. Instead of three people doing the job, we'll have one worker and some

automation testing our floats. Mostly it will be equipment to make more parts. But yeah, employees, they're tough to come by, so the more we can automate, the better.

- We brought in some tooling and stuff that has paid off prior to COVID, but I don't see anything big in the future. We kind of took a big bite, about three, four years ago, and it's come back quite good. We brought some production in-house, rather than waiting on partners to do it for us. I don't see anything big on the horizon right now, but that could change.

**What do you think your number one issue is in the next year or two?**

- I don't know. Our biggest issue now is what should we be paying in people. We've been finding good employees, but the way inflation has been, it's hard. We had operators who are lower paid. Well, now they can go to Walmart and get that. It's trying to juggle that and still keep your good operators. So, that's probably our biggest challenge right now.
- Our issue is staffing as it pertains to capacity. We don't know where we're going to get the workforce, how we're going to pay them, because that's just an escalating situation amongst all manufacturers. With unknown payoff, you can raise wages and not get any more employees, and so you just spent more. So, I think that that's probably the number one issue. Our number one issue is capacity, but the number one driver of capacity right now, in the facilities that we currently own, is the staffing.
- I hear a lot of discussion asking what we can automate, how can we bring more automation in, your previous question, and I don't really know. We are such a custom manufacturer that you can't pay off a robotic welder, for example. I'll be curious to see what that means for us, but it's an ongoing challenge to keep good people who want to work. The nature of our business and the work that comes with it, there are swells of hours required, and it is tough getting the production employees to work overtime. Whereas, in the past, people would just gobble it up, and they wanted as much as they could have.
- Agreed. Even getting people to work full-time hours is really tough.
- I think that's a direct impact of COVID, where people have figured out how to make it work with their family, and you see a lot of people working 32 hours or less.

**Do you have a development program to develop your younger leaders?**

- Since I've been on board, we really try to implement the training and qualification pillar. We were pretty scattershot, with a lot of empirical knowledge over the years and on-the-job training, so we've definitely been trying to formalize it. We've been focusing more on our operators right now. We do have a very basic leadership development program, but we're really trying to shore up at the operator front. And then, yes, then we will try to build stronger leaders.

**Do you think that's key to retaining some people, if you invest in them? Will that differentiate you at all?**

- Well, yeah, you have to build up your leaders to be able to support and deal with employees. They're your frontline people who are dealing with the most basic issues on a daily basis, and the most issues on a daily basis. For us, we need to shore up so we're getting product quality and consistency, and we are adding new sites and things like that, so we have to get operators capable first.
- I've been in manufacturing for 35 years on the marketing side, and I grew up in this area, and there's always been a struggle to get people. There used to be people coming off the farms, but the small counties are dwindling, and people are moving to the big city, they're moving somewhere else. Mobility is easy. And we haven't been hiring lately. The last time we did, it was a struggle. From what I hear, that's maybe better now, but you guys probably know more than anything, it's still a struggle.
- We're actually making some leadership changes right now. In the past, it was like, "You're the best machinist, so you're the lead." It doesn't mean they're a leader, it just means maybe they've been here longer.
- We're hoping for some growth. The factor for us right now is probably going to be interest rates. Even if our people are able to pay cash for something that's \$70,000, is it worth taking it out of the market, taking it out of the bank and buying that tool? I think interest rates are going to be a challenge for us. We will see what happens with it. Everything's tied to the housing market with COVID. People all wanted to move to the lake, and work from the lake, and enjoy the lake... It was great, because then they wanted to spend more time there, but we are kind of seeing a shift. So, I think that'll probably be one of our bigger factors right now, just seeing what the interest rate does, see where people are, where they feel comfortable spending and making a big investment.
- This year, we're going to finish at 30, 35% growth from last year. Not to sound bullish, but I'd say it's going to increase, which is scary, too, because I could run into staffing issues. Mostly, I feel that way because of the military parts we do. We're getting more feedback that the military's going to start doubling submarine production, tank production, so everything could potentially double.
- I think our growth from 2024 to 2025 will be at least 15%, maybe up to 20. From last year, I think we're up about 15% from the previous year. So, kind of steady growth. And like I said, I don't know how much of that is the market, but for us, we're really pushing, we're hiring salespeople, and we are really getting our sales reps around the country trained and getting them excited about solar products.

**To the banker, how have you seen the banking relationship with manufacturers shift, or hasn't it?**

- We've seen a lot of cash being used. But even on the business side, capital expenditure was really utilized through the company cash when the borrowing rates were sitting high.

Now, a lot of cash has left that system, so the lines are starting to get back into use. Even in the ag side, I'm kind of covering a broad range, but on the ag side, too, as well, they're starting to see that usage come back up. Of course, interest rates are a big concern when you're sitting at 78% on that, which is a huge change overnight. But with manufacturers, yes, the credit line use is starting to come up. We haven't seen a lot of pausing on business expansion and whatnot. I mean, there have been some more cautious approaches to it. But it hasn't come to a halt, even when rates went as high as they did. That was a positive here over the last couple of years.

**Let's talk a little bit about succession planning at the executive level.**

- I probably wouldn't have a job here if they didn't do some succession planning. We got very concerned about the age of our leaders. We're probably good for the next five to 10 years, let's say, but then there's a huge gap.
- We talk about it a lot, but we don't have any planning, if I'm being strictly honest about it. There's talk about it with certain individuals. It's like, "Hey, they're going to retire in a couple of years," but we haven't done much planning for that.
- One of our owners had a heart attack a couple of years ago, and that was a big wake-up call, and they still haven't done any succession planning. But we're starting to grow to the point where they need to bring in people other than themselves to help run the business. So, I've been poking them on to get a good general manager to run the place.
- [NAME] is getting close to retirement age. I don't know if he'll ever retire because he wants to work. But his son is involved pretty heavily in the business. I think they are trying to get him to work more on the management side of it. He's been in sales and the installation side, now trying to get him more involved in the financial side and other things. I think there's an outline of a plan, and he has a good base, but there's a lot to learn yet.
- I joined the management group a couple of years ago and talked a bit about succession planning before that. From my perspective, I don't know that I ever really heard any talk of it. There'll be a need in a few years. There have been a lot of people on the production floor who retired in the last five years, and a lot of tribal knowledge went out the window with those folks. So, that made engineering step up a little bit.

**We talked about automation. Inside of automation, there's this buzzword called artificial intelligence. Do you use it? Will you use it? Do you think it will help you in your manufacturing?**

- Yes. For lake shirts, yes. There are some shortfalls within our ERP, and the length of time and resources that it's going to take to correct those, they're finding AI applications can help bridge that. We are an art-driven company, so you hear a lot about AI in terms of music and art, and you can use AI to create art. The challenge there is, especially with people who do art, is whether that's art or whether that's just plain old plagiarism.



- I think there'll be some advantages down the road. I mean, it's all still pretty new to know how it's all going to play out. There are going to be advantages, but it's like any new technology and new thing going on — will take time to get some of the bugs worked out, too.
- I keep searching for how it's going to enhance manufacturing. It's one thing to talk about ChatGPT and all the fun things that are out there, but how's it going to really enhance the employee productivity or make it more predictive?
- I use ChatGPT all the time when I don't know the answer to something, and it's getting information that quickly that is great. I can see its use more on the customer support side, maybe have a virtual assistant. It is still new, like you said, but there's some definite potential there.
- We use Business Central, and that already has it built in. We just have to figure out how to use it correctly.
- Chatbots are something online for us as a small manufacturer. I don't know if it's going to help on the manufacturing side for a while. Maybe after I retire, maybe before, we don't know. We'll see how it helps the manufacturing side down the road.
- I don't know how we're going to use it. We have touch points. Certain applications have virtual assistants and teams.
- We have project workflow programs. They have an AI built-in assistant. On the design end of things, I don't foresee what my next move there is, honestly. We use the internet, like anybody else, for a quick answer. And some of that stuff is very handy. You can just pull from the web. But for our company, when we talk about it, or it comes up, we ask what are we going to do with AI? I don't know, honestly. Personally, I'm a little worried for society, but that's just me.

**Is there a heartburn issue that you see in the future that you're going to have to deal with in your organization that we haven't touched on?**

- We've talked about employees and stuff, but getting them to work, making sure they're on time, all that stuff. I work with a lot of engineers from other companies, and they don't know how to interact with people. They know how to interact on the computer, they know how to do all that stuff all day, but to have a conversation or talk about a project, they're really timid. They just don't have that interaction with people anymore. So, I see that as a challenge going forward.
- I'll get things from people 10 feet away from me instead of them walking in and saying hello. You need that personal interaction versus just the computer. I see that as a challenge in our industry, where people just can't communicate, have a conversation. I don't know if anybody else sees that, too.
- I see it as a lack of resilience with the workforce that is entering now.



# Focus Group 4

## St. Cloud St. Cloud Technical & Community College September 27, 2024

### When you look at 2025, are you predicting a good economy? Expansion? Recession?

- The challenge is, because most of us service other customers and don't build our own product, understanding how the variety of industries we serve could be impacted. We can only see what our customer tells us. You worry about whether or not it's going to be a growth year. We were finishing a big expansion, and a recession hit. Rates went up, buying equipment got more expensive. Now we're coming out of that hopefully, at least that's what they tell us, so we look to 2025 as hopefully a recovery year.
- We are in a little bit of a different scenario. Starting in early 2021, our sales boomed, and we have been trying to work off a large backlog for a couple of years. For the first time, certain parts of our business are seeing orders slow down. We still have backlog to keep going, but it looks like 2025 is going to be slower.
- This year we slowed down so much we still had to buy all our product. Next year, we won't buy anything for six to nine months.
- I think it depends on what markets you're touching. It seems like some of our customers with five-year plans are already set, and they are so capital-intensive that even if the market turns to crap, they're going to continue to their best ability. They already have billions of dollars started. We're just a small piece of that, unfortunately. But that business is a longer strategic investment, so those tend to continue even if the market doesn't do well. So, we have a really hard time

predicting. You have to play defensive, but you also have to prepare for those booms so that you can take care of your customers. If you can't, they are going to find somebody else who can.

- I agree. We're forecasting 10% reduction in sales, and Monday we move into our new construction. The timing is not good, but in the future, we're going to need that space.
- We see a lot of indicators that staffing is a big issue still, yet it's softening. We have also heard interest rates in some industries impacted capital expenditures, and others not so much because of either size or product offerings. I would say it is a wait and see, but I'm generally optimistic that once the election is done things will start picking up again.
- Most of my conversations right now don't have workforce issues as a top priority or the biggest issue anymore, which is nice compared to a year ago. It was pretty slow this summer with capital purchases, expansions, things like that.

### What is your biggest challenge now as a manufacturer and in the coming year?

- The ability to be agile. If that boom comes, how do you cover it? If it doesn't, how do you resize and restructure to survive the next level of whatever it might be? Hopefully not a recession, but we don't know. We don't know what the future holds.
- Kind of the same thing for us. We can't scale up fast enough for what we have seen the last couple of years in terms of expansion. In some of our markets, we are hearing from our

customers that we should be expecting continued growth. In other areas, not so much. So, how do you plan for that, both from a people standpoint, even though it's easier to find people today than it was two years ago, and on the equipment side — lead times for new equipment and expansion are still very long. It's tough to make decisions today on things that will have an impact a year or so from now.

- One thing we are struggling with right now is reduction in business. How long is this going to last, and how much cash do you want to burn keeping your employees? When it gets busy, they are going to be hard to find again.

**Let's talk more about that topic — talent and leadership development. Are there still challenges with finding people compared, say, to a year ago or not so much?**

- I would say it's still challenging. I mean, you can find one or two good candidates, maybe you get five applications instead of two applications like you were last year. But it's not like you can just put a sign out and get 20 employees in a week who are all ready to hit the ground running.
- I think the quality of the applicants is not there. We need the right people who fit our core values, can do the job, you can depend on them, and we are just not seeing that very often. When we find somebody like that, we hold onto them really tight.
- We have been looking at technology. If you can't find good individuals or people who have the skillset you need, you bring in technology. We spent the last year putting in technology to replace people. We are still investing in people because it's the right thing to do, but we just got two more industrial robots in. With the caliber of people available, it is challenging.

**What are some things you are doing to retain your employees?**

- Technology has been big. The struggle out there is finding good employees. For our growth, it was essential that we invest in technology because you can't find people with that tribal knowledge. To back up a little bit, I think we are still feeling the effects of COVID, especially with the professional workers we want to bring in. We'll interview people, they want to work hybrid, work from home, that type of stuff. In my opinion, that's not reality when you're in manufacturing. You have to be there with your people, your team. We're in central Minnesota, and we are having to recruit out of the Twin Cities. To get someone to relocate and then offer competitive wages in central Minnesota is a challenge, but we'll do it if it's the right person, the right fit, and we feel that they are committed.

**What are you doing to get people?**

- Historically, we didn't utilize recruiters, so we're having to invest heavy on the recruiters. We might come up with 10 candidates and one comes out of it. We have raised our wages to be more competitive to bring that talent in. But that all goes back to an investment in technology, because technology

increases your margins and you're able to do that and bring better talent in.

**Are you investing in automation, and do you see more investment in automation in the next year? And what is your definition of automation?**

- We are looking at an ERP (enterprise resource planning) system. We are a lot smaller than most of the companies here, so hoping that will help streamline how we do things. Also, definitely looking at automated filling. We have done a lot of manual processes up to now, and we are expanding with bigger equipment, making bigger batches.
- We are investing in systems to make our office people more efficient at what they do. That way, you don't have to hire as many people, just better information at their fingertips. We have a new \$3 million press coming in next month, and it's going to eliminate the need for hiring three people. We are going to be making two parts off that press with one operator instead of one operator on each press. It's making people more efficient.
- We are doing the same. It's not about replacing people with technology; it's about finding technology that makes people more efficient. Instead of just trying to hire a button pusher, we hire somebody and turn them into a utility player that we can move around as our business flows through, as our production flows through a process.
- I think, too, when you talk about technology, the education part is so big. We can invest in a piece of equipment, but what good does it do if it's just sitting in the corner and you don't have the right people to run it? That's where we have been utilizing our area technical colleges to bring these people in. You're seeing a shift with the youth; they are looking for opportunities or careers out there.
- When you automate a program, you need somebody who can read a drawing, take that drawing and convert it into one of these automated tools. We're investing in AI that can do a lot of that work and a lot of that programming.

**Are others using AI? Is it a benefit? Are you nervous about incorporating it?**

- We are not heavily invested in it, but our IT folks say they use it every day to program the different functions of our online tools and streamline their work.
- AI scares the crap out of me because of attacks — attacks on your systems. But at some point, I think we are going to have to use AI to fight those attacks.
- It has been a wonderful tool on the sales side. You can find anyone at any place, any name, any title, any phone number, and basically make a direct connection. Prior to that, it was more a networking type of thing to get in the door. Now it's one click of a button and before you know it you're talking to a VP of operations.
- We use AI a lot. We have a program for contract review, where we load a contract with our set of terms and it compares and tells us where we are on compliance. We also

use AI for our accounts payable department. Invoices come in, it compares and does the three-way match and puts it all in the system so that we can reduce the number of people in financing. There are things that AI can do that reduce the monotonous work that people do. So, we are using it in many areas of the business.

#### **Let's talk about supply chain. Is it still an issue?**

- Our supply chain is healthier now than it has been in a long time. It's not an issue for us anymore.
- The supply chain is pretty good right now. What I am seeing from some of our suppliers might be related to that talent gap. We're seeing more mistakes coming in from suppliers than we have seen in the past. So, that's been a challenge. Before you just couldn't get the stuff. Well, now we are getting the stuff, but it may not be coming in the way we need it to come in.
- Lead times are still really long. Anything coming from China, from Asia, those lead times are still very long. It's the flip side of what we had during COVID, when you just couldn't get enough. Now we can't slow it down, and it's hard to push back.

#### **Some manufacturers have said that their customers are holding onto inventory longer because of uncertainty. Are you seeing that amongst your customers as well?**

- Our customers are asking us to hold onto their inventory longer. They want it, they just don't want to ship it. We became their warehouse, which is interesting because our supply base is pretty stable. We're starting to get pushback from some of our larger customers who think they know how to buy product better than we do.
- We had customers who were replacing excessive orders and building inventory at a time when lead times went long and its supply chain was unreliable. As things have kind of stabilized the burning inventory, we are seeing orders normalize.
- We service the food industry, and with prices the way they are right now, especially with proteins, freezers are full right now. People are not wanting to pay, let's say, \$8, \$9 for a pack of bacon or something. So, the inventories on that end, depending on the business, are higher than they were before. It is a challenge because these big companies can't stop. They can't slow down.

#### **How many of you have a formal strategic plan in your organization? Are you well-positioned for future succession?**

- Yes, we have a strategic plan, and yes, we formalized it more this year.
- We have one; it can be better. We have some new leadership within the business, and it's time to bring us all on the same page and make sure we are all over the next one to three to five years.
- Yes and no. We do have a strategic plan. We follow EOS, so that helps us with our vision, but not an exit strategy at this point. We are really trying to scale up at this point and trying to increase our value. But we have not gone that far into the

future of what's going to happen when the owner's ready to retire.

- We have a strategic plan, but not one for exit time for the owners. We plan year to year, different stages, we have big meetings once a month, so we communicate all the time. Guess maybe we start talking about exit strategies, too.
- We are a family-owned company and currently transitioning to a fourth generation, so from an exit strategy, there is no exit. But when you talk about strategy, yes, we do. We have one-year plans, five-year plans, and, believe it or not, a 100-year plan. We are a 125-year-old company. How do we continue to exist for another hundred years? We spent a lot of time with that at the leadership level and communicating it to the whole organization.
- We have a strategic plan. I think it was essential to the growth of our business. We meet quarterly on it. We set our one-year, five-year, and 10-year goals, and we bring our entire management team in on that strategic plan. I think where we are probably lacking a little bit is in succession planning, and we try to work through it, but having owners who have been in the business for long, it's tough to let go and understand what that's going to look like in the future.

#### **How do workforce laws, including paid family and medical leave, impact your business?**

- So, this year the earned sick and safe time (ESST) has had a pretty profound impact on our business. We've paid people to be out anyway, now they don't have to call in. Our four supervisors are standing there wondering, "Well, who's going to show up today? What do I schedule?" Let us run our business. We have provisions for paying employees for sick time. Just get out of our way.
- I would say listen to us. It just feels like we voice our opinions, and we throw them all out there, and government and the legislature just get tied up in this big knot and it doesn't seem to move. We can talk about it, but as a leader of a company I don't feel we are really being heard. It's frustrating.
- We look to buy companies that fit us strategically, and we tend to not look at Minnesota because the regulatory environment is not favorable to businesses. It would have to be an amazing opportunity here for us to consider Minnesota given that it's so hard to do business here.
- The challenge for us is being competitive in the future if new mandates keep coming that cost us more money. With ESST or paid family and medical leave, it's hard enough finding employees and then allowing them to come and go as they please doesn't help us schedule and plan work. With the added cost, we are not competitive with our other companies that do what we do in Wisconsin and Iowa and North and South Dakota. How do we continue to be competitive in the market when the state is taking away that competitiveness?
- We have done our last expansion in Minnesota, that's for sure.





# Focus Group 6

## Litchfield

### Southwest Initiative Foundation

#### October 1, 2024

#### How do you see the next six to 12 months in your business?

#### How do you see the overall economy?

- I think we're coming off this huge COVID bubble where you couldn't produce enough fast enough; you couldn't hire enough employees. The rules of business changed. I think the next six to 12 months is just a time to reset, get back to what is normal and traditional. We've basically doubled or tripled our capacity in the last five years. We've done it with less people. To be able to have the time to finally finish some of our integrations and finally be able to finish some of these initiatives we've worked on for the last few years, that is a good thing. At the same time, coming off this huge high in resetting and rethinking business is probably one of the greatest challenges in the next couple of months. And business is healthy, but it's different.
- For us, business is good. We are down as well. However, we are starting a nice recovery. But regulatory issues have been big for us from the EPA [environmental protection agency] side. The EPA shut down fluorination. So, if you wanted to make a single-layer or monolayer gasoline tank, you had to have it treated to prevent the fumes from permeating through the plastic. They shut down the fluorinators for a little over a year. It was in federal courts and the fluorinators and the chemical industry won, but the business has gone to Mexico. So, we started rebuilding and looking at different industries. We are still making tanks, but we are primarily focused on hydraulic and diesel tanks and things of that nature. The EPA rulings aren't as onerous in those tanks. We're on a rebound,

but business is very different. Our industry is extremely hard to automate because of the size of the machinery and components we're producing. But we invested about nine years ago into some new technology in rotational molding, and that is where our growth is.

- Truck's primary municipal business is very good there, very strong. We've grown business over the past year. So, for trucks, we're booked out into 2026. We have a very good sales team who's really good at making relationships. Trailers a little trickier, especially small trailers. People who typically did not buy our product at that time, did during COVID. We're actually coming off our best year, but a lot of our dealers still have the smaller trailers on the ground. We're doing a much better job pivoting toward the market so that we're increasing our larger trailer footprint. I think in the next six months we'll be able to finish some of that work and really start to see the lead times come down. Especially on our very large kingpin trailers.
- So, there was no bubble for us, really. We've been in R&D for five years now and have a ton of projects out there. And I actually see the next few months as being some of the best for us because we'll be breaking through into some new projects. I'm really hopeful about the next few months; our industry's going to start taking off again.
- We are blessed to be in the aerospace industry, which has very slow change curves. So that hasn't changed a lot, and it's been running very strong. The other industries have been down. That's a shift in market space for us, and our projects have

long development cycles. We'll still continue to see strong steady growth over time.

- We do the work no one else wants to do. We do the overflow work, we do breakdown work. Forecasting, for us, has always been difficult. I think forecasting in the next year is going to be equally as difficult for a couple of factors. Number one, a lot of people are sitting on a lot of inventory. So, they need to wean that inventory down still. Number two, everyone wants to capitalize on opportunity when they have that opportunity. Our business has to react. Even some of the forecasts we're seeing from some of our big major OEMs are spotty because there are still supply chain issues. And I think the supply chain issues when they hit, they hit so hard and so severe that the reaction that people have is to go into some type of a scramble mode or mitigation mode.
- I think for us it's more about trying to redevelop communication, trying to redevelop personal relationships, trying to get a person who we can get an answer from, versus sending an email or logging into a portal. To get those boots on the ground approach, versus relying on the forecast that we'll get on them.
- The construction industry equipment so far is steady, but we're being warned that it won't take much to tip it in the other direction. The smaller players are pulling back pretty quickly in the construction industry. And the larger players are pushing ahead pretty aggressively. So, it's a mixed bag.

**Are your capital expenditures that you might have planned being put on hold? ERP systems, tablets out on the floor, things like that?**

- We are in a different situation because we were acquired at the end of 2021 by a global entity. They're based in Europe. It's bad right now with Ukraine and now Israel. But we have still seen investment. We got new brake presses this year. We're moving to our new ERP system in the spring, which is great because our current one is like an iPhone 3. I am amazed sometimes that they can make anything with it. But we have to be very strategic about what we're asking for. And we have to make sure there are additional layers of why we need it.
- Currently, there are a couple of small items that I could add to refine what we call the bass fiber, which is the long fiber. But we're not at that stage yet. It could happen within the next 12 months.

**Are we still seeing some level of supply chain challenges, whether it's availability, lead times, cost?**

- The supply chain difficulties we're seeing are actually drastically different. Spare parts for older equipment are becoming completely non-existent as people forgot or just stopped making stuff in COVID. So, if you have a 20-, 30-year-old piece of equipment, it breaks down, you'll never be able to fix it. The maintenance people who work on that stuff don't exist anymore. They've all retired.
- We see the supply chain issues as being something that hits constantly. The dock workers' strike today, for instance. We

have a tremendous amount of customers wanting to kick tires on reshoring, and yet the cost to reshore versus our costs here are all over the board. I would say out of 10 projects we look at onshoring, we're competitive with 1.5. And we're completely non-competitive with a lot. Many people would love to reshore, but there are just so many factors that don't allow it. Whether it's regulations, whether it's the Chinese government, whether it's whatever. If we could be on a level playing field, I think the tidal wave with onshoring would be tremendous, and I think that would also change some of the supply chain issues. Somewhere along the line there's a hiccup, and everyone is so tight that the hiccup just reverberates. It's just the challenge every day, dealing with something that you don't know what happens until it's right in front of you. It takes your best people to solve those issues, versus putting them on other tasks.

- We haven't seen a whole lot of supply chain challenges, but I'll touch on that reshoring initiative. From our side, I think it's more fear of change and the risk of change on our customer side that keeps them from reshoring. Post-COVID, a lot of people saw the risk of having international suppliers and started the initiative. But they were lacking in the engineering or technical resources to validate the change. So that's that risk of change they're adverse to. Maybe strikes like this will be beneficial to the reshoring initiative. I don't know. People experience more pain with inputs.

**Is the worker shortage better, worse than it has been? And how are you dealing with it?**

- It's different. We're able to find people, but finding people who have life in order is difficult. So, we've spent more time with our HR staff trying to figure out how to help our employees be successful. We're not large, but we were around 50 employees when we were trying to figure some of this out. And the number of people who grew up in a single-parent home or a broken home, or had some significant trauma in their lives, has grown. We've seen that with the younger workforce. So, a basic understanding of what to do with a crisis takes a lot more of our attention and time. I think we can find the people, we can make loyal employees out of them, but it's a different path.
- We've always had a fair number of 18- to 24-year-old employees. Starting out in life you have unique challenges, but now things are just exaggerated. So, one example. We have extra vehicles available for employees when they have issues with cars, just to keep them coming to work. That was something we started during COVID because cars would break down, and it wasn't necessarily that they couldn't afford to fix it even. It was because they couldn't get the parts to get it fixed. Now we're seeing more of them don't know how to get it fixed or what to fix. An employee hit a deer yesterday on his way to work. He is 25 years old, grew up without a father, his mom was a drug addict who was from south Florida. He relocated to Minnesota on a basketball scholarship, dropped out of college because he couldn't figure out how to do

school. He just continued driving the car. I was backing out of work and went over and I said, "Where are you going?" And he said, "Well, I'm going to go home. I'm done with my shift." And I said, "What's all the fluid underneath the car?" "Oh, I hit a deer today." He was just going to drive it. There wasn't a drop of antifreeze coolant in that car. Not a drop. And he was just going to drive it home. So, it's those kinds of things that we see very frequently. And the choices are just like survival choices, not well thought out.

### **Are you looking for employees?**

- Mostly laborers, yes. Right now, we're a skeleton crew.
- We made some changes post-COVID, and we've been pleasantly surprised with the number of candidates and the quality of candidates we're hiring.
- I'm the HR manager, and that's the scope of what I've been doing. It is about creating a welcoming, caring environment for the people who work here. I spent a lot of my time with the leads and the supervisors, continuing to build a relationship. But that's my biggest focus, especially the leads, because they deal with our people every single day. They're the most important people in my building. So I need to make sure that they have the people skills and the coaching to be able to be in touch with our whole crew. I've been really working on the performance management piece and just that coaching piece. Process wise, our onboarding has traditionally been very good. But now we've extended it beyond that first 30 days. Now we're into the 90-day piece, again to focus on creating the welcoming space where somebody has a home. I might hire an engineer. I hired two supervisors in the past week. I need to be able to have something that I can modify for anybody. The thing I haven't been able to impact is childcare. We have lost several female employees over the last year because they lost their childcare. A lot of times it's older female relatives, and they get sick or they die, and then they can't afford to work anymore. That's something that has been really tricky.
- There was a lot of conversation over the last year around some proposed licensing regulations. And again, let me be clear, there is nothing more important than the safety and care for children. But some of the things that were being done, from a licensing perspective, caused childcare providers to look and say, "If this goes into effect I'm out of here." It would've made a bad situation catastrophic. And I don't think that's too dramatic to say. So, fortunately, that's been delayed for a while, and we're hoping it's delayed into infinity. Again, not to compromise the quality and affordability on it, but that's been a big issue no matter where we are in communities. And it's especially an issue in some of our three-digit population towns because there may be only one provider in their community who wanted to retire five, six years ago. There's been a lot of interesting things happening with either churches getting involved or conglomerations of nonprofits or schools. My hope on that is that we think about childcare as we do broadband. I'm a free-market guy, but the market is broken,

and public intervention and policy overhaul is critical to it.

- Childcare is definitely on the list. But it seems like employees have crisis after crisis after crisis. Dealing with a parent, dealing with a kid, dealing with changes in school, dealing with an illness, dealing with childcare. In today's world, that crisis means they don't come to work. And it could be they don't come to work for a day. It could be they don't come to work for two days. It could be they don't come to work for a week. And that's a void. And that's a void that current employees, other employees have to pick up. But that's also a void that's created because of the unknown of when they're going to be able to get back, or even if they're going to be able to come back and how they're going to be able to come back. Childcare is one of the underlying things, but I think it's beyond childcare. Just this whole societal way of doing things like that has just gotten out of control, and there's no remedy.

### **Let's talk about the recent legislative session and some of the new guidelines around employee health, workplace, etc.**

- In the very small companies, the single-digit companies, they are worried about how the new cost is really going to affect their bottom line.
- We have 400 clients who we serve, and every single one has a different PTO setup. So every single one has to be a different conversation. How do we change this? How do we adjust this?
- I'm not a big fan of it as a whole. The bad thing, I think, is we were already doing something similar. So you lose the benefit of having a better program when everybody's forced into the same program. But yeah, the admin cost goes up. Thankfully we do most of it in-house, so it's just shifting a few wats around. It will be interesting to see where it goes in a few more years.

### **When COVID hit, we saw a real spike in our survey about automation. Everybody was going to automate all kinds of processes. Unfortunately, buying a machine and sticking it on the floor isn't exactly automation. How do you see automation playing a role?**

- We realized early on you can't just buy a machine and stick it on the floor. We've worked to develop our own team internally to do it, and as we've gotten better and better, it's become easier and easier. Automation is amazing. It works well. We're in the process of putting our fifth robot in, our second robotic crest brake cell. We have plans for two more robotic arms next year, maybe a third. And the automation is amazing. It takes a different type of mentality to run it, and it also puts a lot of fear in employees. I have one robot that replaced three people. We were able to absorb those people into other areas of our facilities.
- Automation's not really doable in our industry in a lot of ways. For some of the end fabrication or secondary processes, it is. But the molding itself is just labor-intensive. The machinery that we imported from Europe has really helped us with workforce issues. There's enough automation

in the equipment that the decision-making by the employee is minimized. And so that has helped. It helps in training; it helps building in confidence when they're learning and doing. We use high-speed routers right now. They're all handheld. We're going to have to go to automated tables and things of that nature.

**Is there new software, new tools that you're thinking about to hopefully make artificial intelligence or some things be more predictive versus reactive?**

- Right now, I would say we're just not there mentally. We're moving on the ERP system, but again, we're using something right now that is almost 20 years old. I personally will go ahead and start out with ChatGPT. And I am planning in 2025 to take some classes so that I can understand it a little bit better. But as far as the general, even my managers, my peers, I do not think we're in a space where that's something that is even thought of. What they can imagine for an ERP system doesn't even have anything to do with AI at this moment in time. Once we get into it and can see what it's doing, then I think for sure. Europe is absolutely miles and miles and miles ahead of where we are. But for the time being, even if I brought that up in a supervisor meeting, they would laugh me out of the room.

**Most people during COVID weren't tapping their credit. Plus, a lot of credit was free. Have you seen a shift in how manufacturers are tapping their credit and using their bank? How do you see it going forward with the interest rates as they are?**

- Well, I think it's been pretty steady. One thing out here in southwestern Minnesota is that we're dependent on the agriculture economy. So, with market prices down this upcoming year, there's a lot of spillover into ag manufacturing, ag implement dealers, etc. We are seeing a little bit of a slowdown there. But I think interest rates have come back about 60 to 100 basis points just in the last three months. So, in addition to the primary coming down 50 basis points, we've seen a lot of big projects put on hold at the beginning of the year. Number one, because of construction costs. And number two, because of high interest rates. Rates are coming back into the more moderate range, at 6% or 7% versus 7% and 8%. So, I think that's going to have a good impact on production going forward.

**Let's talk strategy, exit planning, and succession planning.**

- We're in a unique situation. I exited as the majority shareholder two years ago in November, and it was bought by a couple of local investors who were not in the manufacturing sector. We're going to be reversing that transaction in the next couple of months by year-end. I think for us it's just about stabilizing. We have a great business, we have great employees, we have a very seasoned staff, and we're all in that 45- to 50-ish age range. Right now, we're just trying to stabilize where we're at. Once we have that done, we'll start

looking at trenching forward. It's a unique position.

- We were ahead of the game with succession planning when we had to be. I have a very good young staff. I have a very mixed staff. We dealt with a lot of major retirements in the last five years, and so we had to replace them. Our challenge is setting the next wave forward, which when you have to look at yourself in the mirror, is a lot different than looking at someone else.
- We're in the middle of our 10-year plan, 5 years in. So, that's going pretty well, and we are getting into the new generation. It's a nice mix of people, and a ton of private equity calls every week.
- There's a lot of money flowing around. Manufacturing's been rediscovered.

**What is a heartburn issue that you really think about more often than others?**

- Planning long-term is more difficult. That's probably our biggest heartburn. I think part of it for us is industry change and employee changes. And regulatory issues have been a big, big heartburn for us with our business in plastics. So yeah, it's planning. That's going to be the most difficult. We can get numbers from customers, we can do a budget for an entire year, and we were dangerously close in the past. That's not so true the last couple of years.
- We're not at a point right now where we're able to even project what the growth will be unless something takes off. We need one company to come on board strongly, out of the 10 that we're working on. My biggest fear is something that these guys had said way back at the beginning, and that was getting that one faithful client to get on board. I'm a baby compared to these guys, so I don't have a lot to add, but this is true.
- Because we've had people who worked there for 30 years, we have to work to capture the knowledge they have. We had a guy pass away. He was in his 70s; he's been with us forever. And he took stuff with them that we didn't think about.
- We're so big, but we want to continue to grow. But unless we have some pretty big changes around how we lead, it's going to be really hard to create the change we need to be more modern now.





# Focus Group 7

## Rochester Southern Minnesota Initiative Foundation October 3, 2024

### What do you think is going to happen in the next six to 12 months in your business?

- I have predicted this year down because, for whatever reason, people hold off during election years. I actually went in and tracked our data over the last three presidential elections. This one being the fourth. We're down every presidential election year. I design and make molds and then use them in production. The mold side is really down. People are holding back their capital equipment dollars trying to wait and see what happens. But we're almost dead even with last year, and I also think next year should be good from the mold side just because people have been holding back. They're coming out with new products, they're just holding off. So, we expect to be better than average on the mold side next year and production we expect to be a little bit up too.
- We do plenty in the ag sector, and both customers have been down pretty significantly the last half of this year. The big question on my mind is will it rebound next year and how does that look? Many of us in manufacturing have work in the construction industry or the ag industry. Both of those markets are down pretty significantly. So, the challenge for us is to be diverse in trying to add customers in different markets and different sectors, and that's what we've been working on mostly right now. I feel fortunate that we are level with last year. Last year was a good year for us, so we'll take it as it is, but I'm hopeful that next year the ag market and construction market come back. I think it's going

to lag for a while, but we've working on trying to add new market sectors.

- So, we're about equal with last year right now as well. But we moved up here two years ago and bought a bunch of equipment, hoping to kind of ride that really good growth that we had for the previous four years, but it kind of leveled off on us, so we're not where we want to be. We're looking for more customers and just trying to come out with a lot more equipment on our own site and see if we can combat some more stuff that way. I'm hopeful. I think everybody will come around, and spring is always good to us no matter what.
- As I talked to all of our end customers, they're burning through inventory and they're starting to order a little bit more. So, I am not sure if it's a direct impact with the election, but we're hopeful that 2025 is going to pick back up and get back to some sort of a normalcy that historically these customers did the last three years.

### Let's talk about capital expenditures. Are you withholding thoughts on longer-term equipment?

- Well, I'm not a good example because I spent \$3 million over the last five years. But yeah, I would make the expenditure if the deal came up, but I'm not holding off on anything.
- We kind of had a drop in sales, so it's kind of been a challenge the last couple of years. Before we could never keep up with our own stuff, and then we moved up here and now we haven't been able to get behind what we were

before. So, it's just a matter of getting out. I haven't really been out meeting a lot of people; just trying to get into a lot of new markets and I think it will pay off. It's just taken a little bit, unfortunately.

- Almost every client who I speak with, growth, diversification of their customer base is on their mind. Almost everybody experienced significant growth mid-COVID. There was a big drop and then things really took off for folks. And as they tapered off, the idea of mitigating risk, too many eggs in one basket, really started coming up for a lot of people. Most of our manufacturing clients need to find more customers, and maybe they need to find ways to launch some new products or find some new markets or industries to apply their skills to that broaden out their customer base. I was speaking with a client just this last week whose biggest customer is like 65% of their business. And in the good times, that's great, but if something happens and they slow down, boy, that really hurts. So, they're really focused, as you might imagine, on the next couple of years here to try to diversify that out.

**When you think of your region, what do you think is the biggest challenge?**

- It's 10 years ago that employers were really becoming more aware, more sensitive to the need among their workforce for certain things. We're still struggling with availability of quality childcare. That is a challenge in virtually every community. So, that's number one. Second, I have a brother-in-law whose farm is not having a good year. And I think a lot of our manufacturers are providing component parts or whatever to the ag sector. That could be a problem, because a lot of farmers wouldn't be upgrading their equipment. That's something that weighs on my mind. The third thing is, we've got the paid family and medical leave issue coming up in about a year, and if you're a small employer and you have a couple people who are taking extended time off, it's hard to replace people, especially in the skill of technical trades. I don't know what we can do about that; it's certainly going to be a huge challenge for small manufacturers.
- We went through a strategic management exercise with Enterprise Minnesota that gave us a map of how we're going to do different things to grow the business. It's made a huge difference ever since.

**Let's shift gears to talent and leadership. Is there a shortage of the kind of people you're trying to hire? Is it getting better or worse?**

- It hasn't been too bad. Right now, it's a little bit slower than what we have been. We're fine with where we are, but I'm always looking for a lot better talent and a lot more. The way that I was brought up is different than how the workforce works today. People are taking a lot more breaks, people are not thinking ahead, just stuff like that. You have to do a lot of retraining, unfortunately. We still have some really good guys working for us, willing to work, willing to learn. But

yeah, it is a challenge. It has been.

- We're located in northwest Rochester. I have a lot of concerns with skilled workers, as I'm sure many employers do, but I am very concerned about the inflationary pressures that are coming with medical insurance. I'm very concerned insurance with Hurricane Helene expected to cost \$35 billion. We're going to be looking at higher overhead, it's going to be tougher to compete, and it's hard on business. The earned sick and safe time has had a big impact on our business. It's very difficult to hold two- to three-week lead times for our customers and be competitive that way.
- As we talked earlier about capital equipment, we're actually looking at capital equipment that is a little more automated. That way we can leverage the employees we currently have and be able to do a little bit more, be a little more efficient. We haven't hired since I took over, so I don't have the experience of searching and saying how difficult it's going to be. But just from past experiences, I think it depends on the skill level that we want to bring in. If we're willing to train, I think those types of individuals are available. But if we just want to bring somebody in and drop them in with 15 years of experience, I think it's going to be more difficult to find.
- In the current environment, we found hiring is really hard. About four or five years ago, we really started making an effort to make ourselves an employer of choice and make ourselves visible in the community, as well as get our people liking where they're at so much they'll tell other people about it.

**So, I guess what you're saying is rather than being in the hiring mode, you're in constant recruiting mode?**

- Basically, yes.
- When unemployment is high, enrollment in our technical college is good. We actually saw about a 10% increase in enrollment in our fall semester. So, we were really excited about that. I think a lot of that is due to the drop-off that we saw during the COVID time. We're starting to get our numbers back. In our manufacturing programs, like welding, we're full. We have 20 students in our welding program in the fall semester. We also have our customized training side as well. We're seeing a lot of manufacturers come back to us and try and find ways to invest in their current workforce. You might have somebody with a really strong work ethic who is a really good lead, and you want to put them in a position with a little bit more responsibility, but sometimes it's hard — how do you lead your buddy, your colleague in that way? We have had a few individuals who took a few years off, went into the workforce right away. I think society thinks that you need to progress right away, right out of high school, into your next career for the rest of your life. I don't think you're going to find a lot of individuals who are going to be in a specific career for 30 years and then retire. For me, my career has ebbed and flow. I started in construction and now I'm in higher ed. We saw three individuals who were in their early 20s. They took a few years off to work and figure

out what they wanted to do, and they wanted to come and weld. So, they're able to take that and have some real-life skills. I know as a faculty, it's actually easier to teach people who have some of those real-life skills and can make it applicable to what you're teaching them. It's easier to grasp instead of just doing it on campus.

#### **Is supply chain still a challenge?**

- Not as much right now, but what's happening on the East Coast is definitely concerning. I'm interested to see how it looks from a steel standpoint, and if we're going to see a big jump in steel prices. They've maintained really well over the last year, but that's a concern going forward. Our other supply chain suppliers have been pretty darn good. We've been able to maintain lead times without too much concern right now.

#### **How about overall price? Is it back down to a kind of plateau?**

- No. We're still experiencing higher prices. Powder paint has been going up significantly over the last, I'd say, 24 months. There's still plenty of inflationary pressures out there, but we're just trying to pass that on if we can. If those price increases do come, we'll try to pass on to our customer and explain why.

#### **We like to talk about succession planning and exit planning for the executives in this room, but how about that really good leader who you want to bring up to the next level? Do you have a succession plan right now or an exit plan for the overall business?**

- Mine is from a family perspective. I came into the business with my son, and one of the other owners who stayed has a son who we're bringing into the business. We have another father and son working on the floor. We're trying to train the younger generation to continue moving the business up. But we're also looking at the skill on the floor. We have one individual who really has the capability to be a lead on the floor, so we're working directly with him. And then two, what are his gaps in his skill in bringing him forward?
- Right now, we're just trying to figure out where we can go on the market and what we can do. We have three boys, and my nephew is also part of the business, too. So, we're trying to grow that for both of our future families. I'm a little older than he is obviously. My plan is to have this around for a long time and continue to grow with that.
- We've had to kind of regroup, see what we can do, and where our future is. We bought all this equipment to do some stuff outside of manufacturing. So, this is all new. I've never had a laser and a press brake and that kind of stuff before.
- I've been doing succession planning for quite a while. I just pulled a 180 though. My plan was to just let my people take over more and more of the business and have me fade into the background. A year ago, I did a 180 and actually started pursuing new ownership. I'm still in the process of doing that. So yeah, we've been working on it for quite a while

after talking with the peer group and the CEOs in our peer group.

#### **Are people more interested in thinking longer range about their exit and succession planning?**

- I think the majority of businesses out there — entrepreneur businesses, small businesses — they're just trying to keep the lights on and make the parts. Succession planning is off in the distance somewhere and it's like, "Oh, I'll get to that someday." Some folks are being more proactive with it. The experience with COVID, I think, shocked the system for a lot of people to start thinking more strategic in general. To think more about where they're trying to take their business, about who their customers are, about markets they're pursuing, about investments they're making, and about the next level of leaders. My perception is that more and more folks are being more purposeful about it and working on developing key leaders to fill in the next role, as well as starting to be more proactive in terms of an ownership standpoint and an ownership succession. Approaching it more purposefully.
- I have two sons who are engineers, and one of them could step right into my role, I think, and take care of things. I had a discussion with them about what I was thinking, and if I get hit by a bus tomorrow, you guys inherit my shares, and this is what I want you to do. But assuming that your family can just step in and do whatever it is that you think they would want to do, isn't necessarily the case. The same thing goes for the employees. Sometimes you think that if they're doing a good job, they could take this, they can do great. They don't want to get in a death situation or their spouse doesn't want them to get into that. So again, the earlier you can have these conversations, the better.

#### **I want to frame automation as something other than a robot or a handling machine; something like tablets on the floor versus paper flowing through the system. When you think outside the box of robotics and things, as you're growing brand, how are you approaching automation, and do you think it'll be a key part of your growth?**

- Yeah, that's one of the first things I did. I did an assessment of ERP systems, and we moved to JobBOSS, which I think everybody's familiar with. So, I implemented that May 1. It's obviously a little bit of a change. We were using an ERP system, but we're seeing a significant difference in our ability to plan and our ability to schedule, ability to purchase. That needed to happen to drive some efficiencies. We haven't put tablets out on the floor yet. In our space, they would break pretty easy. The next stage for us is maybe we'll go to scanners to make that a little more efficient. It's really the little incremental things.

#### **Regarding tablets and the fact that they might not work in your environment, that's a smart move to think ahead versus just buying a bunch of tablets and then finding out that they don't**

### really work out.

- We've been working on a major conversion, as we really need to get away from that dependence on servers and go to a web-based system. We're hoping to go live the first part of next year. With that will come paperless, eventually. That's going to happen. It brings so much more than what we're used to. We've had our version for about 18 years. It's worked well, but we also know we're missing out on newer technology and AI that we could be taking advantage of. So, that's in the works.
- We're going to have some tablets out on the shop floor, getting away from paper and stuff. We did it ourselves. When I was down in Mississippi, they had all kinds of robots — picking parts out and placing parts and different things. That's something that we can always do. But yeah, artificial intelligence (AI) and everything else with that will be huge for us in the future. I think it's something people have to embrace. I think people who don't embrace it are going to miss out pretty bad.

### Are manufacturers tapping their credit lines more? Or how has banking changed over the last few years?

- No, not necessarily tapping into those credit lines. Banking is a lot different than it has been. When I started in the business 7, 8 years ago, it looks different right now and it feels a little bit different. Through 2023 and 2024, we thought we might see an improvement in 2024. The year 2025 is probably going to be when that's going to come. But, I think with all indications, it's going to be a soft landing, and we're going to come through it. Not just my bank, but we're going to all be coming through it together. I have really enjoyed hearing about some succession because unfortunately this year I've run up against a lot of businesses that wanted to make a hard stop sell and turn over, and it just doesn't work that way.

### How have legislative actions changed your benefits? Or how has it changed the way you've had to approach some of the costs of benefits?

- So far, it hasn't. The organization had a pretty good process that we were able to integrate the requirements for the earned sick and safe time within. So, I didn't have to make any adjustments there. As we look at this paid leave coming in 2026, I'm not exactly sure how I'm going to deal with that yet. I'm fortunate my daughter's a senior HR person at a large corporation, so I'm going to pick her brain. My workforce is up there in age, so the maternity leave, stuff like that, is probably not going to impact us, but it will in the future.
- We're going to have to figure it out. We've been big into cross-training for a long time. My machine shop's the opposite of everybody. My machinists, I have three of them, they're all in their 30s, and so maternity leave and those types of things are a big deal. We've been trying to prepare for that with cross-training, so we can cover people where

we can.

### You brought up a hidden cost that we usually don't think about when we talk about this — having to cross-train and the additional cost that brings.

- It costs money to build ahead and have that stock and the material and the labor. So, there's that extra finance cost to have all that.

### What is your heartburn issue?

- People side is a big heartburn issue. We're in a small-aged town, and it's getting harder to draw people from the towns around us. My town is landlocked. There are farms all around it, and the city does not want to, as I've heard, piss off the farmers by taking their land and rezoning it. We have a local meat cutter who is leaving town because his building's too old, he can't afford to upgrade it, and no one will give him some land to be able to build elsewhere. So, the town's not growing and the population's okay, but there aren't young people coming up. Finding a local workforce is going to get harder and harder. So yeah, the old workforce issue is coming to a head.
- It's employees. Yeah, for sure. All the way around. We are a smaller company. We've loved to cross-train, we've always done that, but it seems like we're having a harder and harder time finding people who are willing to cross-train. "Well, that's not my job. That's not what I was hired for." I hear that all the time. Also, people calling in sick all the time and having excuses and breaks and extra breaks and different things like that, are also a challenge.
- With the skilled worker shortage, and the fact that it's really difficult to onboard a lot of those positions, we have really been focusing on retention more than anything these days. Our company has a profit-sharing program, so we try to keep our employees fully invested in understanding how the year is going, what it looks like for the end of the year, and how are sales. We discuss a little bit about profitability as well. To keep them engaged, to understand that everything they do within our walls affects them at the end of the year and puts money back in their pockets, we think this is important to communicate. So, we try to keep them engaged, be transparent with them, share our weekly staff notes with them. Management is not trying to hide anything. I think that's really important for us and for retaining employees. We have a lot invested in them with knowledge and training and things like this. It's important for us to keep them on board.
- I have an older workforce, so in 10 years, it's going to be a 100% turnover, most likely. The challenge is, how do you bring people on and prepare for that turnover without raising the cost too much? So, it's finding the customers first, then bringing in the new business, then hiring the new people, training them in, and then preparing for that transition that's going to happen to the next five to 10 years.





# Focus Group 8

**Duluth  
Lake Superior College  
October 9, 2024**

**For your business, how do you see the next few months? Is it recovery or change following the COVID days?**

- Quarter four tends to historically be our busy season for our primary customer. Getting in a lot of projects before end of year is always a mad dash, so we kind of just turn inward. We're just focusing on getting the year finished out strong. We've been very fortunate to do quite a bit of hiring in Q2 and Q3, getting stellar candidates, new people on board in the right places. We've added some jobs that didn't exist before. From a year ago, from two years ago, things just look so much different, and the trends still carry that Q4 is just going to be very busy for us. During COVID, being an aerospace affiliated company, we were essential. So we were in the shop the entire time. We had one layoff for three weeks, and other than that, we were very minimally affected aside from supply chain, which I'm pretty sure everybody felt some impact. Honestly, for the last four years, every December is just about the same. We make as many products as you can physically make. We need them now. And so we feel very fortunate. COVID impacted us in supply chain the most, but not in our customer demand.
- So we're very heavily geared to supplying the construction and remodeling sector, both commercial and residential. We have seen the RV industry plummet. It's down about 90% for us as far as a category. Where we have really picked up is in multi-family. Our sales are substantially up in that arena. Residential construction, we tend to cater to mid- and higher-end builds, and that's still going strong. There's

plenty of money that people want to part ways with, I can tell you that.

- The last six months have really slowed up, but I would say that for 2025, there's a tremendous amount of work on that schedule right now. It's going to take some time for that to finally hit, as far as the bills go. In a way, if I was to kind of look internally, our employees don't know the difference. It's just busy, busy, busy, busy, busy, even though we've seen some shell game swaps going on. And the fortunate thing is that building's a real thing. There's a housing shortage, there's all kinds of retirement type activity happening in my industry as well. There's consolidation, there are fewer and fewer people like me every day, and so that growth opportunity is a part of it, and that's kind of where I see it continuing to head.
- There's a lot of work coming down the pipeline. The industry itself is struggling, along with keeping up with costs versus the contracts. I think that's just continuing from the COVID years. So, trying to find the balance between not raising prices too much but still trying to keep ahead of the inflation. Things have stabilized a little bit. I mean, there were times where every two, three months, an engine manufacturer would increase the price by 20%, and you can't really incorporate that into the bids at the time. So those things have stabilized a little bit, but we are still trying to find workforce as well.
- Our business manufactures, processes, and fabricates natural stone. Our market was pretty shaky. One of the things that

we had to suffer through was we got really drug through the coals. Every organization we dealt with either drug their feet or promised us the world and turned their back on us at the very end, costing us about \$2 million that we had to come up with ourselves. And then we got the doors open by 2019 when the equipment finally came from Italy. Well, of course, immediately following open the doors, COVID came. We are just now kind of picking up where we were 10 years ago.

### **How have you found hiring challenges now versus maybe year or two ago?**

- I've been in workforce development for the last 10 years, and we knew that it was going to be hard to hire people 10 years ago. There were so many community initiatives going on, and so I've been kind of beating my head against the wall or just saying my same speech over and over and over that you have to do something different, otherwise, you're going to sink. We've changed quite a bit with how we train internally. It's not where I would like it to be, but it is leaps and bounds ahead of where it was. We have a very clear vertical path for people to start at an entry-level position and very quickly gain wages and get up to a senior position or fully trained, very skilled. Think of a journeyman. It's almost an apprenticeship model without it being a registered apprenticeship. For each position, you can basically be the master of your trade in three and a half years with any one of our jobs. It's more just getting somebody to bite and then going from there. We're also lukewarm about hiring. We've been doing fine without it. We have really focused what we do internally and making sure we have really good training in place so they get to that next level.
- I would say that the candidates we get tend to have a little more aptitude than we've traditionally seen. I think that the biggest challenge that we have is getting that commitment to just stick with something. You're not going to quit your way to the top. Until someone's been around for a little while, I don't really have the real desire to put a lot of effort into the work to train them. It's like I need you to show a commitment first, and it's about putting that time in before I will. And it is still a case-by-case basis. Some people you can just get a better vibe on than others, and you kind of roll with it as it comes.
- I'm in Wisconsin, and we have no workforce challenges. We actually tried a registered apprenticeship. We started that two years ago. It was a lot of money invested for little outcome. And that's really hard on our crews because they're spending a lot of time trying to invest into those individuals, trying to train them up, trying to show them new ways. And then after two years to see no success out of it, that was really tough for the team. But lots of changes and things, lessons learned. For our mentoring, it is very much designated trainers. Those tier four employees, those journey workers who have mastered their craft, are the people who are then paired with the new folks. That way they can learn what to do, how to do it, and how to do it well.

### **Let's talk about supply chain challenges. Have they gotten better?**

- I swear prices never come down once they go up. Without actually going through every little purchase piece, our supply chain challenges have really alleviated. We're still seeing quite a few challenges from other tier two, tier three suppliers. So, even though I have all my parts and pieces, if my customer doesn't have all their parts and pieces for this common thing we're making, I still can't sell them my parts because they don't care. They're like, "You can just hold onto that." We have really shifted our just-in-time manufacturing. But our vendors need us to plan, and it is still a lot of pushing. So, we end up with excess inventory, and we have to wait a quarter or two to burn that off. We are working very closely with our vendors on what their pricing is and telling them to get a little bit more competitive. As we enter into long-term pricing agreements with our customers, that has to flow back down to the vendors. There's a lot of regulation that goes into changing suppliers.
- We've just been having really good, strong conversations about what the data says. Where can we go from here? How can we find cost-cutting measures together instead of at the expense of each other? That's not good for their customer at the end of the day. The conversations have increased, I would say. Over COVID they were just like, "Oh man, we have so many problems. Yep, there's a price increase. I hear you." Now, it's a lot more like, "But why?" and "How could we do it differently?" So, it's been good.
- I would say our supply chain has gotten very stable. There are certain things where the prices go up very quickly, and then you almost have to insist and be wise enough to get them to come down. I've had that specifically with packaging materials. We weren't really checking that. It kind of went up and went up and then it just kind of stayed.
- We are building all throughout the state with our products. We do a lot of stuff in Wisconsin, but our market area is pretty much the Midwest. We had a quarter of a million dollars earmarked for marketing. Well, that went into machinery. So, that quarter of a million dollars has yet to be replaced, so our marketing is very, very weak. Fortunately, we work with architectural groups that pass the information on. That's been probably one of our best marketing points that we have. The product is very, very unique. It's made its way into some pretty nice projects, but our marketing is very poor.

### **Let's talk about capital expenditures. Do you see capital expenditures continuing now that you see a much stronger marketplace in front of you?**

- If I pay for something in full, I don't expect people to come up to me and say, "We have to charge you this, we have to charge you that." So, it was tough. If we could bring this other equipment in, it's either that or find employees.
- We have done some incredible purchases over the last four years. We have state-of-the-art CNC machines that do automated cutting. You need a CNC operator to run these

machines. I think we're done with some big purchases for a hot second. If we considered anything else, it would be to expand our business and do a completely different style to ensure that upholstery remains relevant essentially.

- In 2019, we purchased, implemented, and signed the contract for our first ERP system. Before that it was Word documents and a really archaic accounting program. I got that up and running, and we are working on making it maybe 10% better. But we have found it invaluable in understanding the time that goes into everything.
- We've done very little in terms of any kind of technology changes. I don't know how we would necessarily integrate anything that would necessarily have a meaningful impact. One of the things that I think we have maybe the hardest time with is balancing the flow. I call it balance loading our operation. We have some things that run fast. We have some things that run slow. Every day is a completely different day. We have tried to get a basic understanding so we can somewhat automate scheduling, but it doesn't work that way.
- We have found that human intuition has been irreplaceable in that respect. You can throw a hundred reasons at it, but that ability to respond without having to refeed an entire database of information through has been pretty invaluable. I kind of call it spontaneous order. Rather than trying to replant every detail of the day, we just entrust our people to make the best decisions with a little bit of leadership in there. That has made a tremendous difference. It's interesting to see the evolution of things in AI, but my auto correct still doesn't get things right.

**With Minnesota's new legislative guidelines around paid family and medical leave, how did that change your benefits and has it added costs? Has it added staffing?**

- We already had a PTO program that was as good or better than what was legislated. So, really, I would say there was no significant change in our costs. What did change was my appetite for part-time employees. My appetite for that has been lessened. I guess we've become a little more rigid in terms of what we're looking for in an employee.
- We're lenient. We understand people have a life.
- It's like you said, a lot of the smaller businesses are struggling. How do you navigate it? How do you keep track of it? What policies do we need to put in place? We step in and help with all of that. I mean, what are other businesses doing? We work with hundreds of businesses with that expertise. We provide technology to help take care of the tracking of everything. We give access to better purchasing power on the benefits side. So, if you need to offer some disability or life insurance and different things like that, they can get it for a lot better rate or get it on master medical plans.

**What's going to be your heartburn issue?**

- Wondering what employee issue I will have going on. Those are the ones that just hit you on some random Tuesday. Everything else runs smooth.
- Mine is how many things can I get done off the to-do list. It's

all about time utilization and prioritizing.

- What fire am I going to be putting out tomorrow that I don't know about yet?
- I am finally beyond the point where I used to not make any plans when I went in the morning because I didn't know what I was going to face when I walked in the door. So, rather than have plans go sour, we'd make them new.
- I'm sure heartburn is coming. I think it's mainly just keeping tabs on the ups and downs. We have 17 different disciplines, and we work in literally dozens of different market types. Some of those disciplines are always dipping and others are peaking, and trying to keep track of who needs what kind of work and trying to keep our hands around all these moving parts with all these disciplines.