

What's the Next Big Challenge Facing Manufacturers in the StateLine Area?

by the Blackhawk Bank Business Banking Team

Here's What Our Manufacturing Clients Are Saying...

Automation isn't the magic bullet.

Demands are high and costs are increasing across the board. Sure, automating whenever and wherever possible is definitely a step toward tackling out-of-line efficiency ratios, but automation doesn't address rising healthcare costs. Automation doesn't address the high turnover some businesses are experiencing. A number of owners have shared the concern that they are quickly running out of space and are actively hunting for larger facilities. Many of our clients have even expressed a desire to implement a wish list, but become discouraged over long lead times on new equipment orders and installation crews which are booked out for months. Despite the ever-present demand for zero-defect product quality and on time delivery, even preventative equipment maintenance is taking a back seat. So, given all of the challenges facing manufacturers today, what is the biggest concern that keeps them up at night?

What we're hearing consistently from many of our clients in manufacturing, and other industries, is that the biggest challenge before them is of an aging workforce and a desperate need for skilled workers. Not only is the skills gap wide, but combined with significantly higher labor costs here versus those abroad makes developing a workforce in the U.S. harder than it should be.

Filling the skills gap is just as important locally as it is in the global marketplace. With a large portion of younger generations in the U.S. focusing on careers outside of the manufacturing field, however, there are just not enough people being trained or already skilled in "making things" as the experienced generations have been doing for years. Clients tell us they are not always able to find employees to match the skill sets needed.

More than a one-trick pony.

Companies that still utilize subcontractors for maintenance are focusing their energy on fixes to problems which have already occurred. Manufacturers that can place educated and skilled machine operators at the center of their maintenance programs, and in some cases even include them in the design of new equipment, are filling in the innovation gap and seeing better results all around. Machine operators that routinely perform the cleaning, replacing, and inspecting of equipment are better able to detect and recognize issues before they become problems, which results in increased employee engagement and profitability.

A trend which has been developing nationwide is of professional manufacturing groups or individual businesses working closely with local high schools, colleges, and technician schools to help recruit and train the incoming workforce. Having available bodies to do the work is one thing. Building an early talent pipeline through apprenticeships can help to capture skilled labor that can evolve as new systems integration software and mechanical operations technologies evolve. We are now seeing a need for workers that can understand and work across different disciplines seamlessly. The competition is seeing the need as well.

Not only does the industry need multi-faceted workers, it also needs dynamic decision makers. In addition to supply chain hiccups and increasing costs, there will always be challenges influenced by technology, economics, and political factors. The manufacturing industry brings a unique set of challenges that only those with experience can foresee. The products themselves are getting smarter and disruptions, such as those of generational skill gaps, change the rules and can stand an entire industry on its head.

We need to take a deeper look at LEAN systems and QRM techniques, but we also must have smart workers in the

queue ready to challenge old ways of thinking and introduce new ways of problem solving. As a whole, manufacturers recognize the need to be thinking with more depth and breadth.

Perception is everything.

Historically viewed as a punch-the-time-clock, low-paying and unstable type of industry, manufacturing as a whole is finding challenges recruiting those that have been raised since childhood to seek out stable paychecks, flexibility, and meaningful careers. The reality that good paying jobs with paid training programs do exist is a small hurdle to communicate when considering the bigger picture. Despite some manufacturers making significant advances in technology on the shop floor, there is still a general lag in the hiring processes which works against the industry.

According to the 2018 EMSI Economy Review, of the jobs within Boone and Winnebago Counties, 20% are within the manufacturing field. In Rock County, WI, manufacturing represents around 15.6% of the existing jobs and the Workforce Investment Board shows McHenry County at 14%. With more of a concentrated candidate pool, competitive recruiting is becoming very creative and business owners must start by going where the candidates expect to be found.

Younger candidates are looking for signs of a "high tech" work environment and the best way for them to get the feel for a potential employer is through the hiring experience. Modern candidates are expecting interviewing platforms that integrate on demand, live, and text interviewing, automated scheduling apps, and Artificial Intelligence aids which guide the process. Top manufacturers are also pursuing desired candidates through recruiters on LinkedIn. It's also a good idea to broaden the search for the best candidates by incentivizing employees to refer prospects to the business themselves.

Time to reconsider.

Should a business find themselves struggling with recruiting younger workers, it may be time to reassess the tools that are not producing the desired results. It's not always about competing on pay and benefits. Keeping any employee engaged is critical to morale, but it's especially important to the Millennial and Gen Z crowds. It's best not to assume what they value as a benefit, but to ask directly. Some may be pleasantly surprised to learn that many members of these generations simply want to "make a difference" in their career. Let them. Decision makers may want to consider accepting that culture into a business and allowing the business to be representative of all of the workers.

Having an experienced financial partner at your side that not only understands the unique challenges of an industry, but can help to predict trends and provide proactive guidance is the next trend in community banking. Blackhawk Bank is already there.

Do you have the right answers to questions like:

- "What have you done to ensure you don't get stuck with open positions while demand stays high?"
- "How are you protecting yourself from labor shortages and competitive recruitment strategies?"
- "How are you using social platforms to expand your company's brand footprint to the next generation?"
- "What strategies are you implementing to promote your business' training program and company benefits within your local community?"

We partner with public and private resources to help companies identify new markets, new customers, and assess their online brand and distribution channels. Learn more and find a Blackhawk Business Banker near you at: <https://www.blackhawkbank.com/business/blackhawk-bank-knows-manufacturing>