

Executive Summary

In July 2014, with the support of the Chicagoland Workforce Funder Alliance (CWFA),¹ the Illinois Manufacturing Excellence Center (IMEC) launched the Genesis initiative to improve both business success and job quality at small and medium-sized manufacturing firms in the Chicago region. The premise of Genesis is that workforce practices are central to a firm's operations, productivity, and competitiveness. Through Genesis, IMEC adopted a transformational approach that integrates process improvements with "people" strategies to improve workforce engagement, productivity, and stability as well as "product" strategies to keep up with changing market demands.

This report provides insights and observations from a four-year evaluation of IMEC's implementation of Genesis (April 2015-April 2019), conducted by the Aspen Institute's Workforce Strategies Initiative (AspenWSI) in collaboration with urban and regional planning professors Nichola Lowe at the University of North Carolina at Chapel Hill and Greg Schrock at Portland State University.

At the beginning of our formative evaluation, Genesis was a new approach to firm engagement. Because both the evaluation team and IMEC anticipated that the Genesis approach would be adapted over time, we set out to answer questions related to both implementation and outcomes, including the following:

1. What are the business outcomes for companies that have participated in the Genesis project, and to what extent have improved business outcomes resulted in improved livelihoods for front-line workers?
2. What are the characteristics of change process for companies that have participated in the Genesis project?
3. How has the Genesis project influenced IMEC's way of doing business? What are implications for other manufacturing extension partners that may undertake similar work?

Overall, we found that IMEC's strategic work with 22 Genesis firms yielded benefits for both workers and businesses. Benefits for workers came in the form of improved job stability and security, safer operating procedures, clearer job descriptions and advancement pathways, and improved wages and benefits. Companies realized benefits in production efficiencies, cost savings from reduced injuries, improved adherence to customer quality standards, improved sales retention, and increased profitability and growth.

¹ CWFA is a funders collaborative of up to 30 local and national foundations affiliated nationally with the National Fund for Workforce Solutions and locally with the Chicago Community Trust. CWFA was created in 2012 with a mission of collaborating with employers and other workforce stakeholders to increase employment, earnings, and racial equity for underprepared workers in the Chicago region.

NIST-MEP data collected from IMEC's clients show that Genesis companies experienced notable sales growth, sales retention, cost savings, and job retention in comparison with other Chicago-area SME manufacturers that IMEC worked with during the same time period. Highlights of findings include the following:

- Fifty-five percent of all Genesis companies and 61% of the most actively participating companies reported increases in annual sales that they attribute to working with IMEC; 37% of IMEC clients that were non-Genesis companies reported increases in annual sales.
- Similar percentages reported that their companies retained sales that, without IMEC services, would have been lost. Fifty-five percent of all Genesis companies and 61% of the most actively participating companies reported sales retention; 39% of IMEC clients that were non-Genesis companies reported retaining sales.
- Median increase in annual sales reported by the most actively participating Genesis companies was \$251,820, and median sales retention was \$1.8 million.
- Seventy-one percent of all Genesis companies and 79% of the most actively participating companies reported cost savings that they attribute to their work with IMEC; 47% of IMEC clients that were non-Genesis companies reported cost savings.
- For the most actively participating Genesis companies, median annual cost savings was \$92,500, compared with a median annual cost savings of \$50,000 by IMEC's non-Genesis companies.
- Sixty-five percent of all Genesis companies and 74% of the most actively participating companies reported that they retained the number of jobs they offer as a result of working with IMEC; 42% of IMEC clients that were non-Genesis companies served by IMEC reported retaining jobs.

Analysis of UI wage data for Genesis companies provided evidence that earnings, job stability, and job security improved for front-line production workers as companies became more stable, secure, and profitable. Highlights of findings about worker outcomes for Genesis and non-Genesis manufacturing firms include the following:

- Average annual earnings for all workers employed by Genesis companies increased by 12% in real, inflation-adjusted terms from 2014 to 2017.
- Genesis companies made progress closing the gap between their average wages and industry wage benchmarks, increasing from 78% of industry average in 2014 to 84% of industry average in 2017.
- Among Genesis companies' front-line workers who earned less than \$50,000 annually, average year-over-year increases in earnings nearly doubled (5.4% increase 2014 to 2015; 9.9% increase 2016 to 2017).

- Genesis companies reduced the share of their workforce earning low incomes, defined as less than \$30,000 annually. In 2014, 34% of full-year workers earned less than \$30,000; by 2017, 26% earned less than \$30,000.
- Average worker turnover rates among all Genesis companies declined from 5.5% in 2015 to 4.3% in 2017. Among the most actively participating companies, turnover declined even more — from 5.8% in 2015 to 3.3% in 2017.
- Genesis companies' turnover declined substantially relative to industry benchmarks. Between 2014 and 2017, among all Genesis companies average turnover declined from 118% of the industry benchmark to 93%. For the most actively participating Genesis companies, average turnover declined from 128% of the industry benchmark in 2014 to 76% in 2017.

Through Genesis, IMEC fine-tuned a strategic planning approach that helped companies explore process- and product-related challenges that were deeply interwoven with people-related challenges. Front-line production worker engagement was a critical component of strategies to improve firms' profitability. But workforce issues were not generally what initially motivated company leaders to seek help from IMEC. Many of the companies face fluctuating markets for their products. At the start of their engagement with IMEC, some of the firms were experiencing sales decline. They sought IMEC support on strategies to retain and grow customers and sales and to establish new niche markets. Other companies were interested in IMEC support to manage increased volume of sales and customers. In both situations, process-related challenges — the need to reduce costs, improve quality, or adopt new technologies — provided the impetus for engaging with IMEC. Through Genesis, IMEC worked with firms to plan and sequence projects to address people, processes, and products, and IMEC staff often started with people-focused projects in order to underpin next steps.

Implementing the Genesis approach involved substantial organizational change and staff development on the part of IMEC — parallel in many ways to business culture changes that IMEC helped manufacturing firms work through. Funding for Genesis from CWFA provided important seed capital for IMEC to innovate and experiment with new service delivery approaches. CWFA funding also supported IMEC staff development. Today, Genesis is no longer viewed as a separate project within IMEC. The transformational people-process-product approach, which requires working with firms longer and more holistically, has been approved and adopted by IMEC's board of directors and is embedded within IMEC's strategic plan.

Considerations for MEPs, Policymakers, and Funders

We highlight considerations for MEPs that want to adopt the Genesis people-process-product approach and for funders and policymakers who want to support it. We recognize that not all MEPs are alike. Each operates in a distinct local manufacturing economy, and MEPs play different roles within their local economic and workforce development ecosystems. But while there is no one-size-fits-all approach to an MEP implementing the Genesis approach in a community, the principles underlying IMEC's people-process-product approach to delivering technical assistance to manufacturing firms will likely be of interest to many.

Considerations for MEPs

Key factors that supported IMEC's implementation may be helpful for other local MEPs that want to develop holistic people-process-product approaches to their work with manufacturing firms. The following are some examples:

Leadership that embraces the vision and purpose of the Genesis approach

The Genesis approach represents a significant departure from more traditional manufacturing extension practices. A critical component to IMEC's success was early leadership buy-in for the strategy. Based on his experiences with SME manufacturing firms and their challenges, IMEC's president saw the importance of forging more holistic practices to serve firms more effectively. The new Genesis strategic direction is aligned with IMEC's mission of fostering long-term economic and workforce competitiveness among the region's SME manufacturers. The president also worked over time to forge strong, internal commitment among IMEC staff and IMEC's board of directors.

Starting small when launching a new strategic approach

Although IMEC launched Genesis with plans to work with a larger number of firms, fairly early on it determined that starting small and phasing Genesis implementation over time would be more feasible. In addition to starting out with a small group of firms, IMEC engaged a limited group of staff who were excited about the change. Staff experimented with developing new approaches to engaging company leaders to plan long term around systemic issues affecting their businesses. Over time, champion IMEC staff helped onboard others in the organization. Champion staff provided peer-to-peer internal organizational learning that was critical to broader staff buy-in.

MEP staff may need different skills to provide business consulting services beyond traditional lean manufacturing service offerings

To support successful implementation of the Genesis approach, IMEC needed new staff capacity to provide technical expertise in areas such as strategies for increasing top-line revenue and workforce and talent development practices. Key staff engaged in Genesis implementation at IMEC included an HR generalist and regional managers who had held executive-level positions at manufacturing firms and had expertise in such areas as financial management, leadership development, and sales and marketing.

Leveraging existing business consulting tools

Rather than focusing on developing new tools, IMEC used existing tools that already had credibility within the business community. Using tools with a demonstrated record of success to engage firms was helpful for building what IMEC hoped would be a different type of relationship. Because IMEC staff were already familiar with using several of the business consulting tools, the approach helped foster staff buy-in and comfort with trying out new ways of engaging clients. Overall, leveraging existing tools made efficient use of staff capacities while also indicating value to firms, thereby contributing to the financial viability of the new Genesis approach.

Finding mutually beneficial ways to work with local workforce organizations

Through their strategic advising role in Genesis, IMEC staff developed a deep understanding of the workforce issues that affect business success and were often in a position to recommend that firm leaders undertake strategies such as investing in skill development training for incumbent workers, considering hiring from a new pipeline of qualified workers, or providing new supports and resources to support employee on-boarding and retention. Rather than attempting to develop new capacity to provide these types of services, IMEC collaborated with local workforce development organizations. These partners helped firms access public training dollars and provided specialized trainings for incumbent workers. By working with IMEC, workforce development organizations developed new relationships with local manufacturers seeking workers.

Considerations for Funders and Policymakers

The following are considerations for funders and policymakers who are interested in helping sustain and grow the work of Genesis locally in Chicago or to encourage uptake of the approach by other MEPS.

Providing funding to support collaboration between organizations

Through Genesis, IMEC has made considerable progress in helping firms improve both business competitiveness and workers' job quality. We see both appetite and opportunity for IMEC to strengthen its relationships with established workforce development organizations. Doing so could help IMEC leverage the institutional strengths of workforce service providers and enhance its work with firms on their workforce practices such as recruiting, on-boarding, and training. Workforce service providers know the skills, aptitudes, goals, and motivations of their unemployed and underemployed constituencies — and they understand the types of challenges that keep people from successfully transitioning from unemployment to work and from retaining employment. Several organizations within Chicago's workforce ecosystem are seeking to improve employment outcomes for people of color, a major goal of CWFA for the Genesis program, particularly for African American men. Funding to support collaboration between IMEC and workforce organizations that operate in and/or have connections to African American communities could provide important resources that accelerate equity and racial inclusion in the manufacturing sector.

Raising the visibility of IMEC and its success

The Genesis approach is aligned with NIST's Next Generation Strategy, which calls for MEPs to expand service offerings beyond lean manufacturing; its goal is to help companies improve their top-line revenue, supply chain development, and workforce and talent development practices. National MEP leadership could help raise the visibility of IMEC and the Genesis story to encourage other local MEPs to adopt holistic workforce-centered consulting approaches with manufacturers.

Reviewing MEP performance metrics with the goal of encouraging adoption of holistic people-process-product approaches

National MEP leadership could help promote the adoption of Genesis-informed approaches to service delivery more broadly. Federally established metrics for assessing MEP performance favor short-term projects with immediate impacts, rather than the depth and length of engagement required by more holistic approaches needed to improve competitiveness.² In particular, the existing framework for assessing performance does not provide incentives for MEPs to work with companies in areas such as workforce development and workforce management, which may have less visible near-term effects on the bottom line but may contribute to sustained improvements in business performance over time.

Providing funding to support adoption of the Genesis approach by other MEPs

The funding structure for MEP centers poses constraints to working more deeply and over the longer term with firms. Centers operate with a mix of federal and nonfederal funding support; each dollar of federal funds must be matched by two dollars from state, local, or nongovernmental sources. Private funds can be generated by fee-for-service revenue from businesses, which reinforces incentives to orient services around quick projects that have an immediate effect on revenue. As such, flexible funding is critical for encouraging innovation and deeper engagement with businesses. CWFA funding for Genesis provided a source of seed capital for IMEC to experiment with new approaches to service delivery that emphasized holistic, long-term approaches to business transformation and that foregrounded the issue of job quality for front-line workers. The funding also provided IMEC the time and space necessary for it to establish its credibility and build the trust needed to lead firms in strategic planning.

Supporting intermediaries to build capacity to provide business advising services in other sectors

Many of the workforce and operations challenges faced by Genesis firms are not unique to manufacturers; they are experienced by businesses in other sectors too. IMEC staff and leaders learned that it takes specialized staff expertise to work with businesses to address operational challenges as well as to design better-quality jobs. But in other sectors, business consulting intermediaries focused not only on competitiveness but also job quality are rare. Success of Genesis's integrated people- process-product improvement approach may point the way to opportunities for other types of intermediaries, such as workforce development and small business development programs, to change the way they work with business. But most existing intermediaries would need to build or acquire new types of staff expertise.

² MEP metrics focus primarily on three aspects of center productivity: reach and penetration in terms of numbers of businesses served and projects undertaken, impacts of MEP services on business revenue, and job creation and retention. Reach metrics are weighted more heavily than other metrics in assessing MEP performance.

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