



Welcome to

The State of Manufacturing[®]



2019

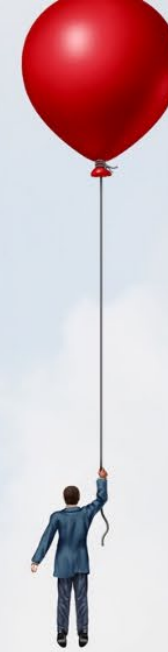


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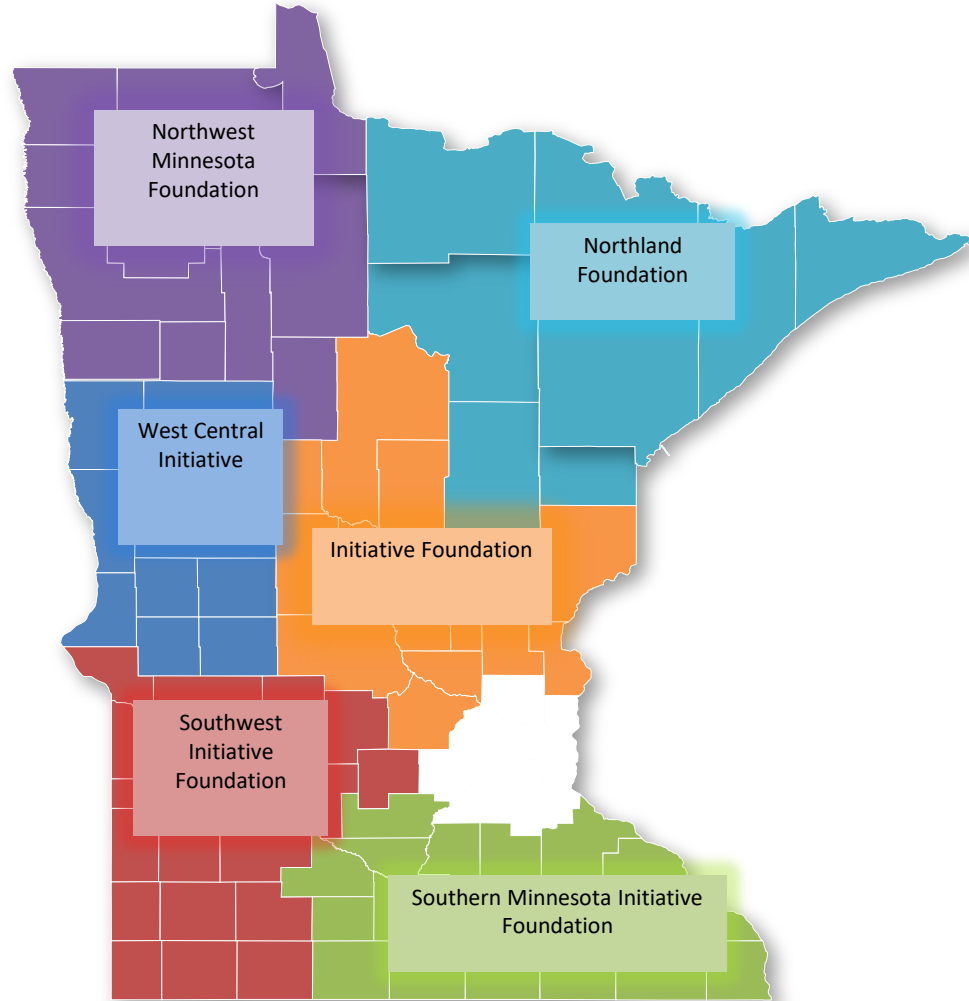
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The State[®] of Manufacturing[®]

2019 Survey of Minnesota Manufacturing Executives

-  On behalf of Enterprise Minnesota, Meeting Street Research is pleased to present the key findings from the 11th annual survey of manufacturing executives in Minnesota.
-  **The survey was conducted March 5-20, 2019, among 400 manufacturing executives; it has a margin of error of $\pm 4.9\%$. Respondent titles included owners, CEOs, CFOs, COOs, presidents, vice presidents, and managing officers.**
-  We also completed 123 additional interviews among manufacturing companies outside the Twin Cities area to boost our sample size in the **Minnesota Initiative Foundation regions.**
-  Rob Autry is the founder of Meeting Street Research, a public opinion research firm based in Charleston, SC.

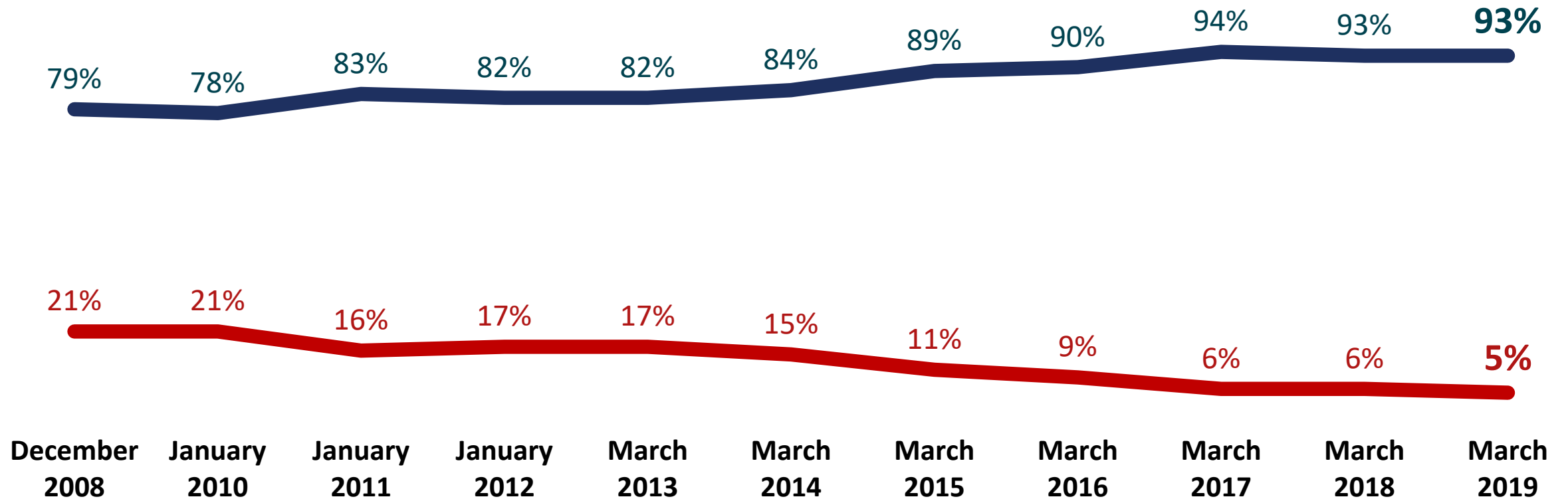


Overall Confidence Continues to Soar

Financial confidence remains near record high levels.

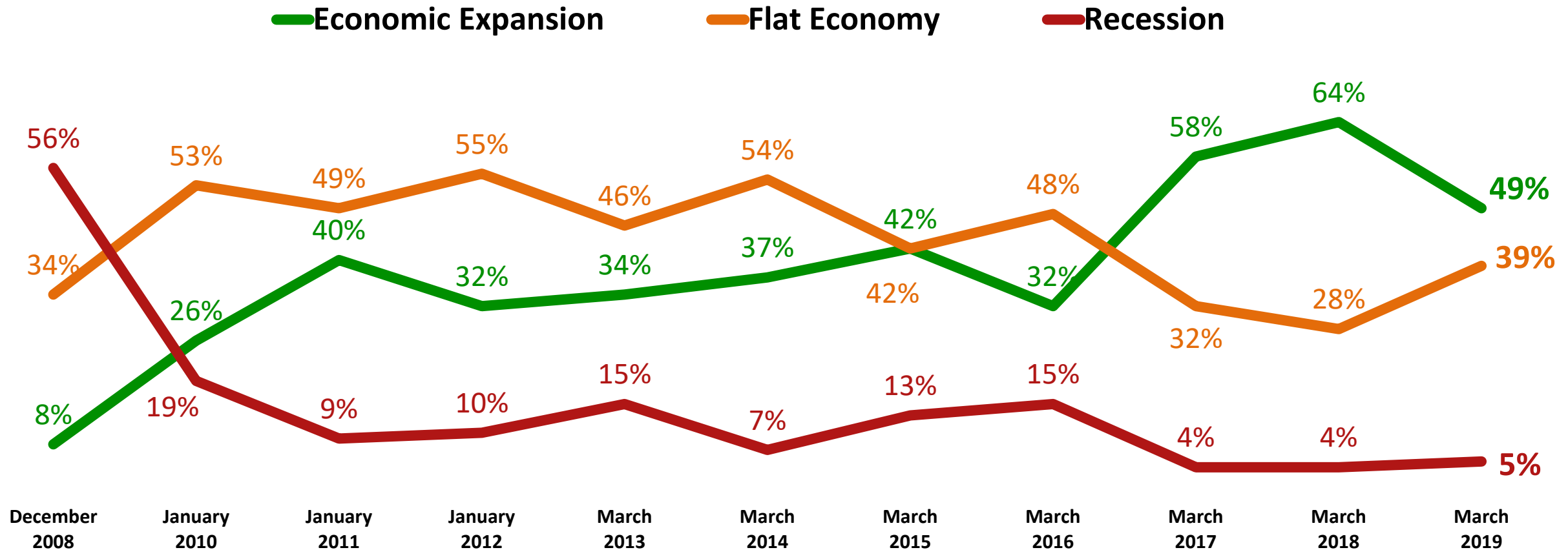
“From a financial perspective, how do you feel right now about the future for your company?”

— Confident — Not Confident



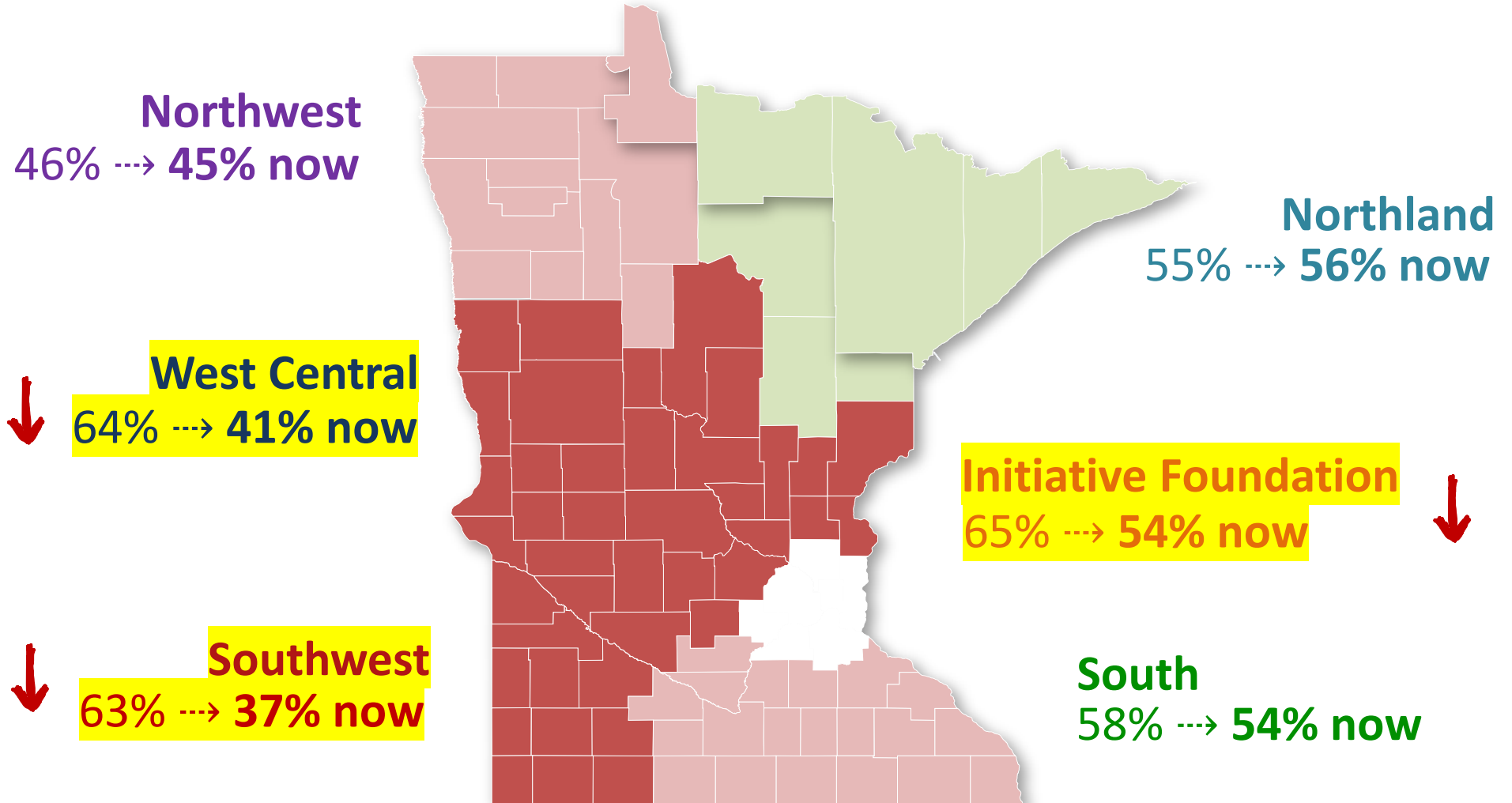
Economic expansion sentiment has fallen, though few worry about a recession.

“Thinking about the upcoming year, in 2019, do you anticipate economic expansion, a flat economy, or a recession?”



There are three regions where we saw a sizeable drop-off in optimism.

% Economic Expansion By Region (2018 – 2019)



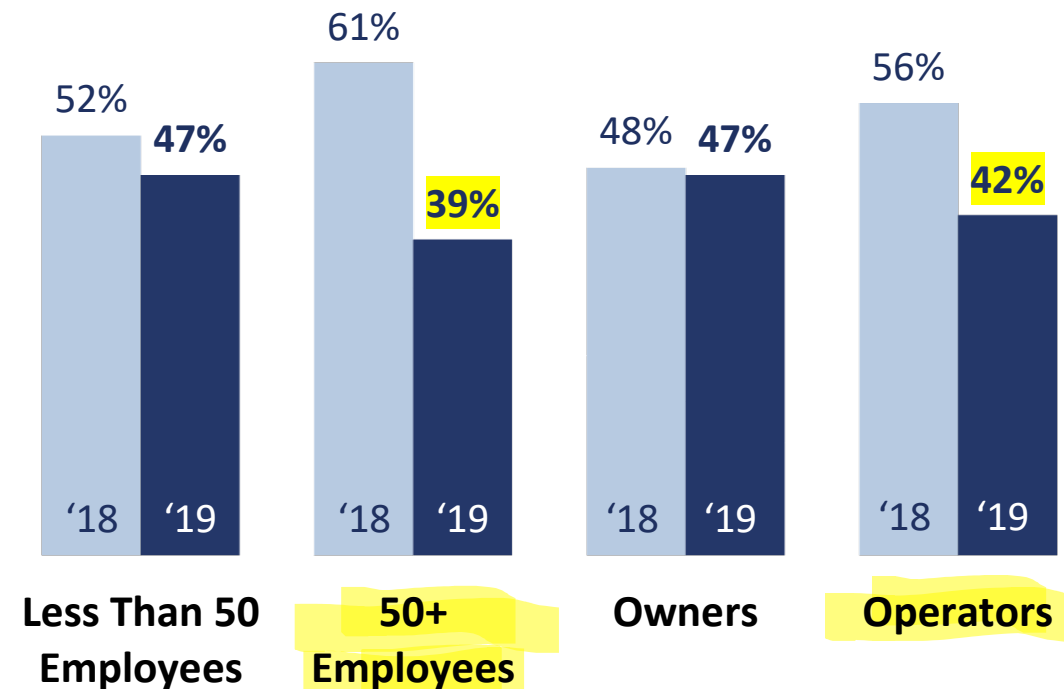
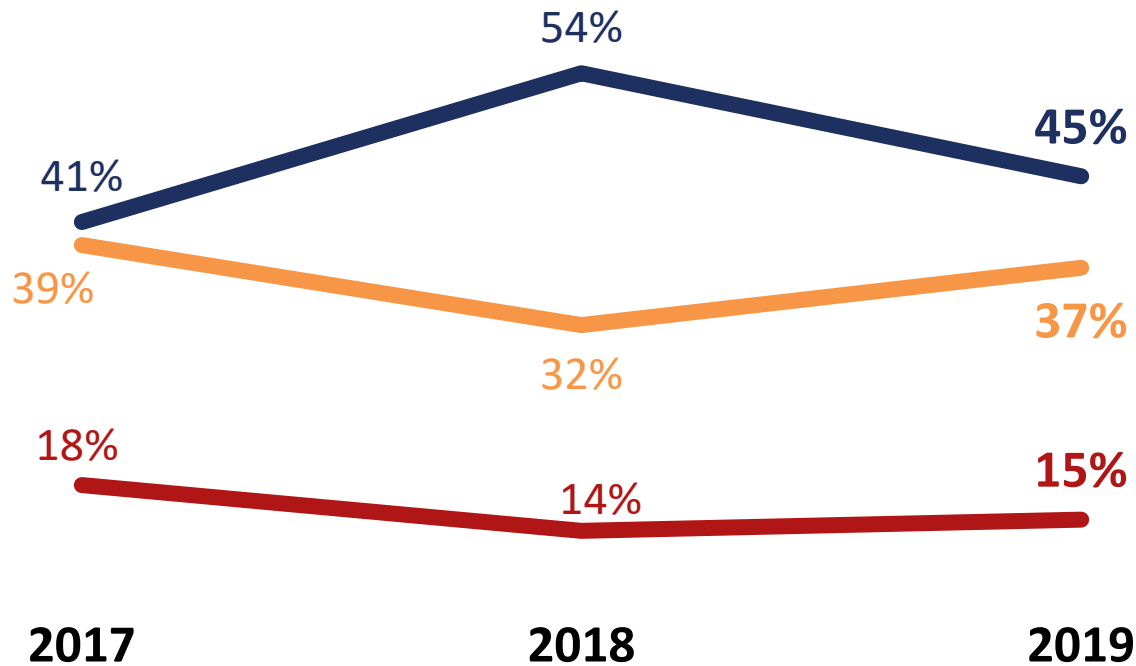
Among all manufacturers statewide, 49% say 2019 will be a year of economic expansion

Fewer executives say the state is a better place to do business.

“Thinking about the business climate in Minnesota compared to say five years ago, would you say the business climate has gotten better, gotten worse, or stayed about the same?”

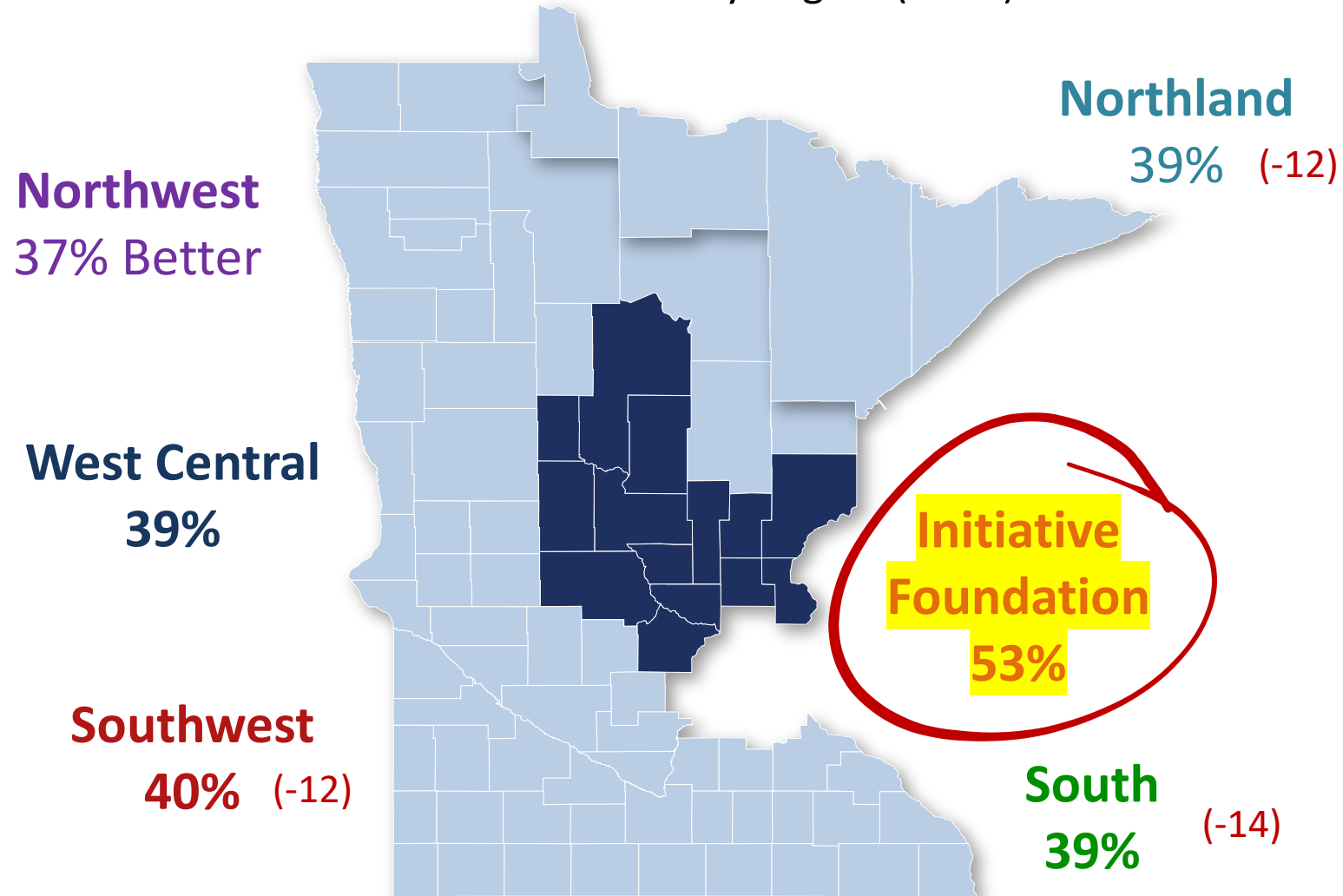
— Gotten Better — Gotten Worse — Stayed About The Same

% Gotten Better (2018 & 2019)



Companies outside the metro area are less likely to say the state is better today.

% Business Climate Better By Region (2019)

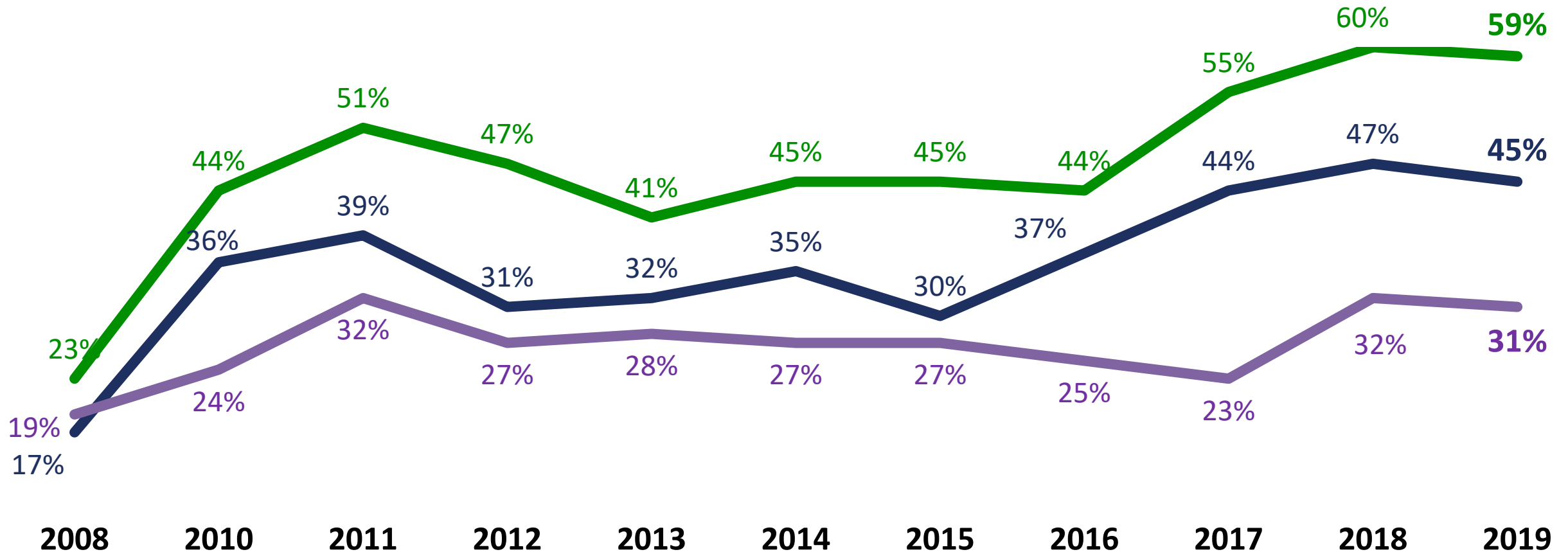


45% of all manufacturers say MN is a better business climate today than five years ago

Individual company expectations have plateaued near last year's highs.

Percent of Manufacturers Expecting Increases in 2019 for...

— Gross Revenue — Profitability — Capital Expenditures

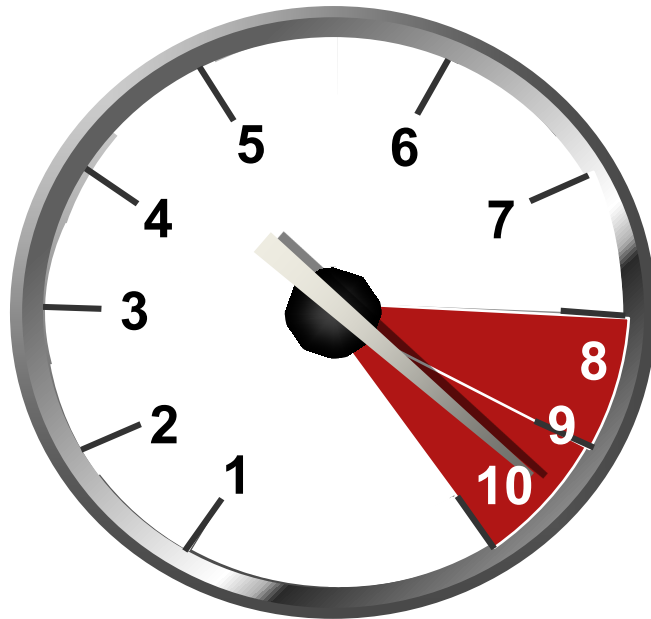


2019 Survey of Manufacturers



Qualified Worker Shortage Gives Health Care a Run for Its Money

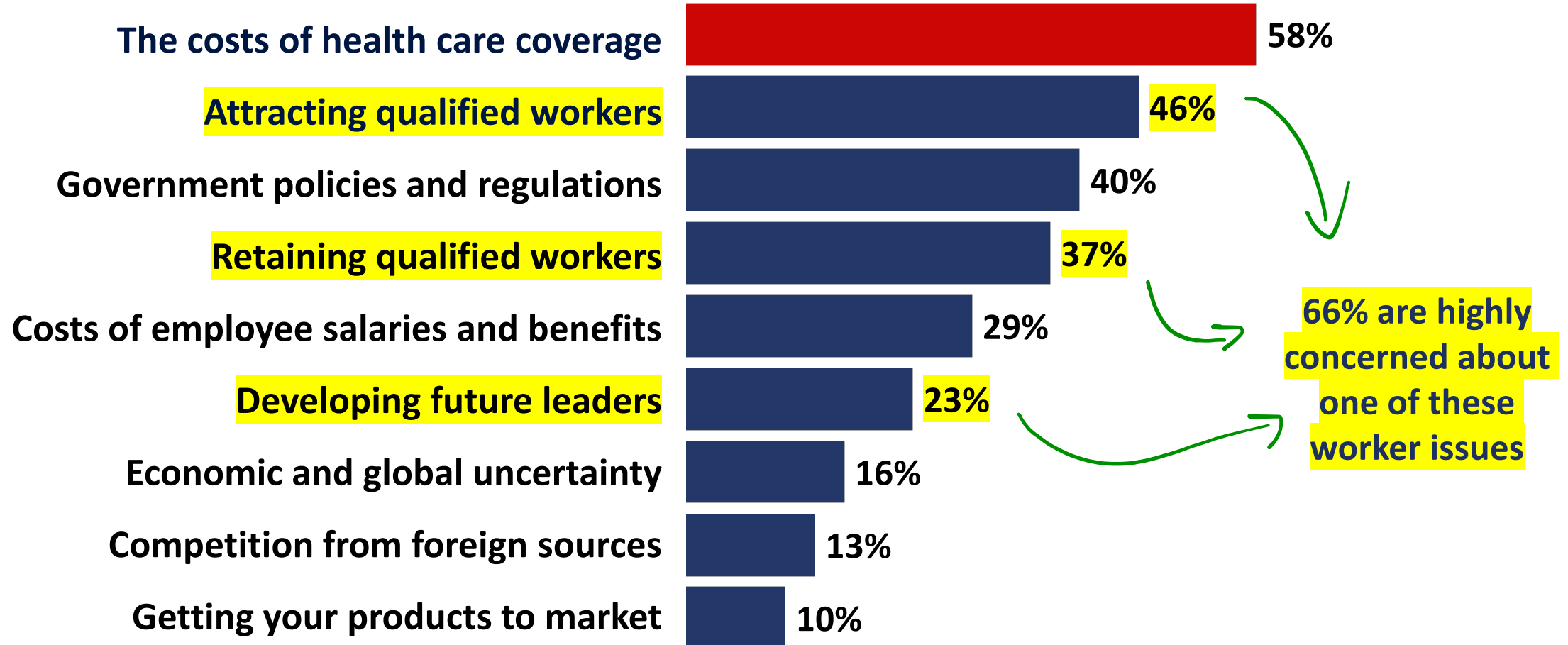
We asked manufacturing executives to rate how concerned they were about a series of factors affecting companies like theirs. In total, we had them rate 9 different factors.



“Now, I would like to read you a list of factors that some companies are concerned about. For each one, please rate how concerned your company is about that particular factor using a scale from 1 to 10, where one means that your company is NOT AT ALL CONCERNED about it and where ten means your company is VERY CONCERNED about it.”

The cost of health care is a top concern for the majority of companies.

Concerns Ranked by % Concern (8-10)



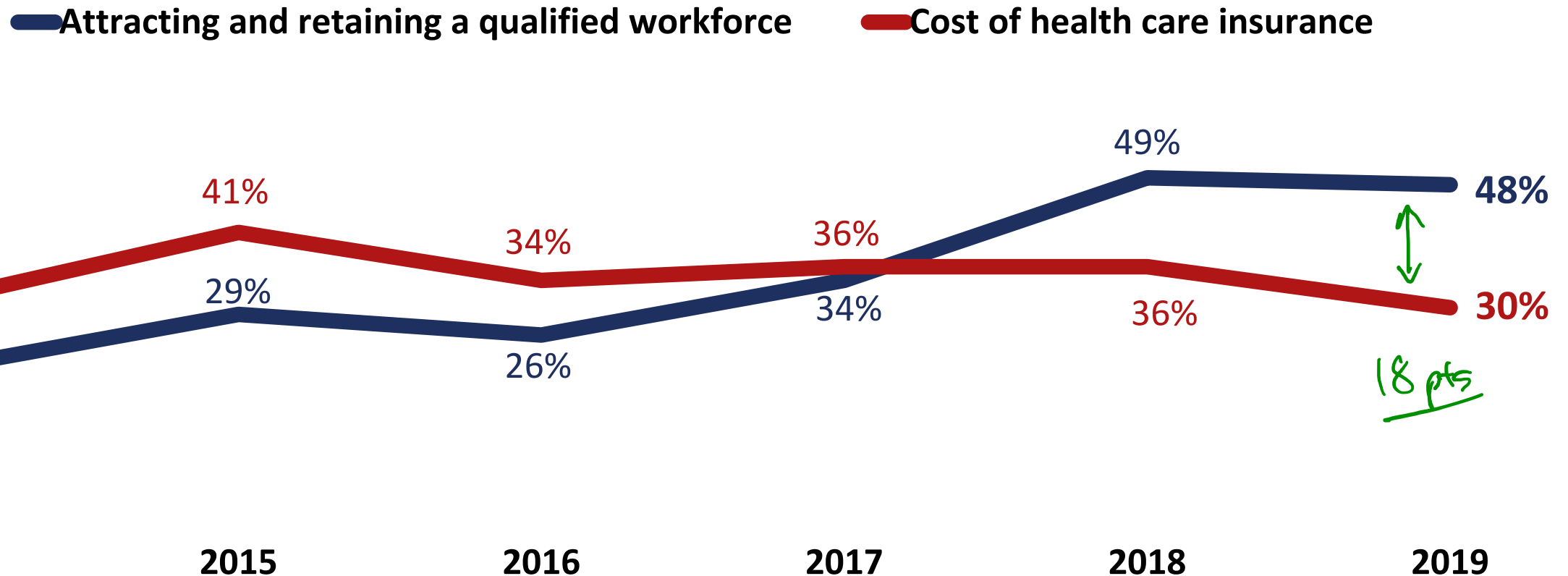
The qualified worker shortage is cited as the biggest challenge to growth.

“What would you say are the one or two biggest challenges your company is facing that might negatively impact future growth?”

	2014	2015	2016	2017	2018	2019	
Attracting and retaining a qualified workforce	21%	29%	26%	34%	49%	48%	
Cost of health care insurance	31%	41%	34%	36%	36%	30%	↓
Increasing costs of energy and materials for your products	29%	20%	15%	18%	34%	28%	↓
Unfavorable business climate	48%	43%	40%	38%	18%	19%	
Lower sales for your products	31%	23%	32%	22%	17%	12%	↓
Government regulations	n/a	n/a	n/a	n/a	n/a	3%	
Foreign competition	n/a	n/a	n/a	n/a	n/a	1%	

And, the worker shortage has its biggest lead than ever before in our tracking.

“What would you say are the one or two biggest challenges your company is facing that might negatively impact future growth?”



It's a particularly big deal with bigger companies.



Biggest Challenges by Company Size

	Overall	Less Than \$1 Million Revenue	\$1-\$5 Million Revenue	Over \$5 Million Revenue	50 or Fewer Employees	Over 50 Employees
Qualified Workforce	48%	30%	55%	71%	41%	74%
Rising Health Care Costs	30%	30%	38%	24%	32%	20%
Costs of Energy and Materials	28%	42%	22%	15%	31%	16%
Unfavorable Business Climate	19%	17%	17%	23%	19%	23%
Lower Sales	12%	16%	10%	9%	13%	8%
Regulations	3%	3%	1%	4%	3%	2%
Competition	1%	2%	0%	1%	1%	0%

Companies in the southern and west central regions worry more about workforce.

Biggest Challenges by Initiative Regions

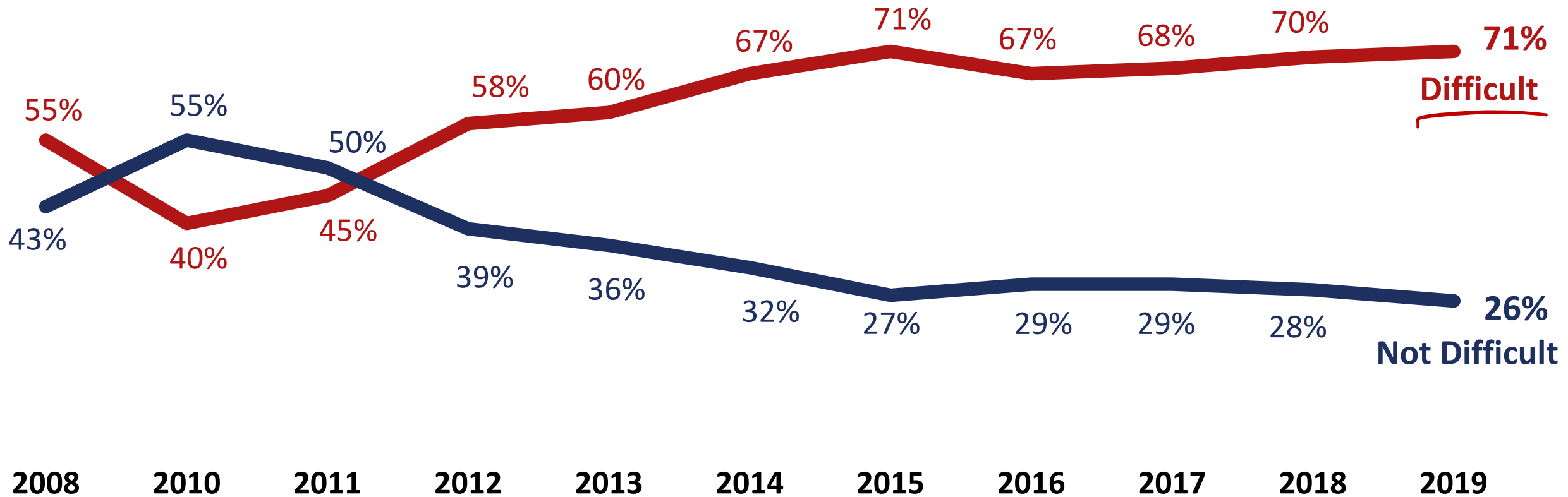
	Overall	IF Initiative	North-land	North-west	South	South-west	West Central
Qualified Workforce	48%	44%	38%	42%	54%	52%	48%
Rising Health Care Costs	30%	44%	29%	35%	29%	30%	46%
Costs of Energy and Materials	28%	29%	28%	29%	29%	36%	32%
Unfavorable Business Climate	19%	12%	19%	26%	24%	28%	18%
Lower Sales	12%	9%	12%	17%	17%	10%	12%
Regulations	3%	4%	9%	0%	0%	2%	2%
Competition	1%	0%	2%	2%	2%	0%	0%



Finding the Right Workers Is Proving to Be a Hard Job

The inability to attract qualified labor is making company growth difficult.

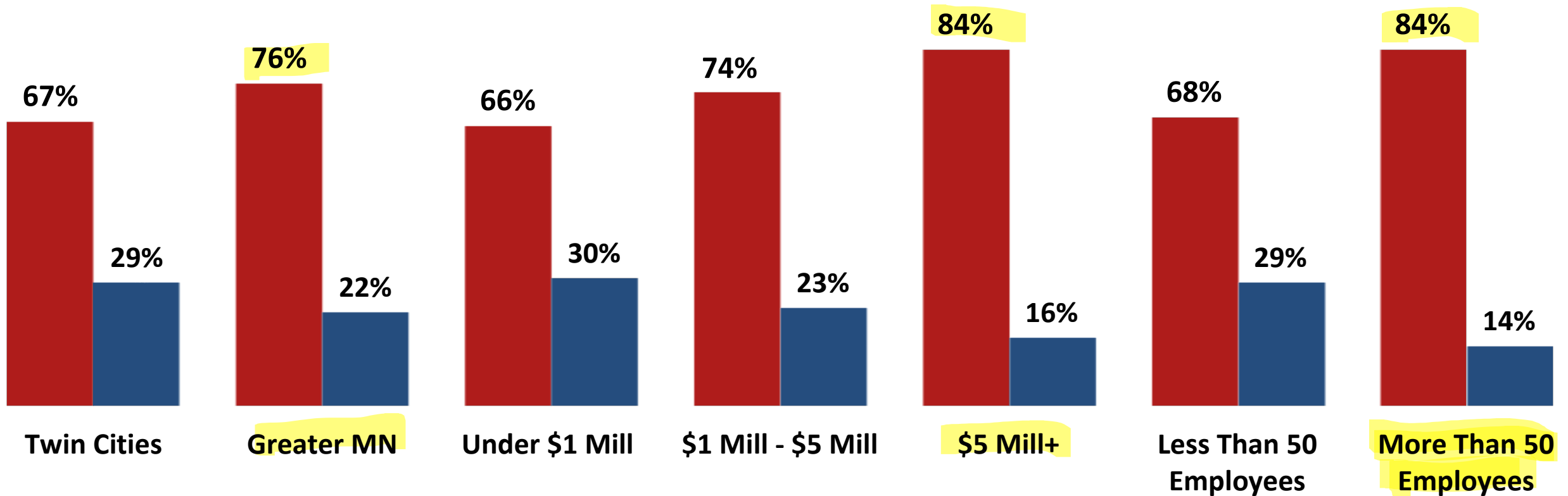
“What is the impact of your inability to attract qualified candidates having on your company growth?
Does it make things...”



Larger revenue and employee-sized companies are especially worried about it.

Inability to Attract Qualified Candidates Impact on Growth

■ Difficult ■ Not Difficult



There are two regions where we saw significant increases in difficulty.

% Difficult by Region (2018 – 2019)

Northwest
69% → 75% now

Northland
64% → 65% now

West Central
80% → 85% now

**Initiative
Foundation**
57% → 73% now

Southwest
82% → 76% now

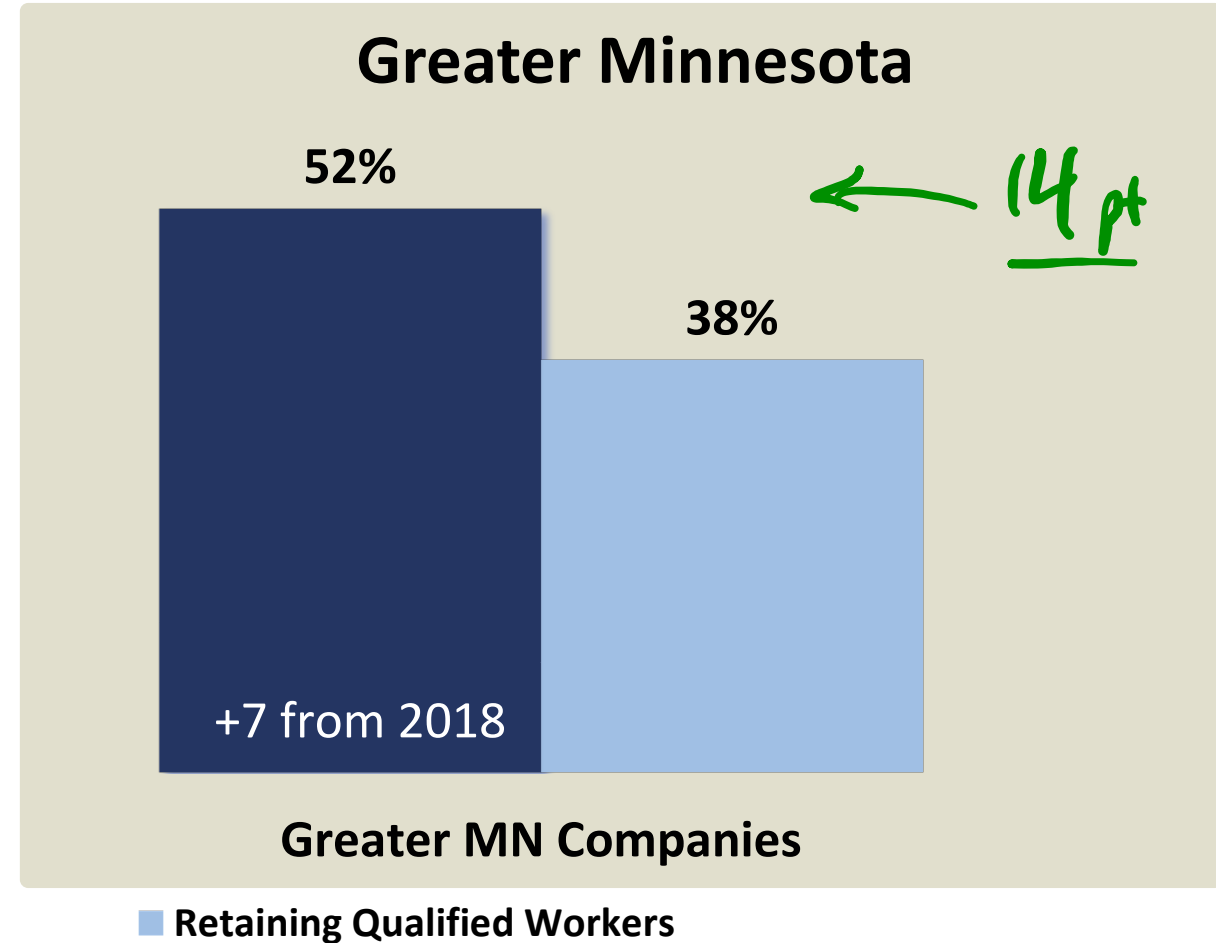
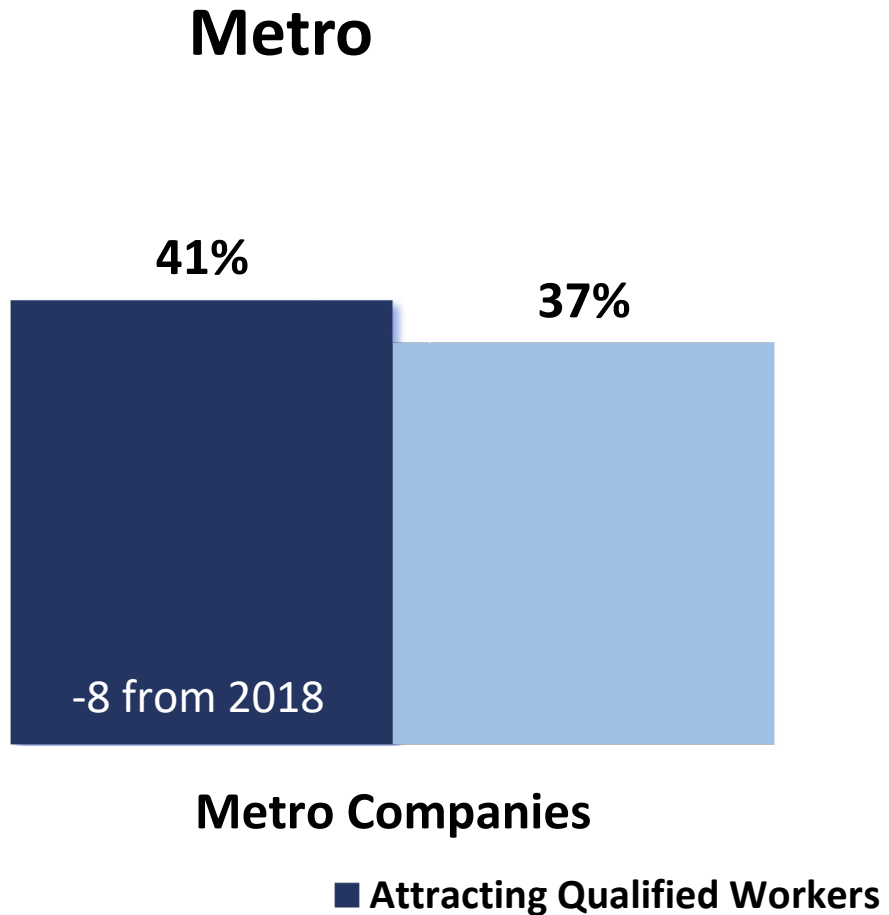
South
69% → 85% now

Among all manufacturers statewide, 71% say inability to hire qualified candidates has made company growth difficult

We've seen an uptick in concern about this issue outside the metro area.

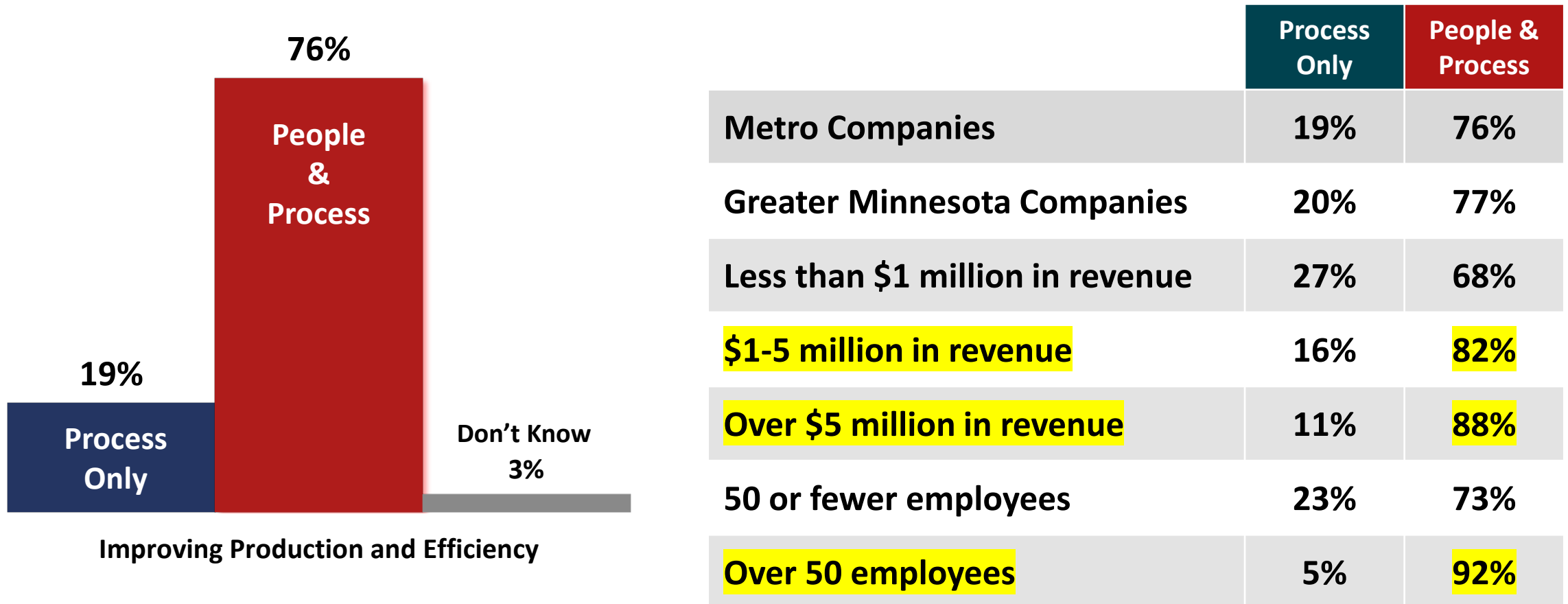
Concern over the Ability to Attract and Retain Qualified Workers (% Concern 8-10)

4 pt



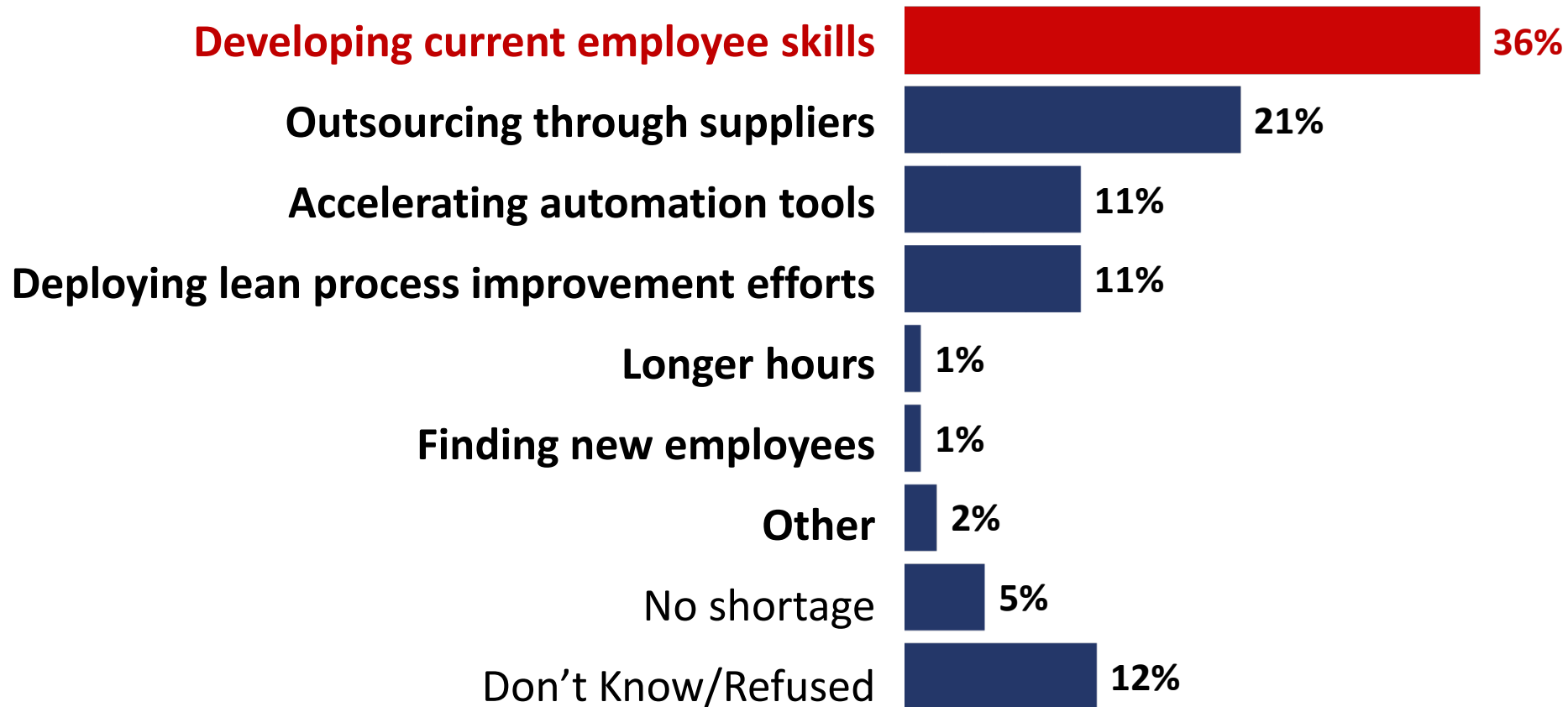
There is broad consensus toward focusing on people and processes equally.

“When it comes to improving production and efficiency, is it more important for your company to focus on process improvement only or focus on people development and process improvement equally?”



Though they seem to be focusing more on people than processes.

“How are you navigating around the worker shortage?”



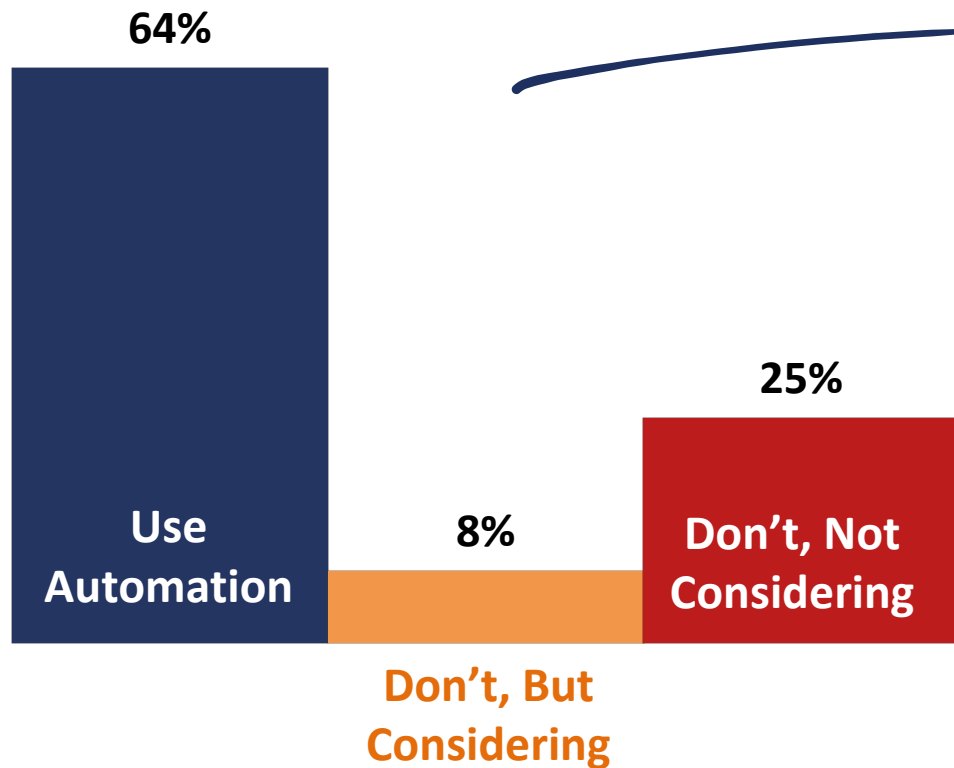
Demand for machine operators continues to top the list.

Most In-Demand Jobs

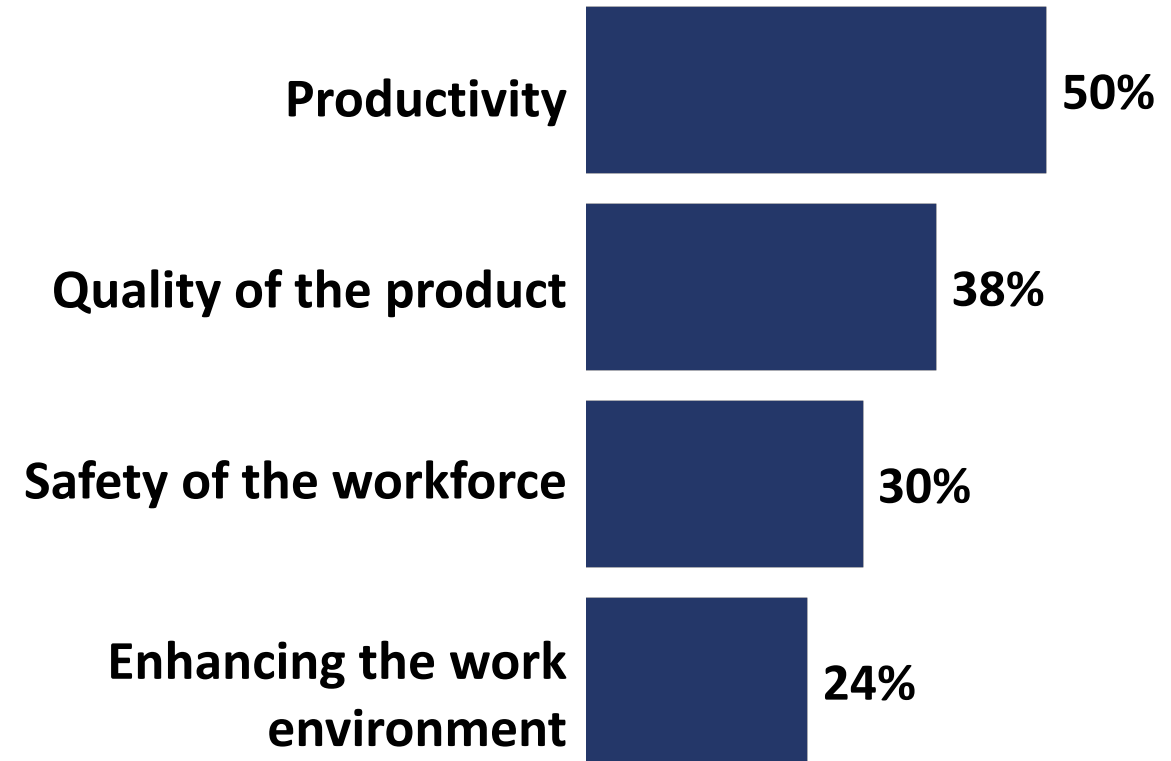
	2015	2016	2017	2018	2019	
Machine Operator	29%	32%	38%	42%	38%	#1
Assembler	23%	25%	20%	24%	28%	#2
Welder	9%	9%	9%	8%	7%	
Front office or administrative help	N/A	N/A	7%	5%	4%	
Engineer	10%	7%	6%	5%	4%	
Supervisor	4%	4%	2%	2%	2%	
Senior Leadership Position	N/A	N/A	1%	1%	2%	
Other	22%	17%	14%	12%	6%	

Automation is being used to increase productivity, quality, and safety.

Profiling of Manufacturers



“When your company uses automation do you do so because of...”

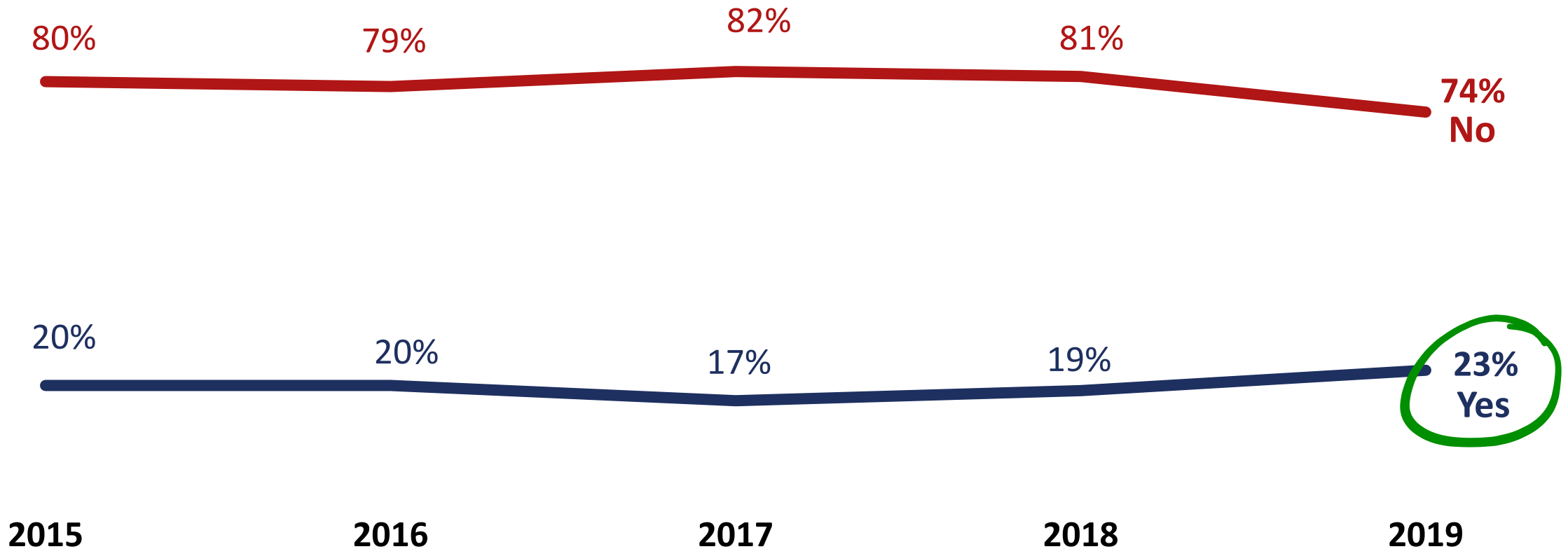




Leadership Development

There are still surprisingly few companies with leadership development programs.

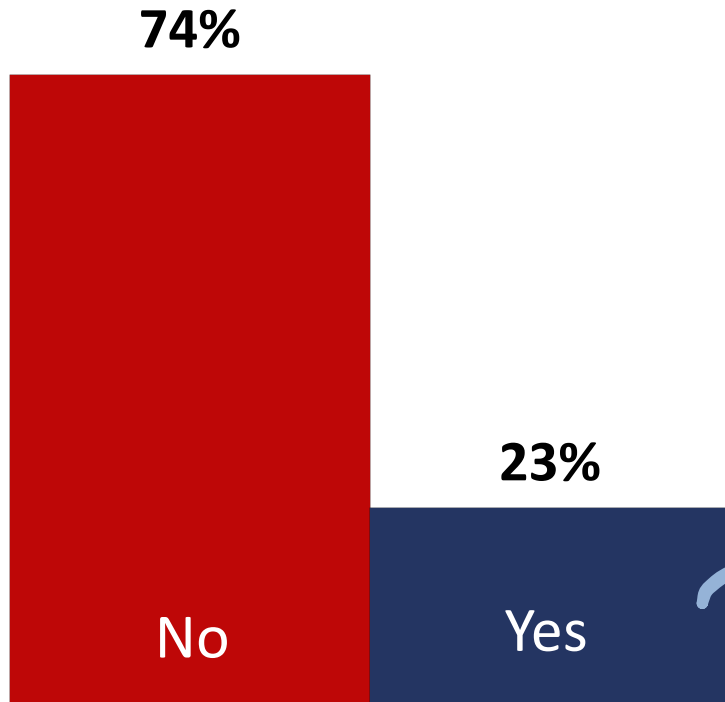
“Does your company have a structured leadership development program for employees at all levels at your company?”



Companies that have leadership training programs invest just a little in it.



“Does your company have a structured leadership development program for employees at all levels at your company?”



“And, how much of an investment is your company currently making in these leadership training programs? Is it a major investment, a modest investment, or just a little investment currently?”



Leadership development programs are up among larger companies since 2018.

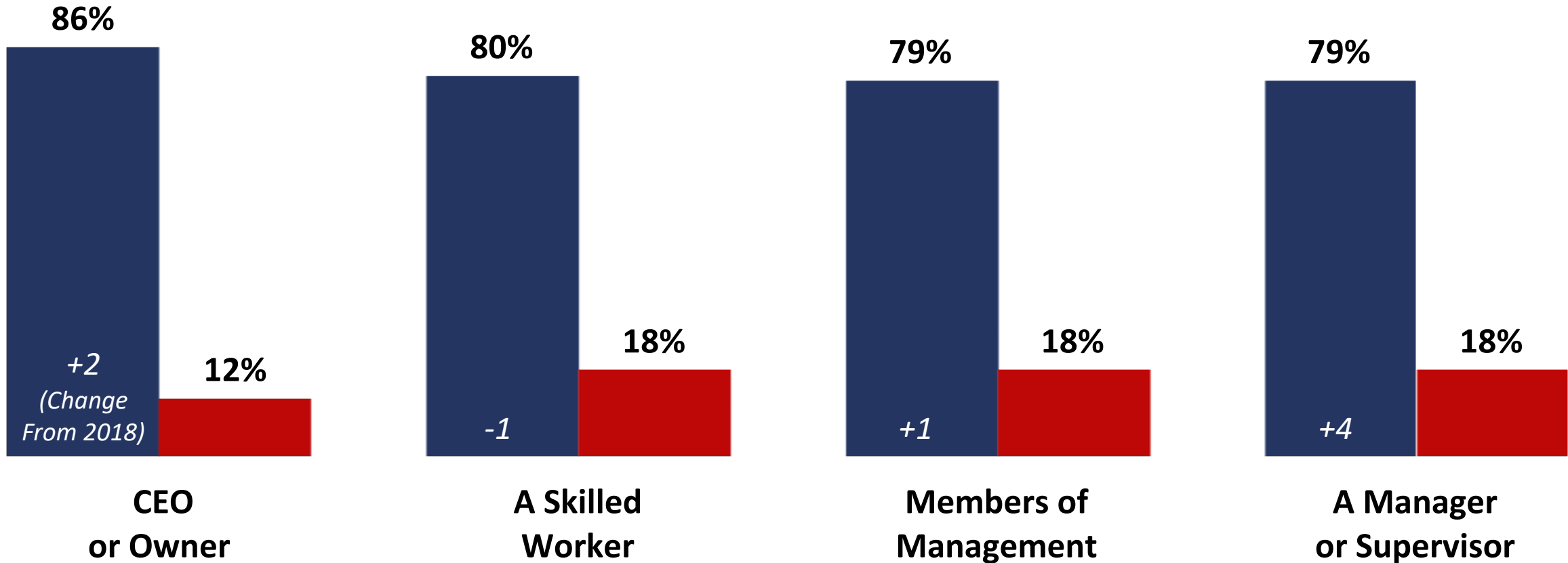
% That Have Structured Leadership Development Program by Key Groups Trend

	2015	2016	2017	2018	2019	<i>Major/Modest Investment</i>
Less than \$1 million in revenue	7%	12%	9%	14%	13%	4%
\$1-5 million in revenue	26%	19%	22%	20%	20%	9%
Over \$5 million in revenue	32%	38%	27%	24%	41%	23%
50 or fewer employees	16%	15%	14%	15%	19%	6%
Over 50 employees	37%	50%	33%	32%	40%	22%

Departures across the spectrum would have an impact on MN companies.

“What impact, if any, would the departure of ___ have on your company?”

■ Significant/Some Impact ■ Not Much/No Impact



The loss of a CEO/owner would be especially felt by smaller companies.

% Total Impact of Departure of Key Employees by Types of Companies

	The CEO or Owner	A Skilled Worker	Members of Management	A Manager or Supervisor
Metro Companies	84%	79%	77%	76%
Greater Minnesota Companies	89%	80%	83%	82%
Less than \$1 million in revenue	88%	77%	72%	73%
\$1-5 million in revenue	89%	79%	82%	82%
Over \$5 million in revenue	81%	83%	86%	83%
50 or fewer employees	86%	79%	78%	77%
Over 50 employees	87%	80%	86%	86%

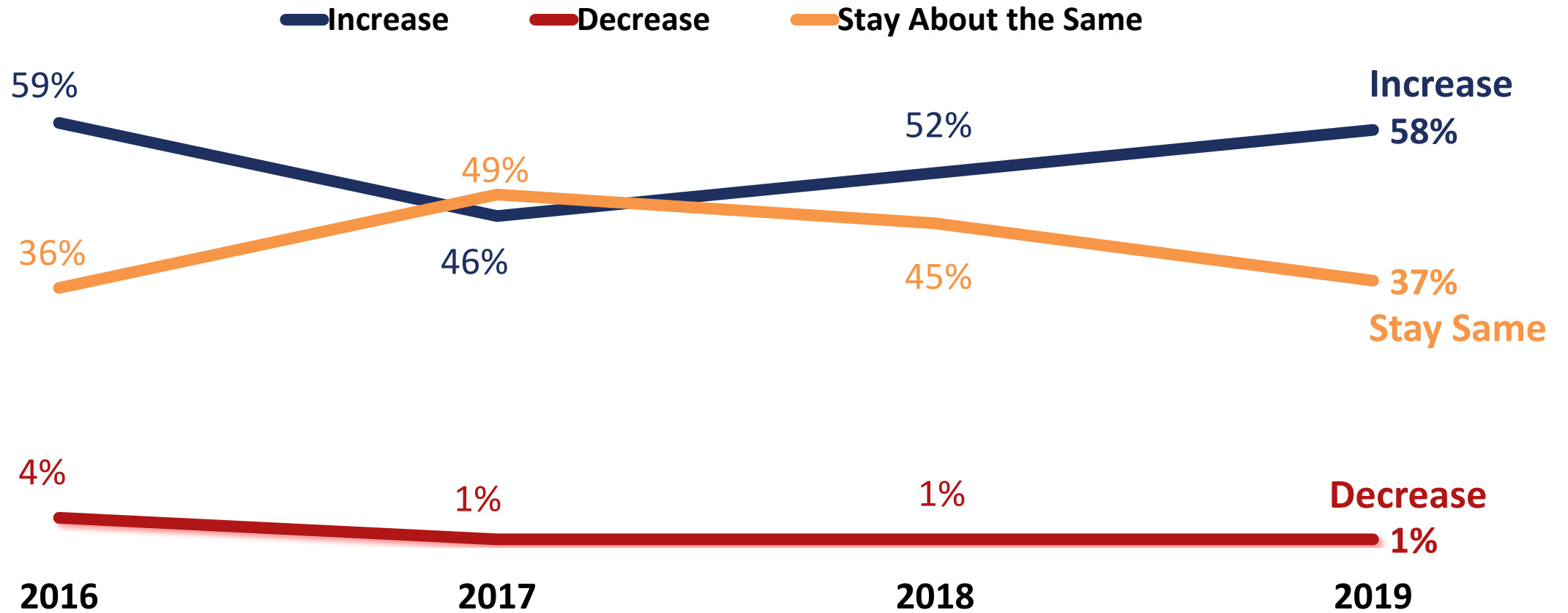
2019 Survey of Manufacturers



Wages on the Rise

Over half of all companies say they are increasing worker wages in 2019.

“Have or will wages for your employees increase for 2019, or will they decrease or stay about the same?”



Wage increases are especially common in higher revenue and larger size companies.

% Wages Increase over Times

	2017	2018	2019	Change Since 2018
Metro Companies	45%	55%	62%	+7%
Greater Minnesota Companies	48%	48%	53%	+5%
Less than \$1 million in revenue	31%	35%	43%	+8%
\$1-5 million in revenue	54%	65%	62%	-3%
Over \$5 million in revenue	70%	68%	78%	+10%
50 or fewer employees	41%	49%	54%	+5%
Over 50 employees	69%	64%	74%	+10%

2019 Survey of Manufacturers



Strategic Growth

Somewhat more companies have a growth strategy strictly at the CEO level.

“How does your company plan to grow?”

	2018	2019
The strategy is strictly the role of the CEO	28%	32%
We have a 1-3 year written plan and all staff know their roles and actions to achieve the plan	27%	28%
Our company has some ideas, but has not yet worked through what our primary focus is, and is not	20%	16%
We have a plan, but that needs to be further communicated with staff	18%	15%

Lower revenue companies rely much more on the CEO for its strategic growth.

Plan for Growth by Company Revenue

	Overall	Under \$1 Million Revenue	\$1 - \$5 Million Revenue	\$5 Million Revenue
The strategy is strictly the role of the CEO	32%	40%	37%	16%
We have a 1-3 year written plan and all staff know their roles and actions to achieve the plan	28%	16%	28%	47%
Our company has some ideas, but has not yet worked through what our primary focus is, and is not	16%	22%	14%	10%
We have a plan, but that needs to be further communicated with staff	15%	12%	14%	25%

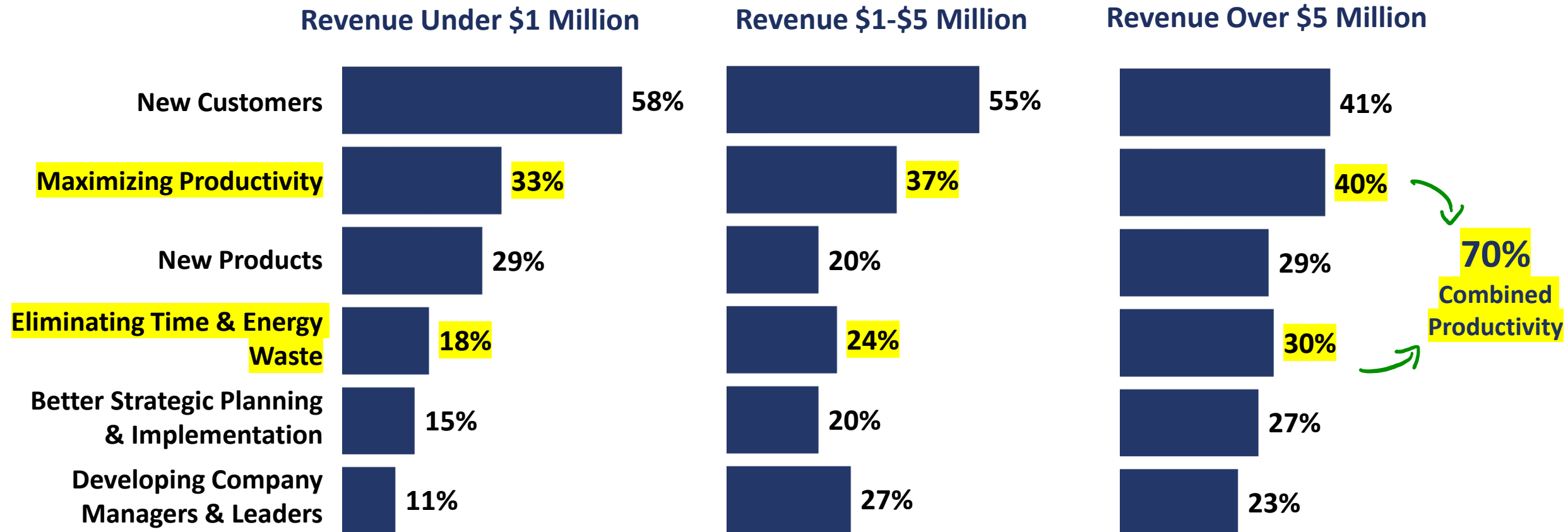
Maximizing productivity is the number two driver for companies' growth.

“What would you say are the two or three most important drivers of your company’s future growth?”

	2018	2019	
New Customers	61%	53%	
Maximizing Productivity	38%	36%	59% Combined Productivity
New Products	35%	27%	
Eliminating time and energy waste inside your company	<i>n/a</i>	23%	
Better Strategic Planning & Implementation	27%	20%	
Developing Company Managers & Leaders	22%	18%	

Larger companies are more likely to focus on productivity processes for growth.

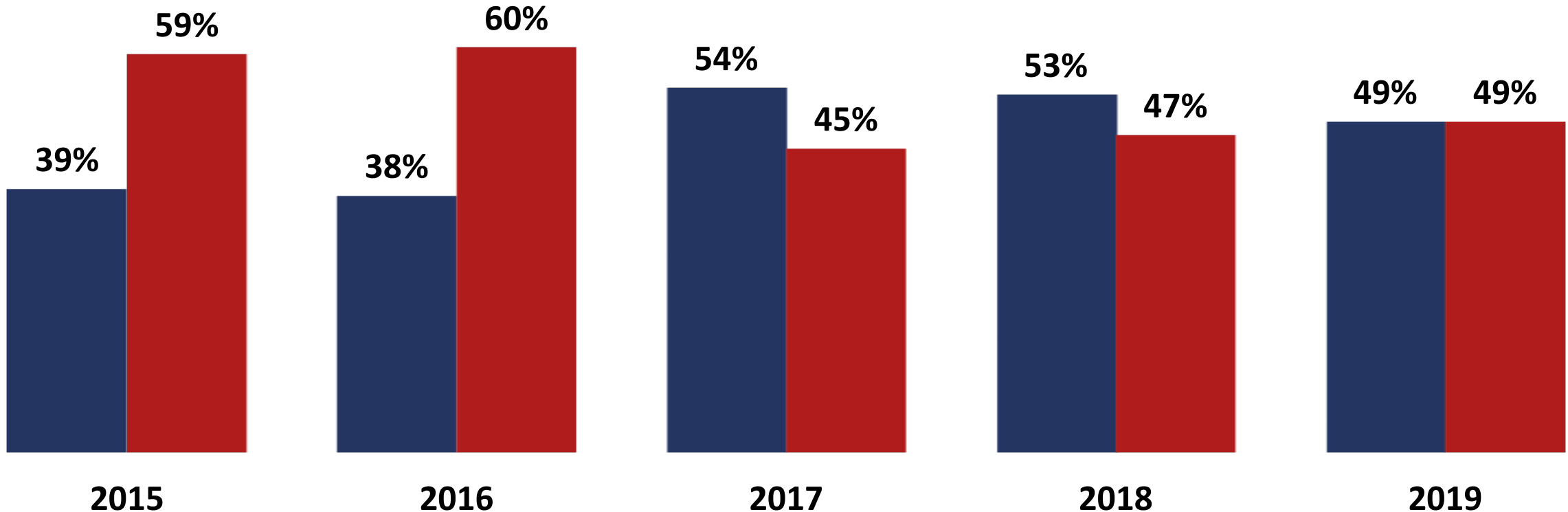
Most Important Drivers of Future Growth by Revenue Size



Just as many companies have a formal strategic growth plan as do not have one.

“Does your company have a formal strategic plan for profitable growth?”

■ Yes ■ No



2019 Survey of Manufacturers



Final Thoughts



Manufacturing executives continue to display extremely high levels of confidence about the prospects for their companies in the coming year.



As it has for each of the past 11 years, health care costs remain a top concern for manufacturing executives. **But, the worker shortage has emerged as the dominant issue that companies say will impact their future growth.**



Manufacturing wages are on the rise, especially for larger revenue and larger employee-sized companies.



Seven out of ten manufacturing executives say it's difficult finding qualified workers to fill openings at their companies.

This level is noticeably higher among Greater Minnesota, higher revenue, and larger employee-sized companies. (But, no company demographic is immune to this challenge!)



The most common thing companies are doing to address this shortage is to develop their current employees. **Yet, only 23% of companies have a formal leadership development program for their employees.** And, only a few manufacturers are actually making at least modest investments in these programs.

Final Thoughts



The percentage of manufacturers who say they have a formal strategic growth plan is down a few points this year. This despite the fact that nearly six in ten executives say the key to their future growth will come from maximizing profit and reducing inefficiencies.

The State of Manufacturing[®]

2019

Full results can be viewed at www.enterpriseminnesota.org

The 2019 State of Manufacturing[®] survey was sponsored by:

