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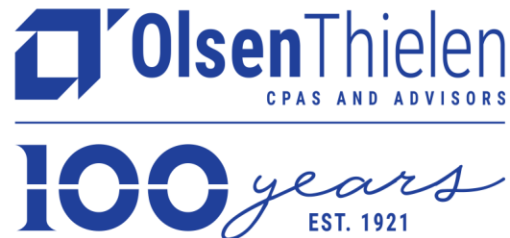
The State of Manufacturing[®]

2022





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Research Methodology

- On behalf of Enterprise Minnesota, Meeting Street Insights is pleased to present the key findings from the 13th annual survey of manufacturing executives in Minnesota.
- The survey was conducted September 8 through October 7, 2021, 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.
- Rob Autry is the founder of Meeting Street Insights, a public opinion research firm. He has led the research for all 13 surveys.

Minnesota's Initiative Foundation Regions

We also did an oversample of **50 interviews with manufacturers** in each of the six Minnesota Initiative Foundation regions.

**Northwest
Minnesota
Foundation**

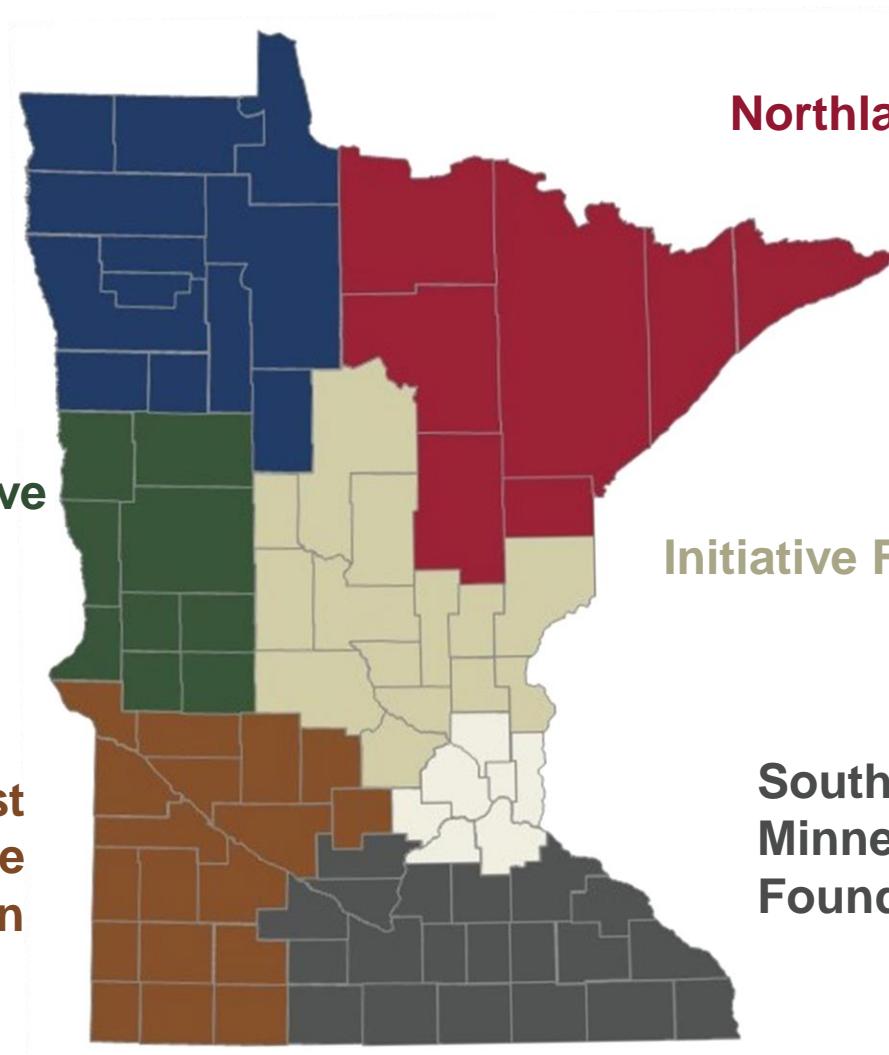
Northland Foundation

West Central Initiative

Initiative Foundation

**Southwest
Initiative
Foundation**

**Southern
Minnesota Initiative
Foundation**



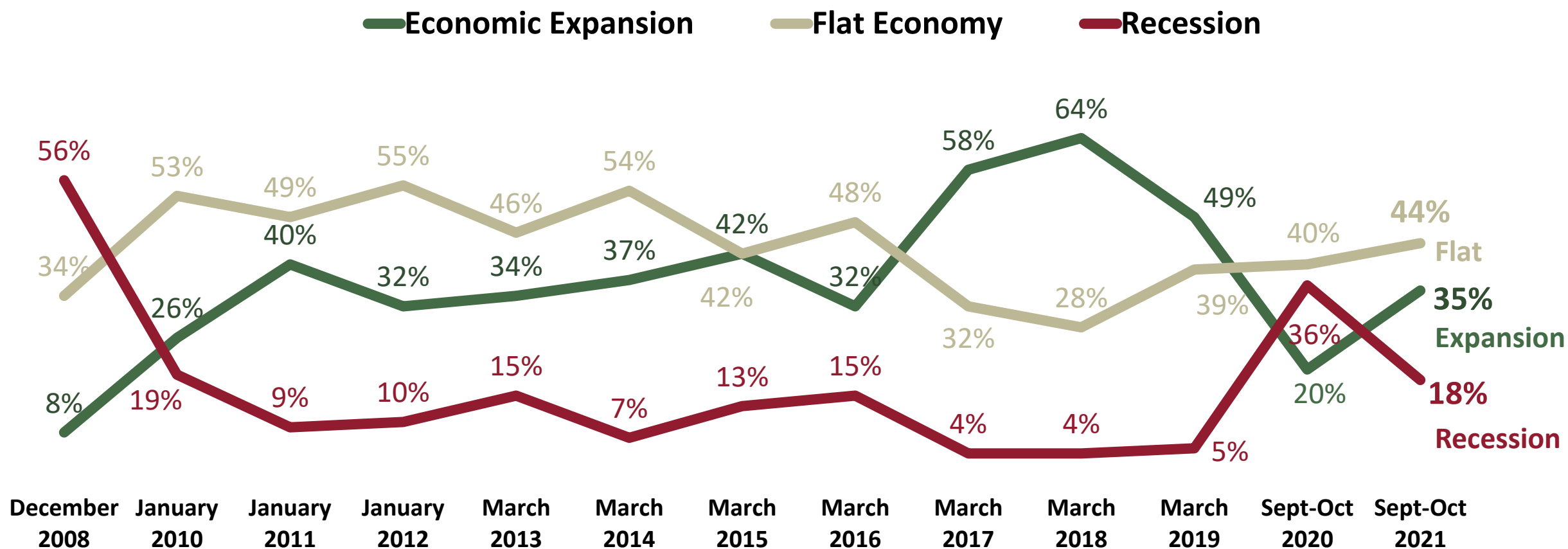
A sunset scene with silhouettes of people and large numbers. The sun is low on the horizon, creating a warm orange glow. In the foreground, there are silhouettes of four people standing on a grassy hill, looking up at large numbers. The number '2021' is prominently displayed, with the '2' at the top right being larger and more stylized. The background shows a sky with soft clouds and a distant tower on the left.

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Key Fall 2021 Findings

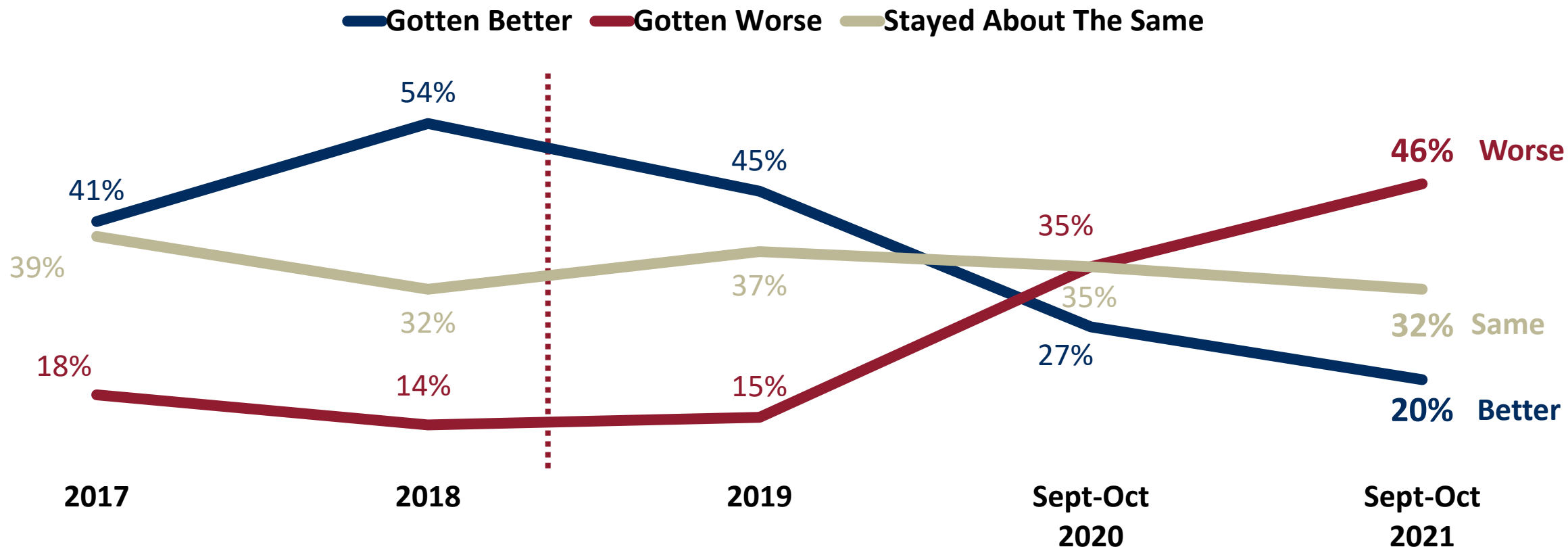
Recessionary fears have dropped over the past year, but opinions about the state's economy are quite mixed.

"Thinking about the upcoming year, in 2021, do you anticipate economic expansion, a flat economy, or a recession?"



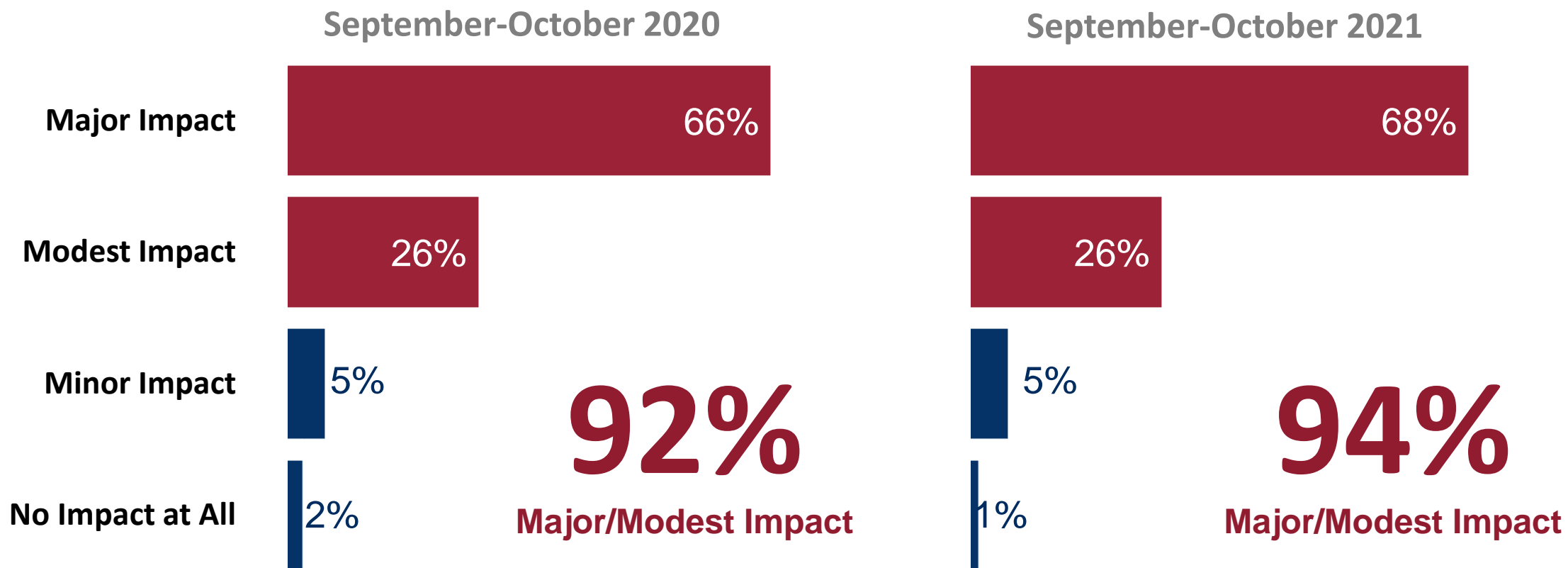
A plurality believe the state's business climate has gotten worse.

“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?”





The impact of COVID-19 is still significant, as it was in the fall of 2020.

“Overall, what impact do you think the COVID-19 outbreak has had on the state's economy and business climate?”



Smaller manufacturers say they are feeling the impact even more this year.

COVID-19 Major Impact on State's Economy/Business Climate

	Sept-Oct 2020	Sept-Oct 2021
Metro companies	65%	66%
Greater Minnesota companies	68%	69%
Less than \$1 million in revenue	70%	78% 
\$1-5 million in revenue	60%	59%
Over \$5 million in revenue	68%	61% 
50 or fewer employees	68%	70%
Over 50 employees	58%	59%

The impact is a little lower with those in the northern parts of the state.

% Major/Modest Impact on State's Economy

Northwest Minnesota Foundation
85% Impact on Economy

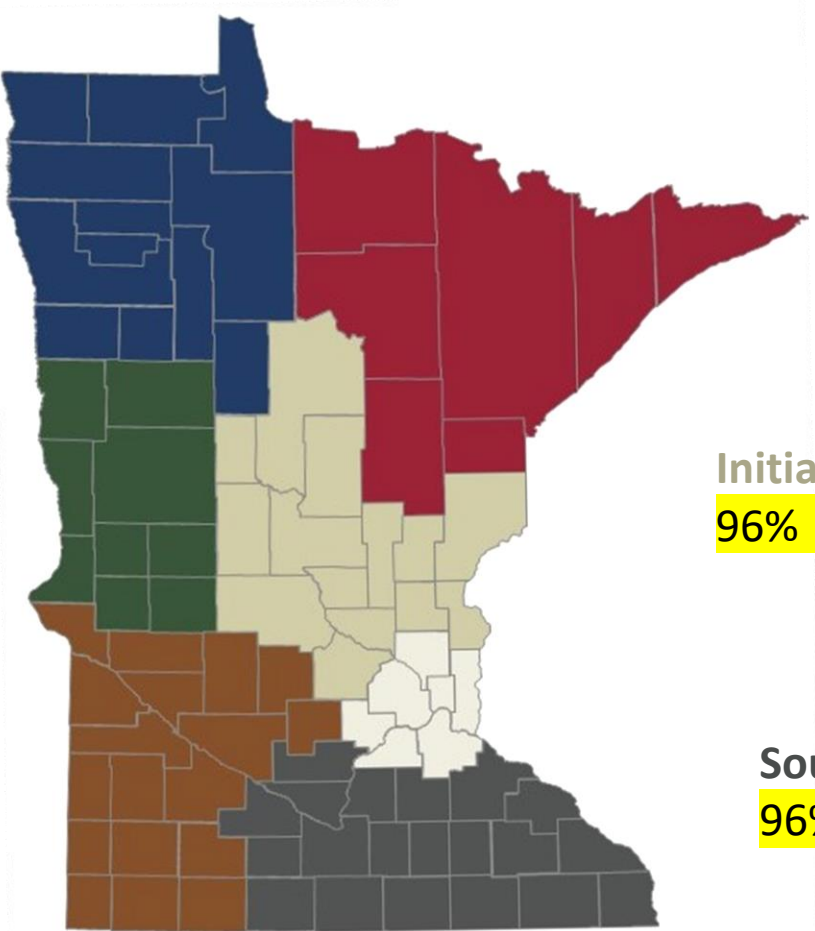
West Central Initiative
87% Impact on Economy

Southwest Initiative Foundation
93% Impact on Economy

Northland Foundation
88% Impact on Economy

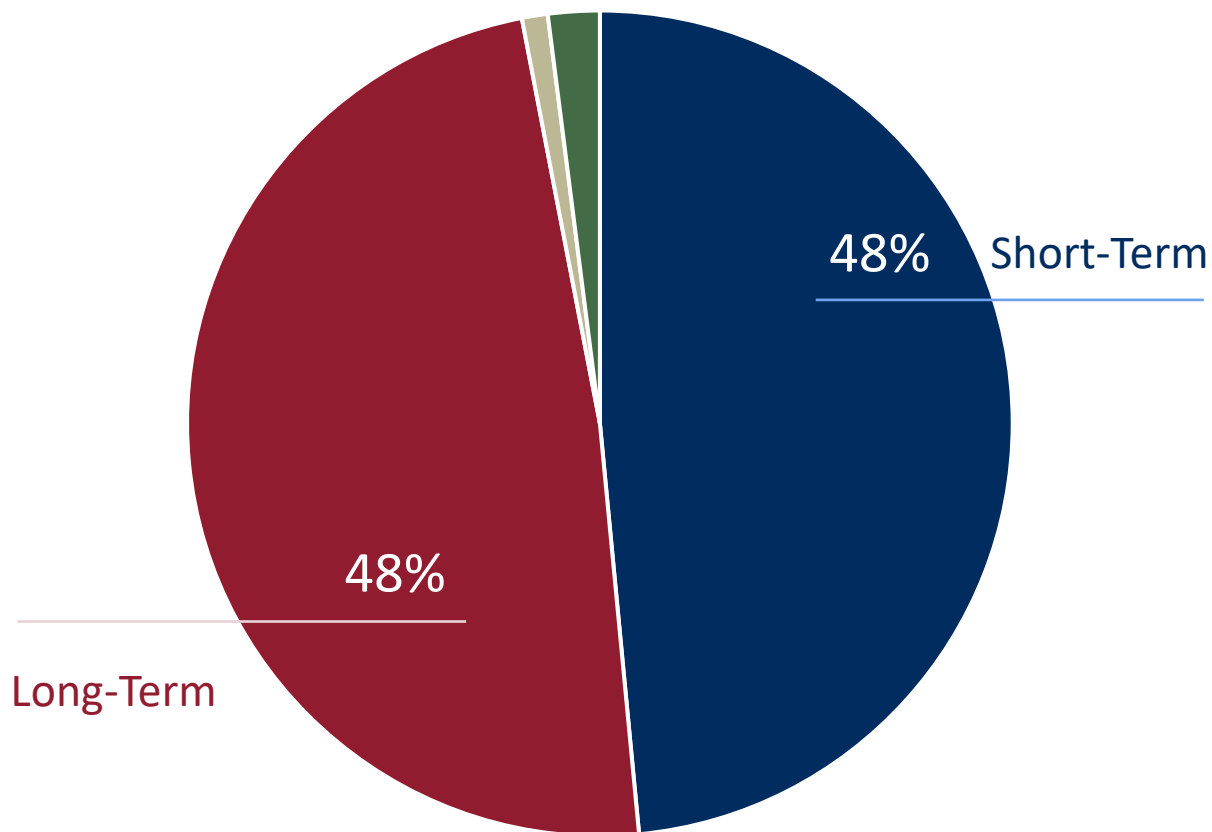
Initiative Foundation
96% Impact on Economy

Southern Minnesota Initiative Foundation
96% Impact on Economy



Manufacturers are evenly split on how long this impact will last, while smaller manufacturers say it is more immediate (short-term).

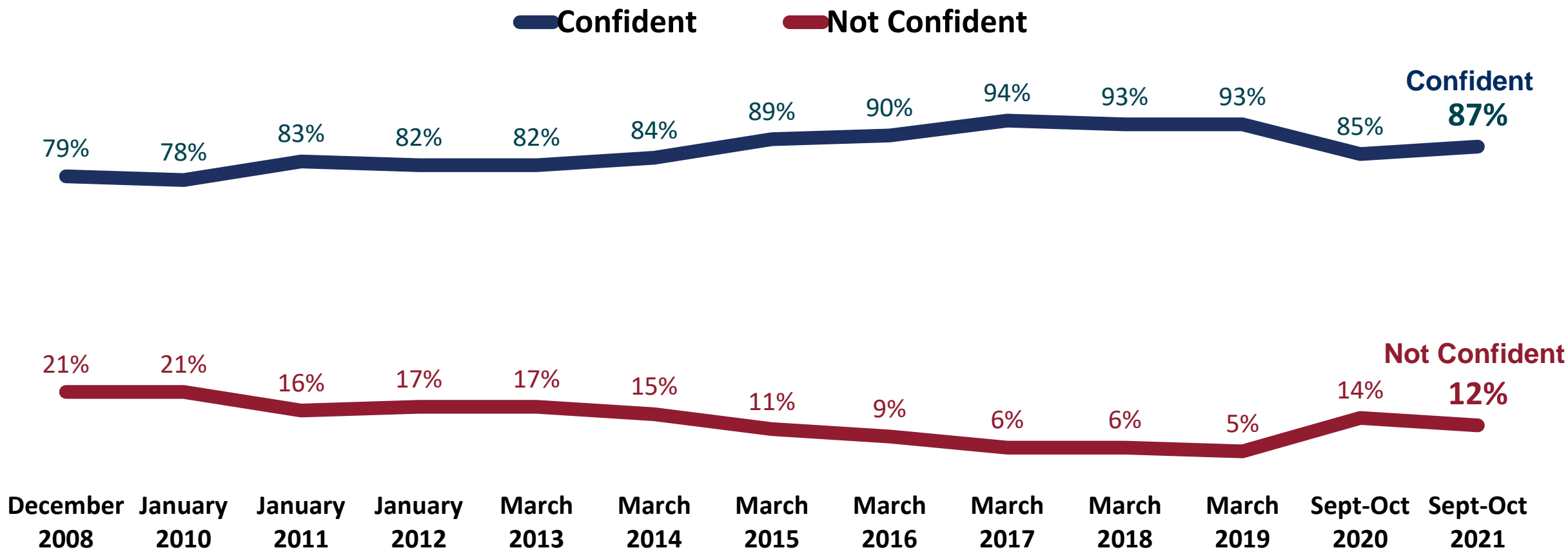
“Overall, what type of impact would you say the COVID-19 outbreak has had on your business?”



	Short Term	Long Term
Less than \$1 Million Revenue	52%	45%
Between \$1-5 Million Revenue	51%	45%
Over \$5 Million Revenue	40%	55%
50 or Fewer Employees	51%	46%
Over 50 Employees	39%	59%

Individual confidence hasn't fully rebounded to where it was pre-COVID.

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



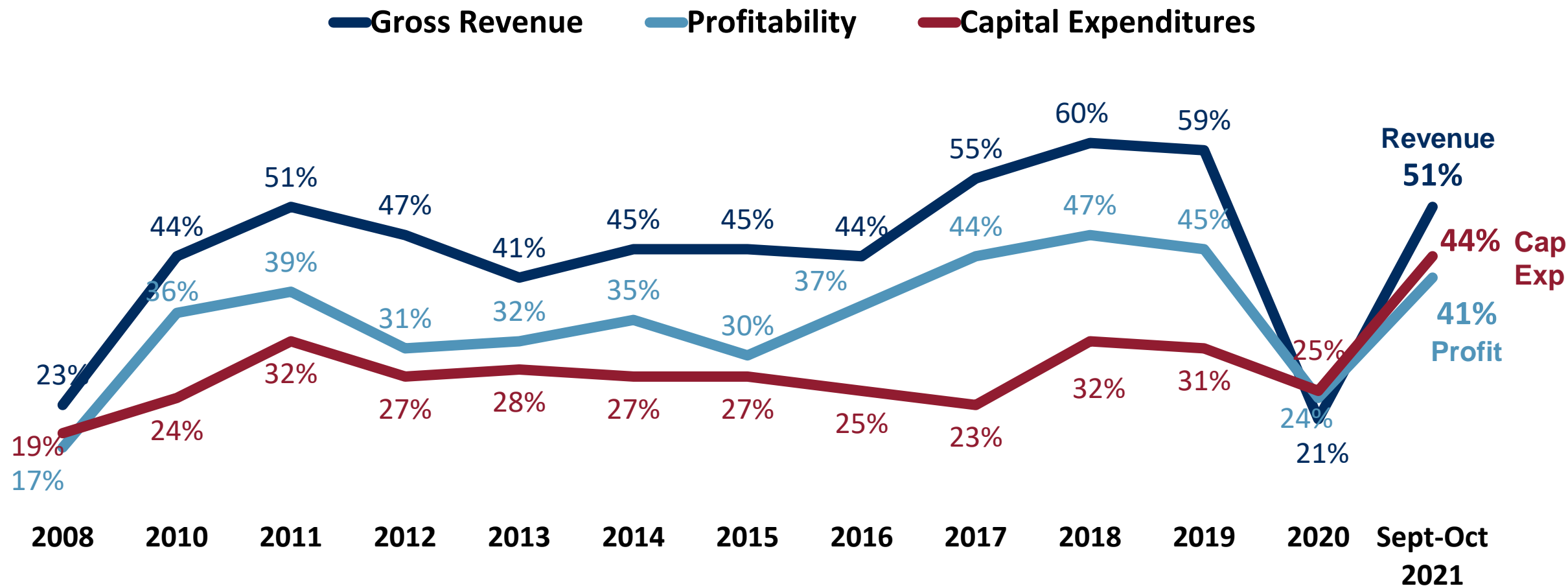
Confidence among smaller manufacturers remains below pre-pandemic levels.

% Confident in Company's Future

	2019	Sept-Oct 2020	Sept-Oct 2021
Metro companies	93%	87%	89%
Greater Minnesota companies	93%	82%	85%
Less than \$1 million in revenue	93%	78%	81%
\$1-5 million in revenue	91%	88%	87%
Over \$5 million in revenue	95%	90%	95%
50 or fewer employees	93%	83%	84%
Over 50 employees	94%	89%	97%

We do see an upward trend in key business metrics from a year ago.

Percent of Manufacturers Expecting Increases in 2021 for...



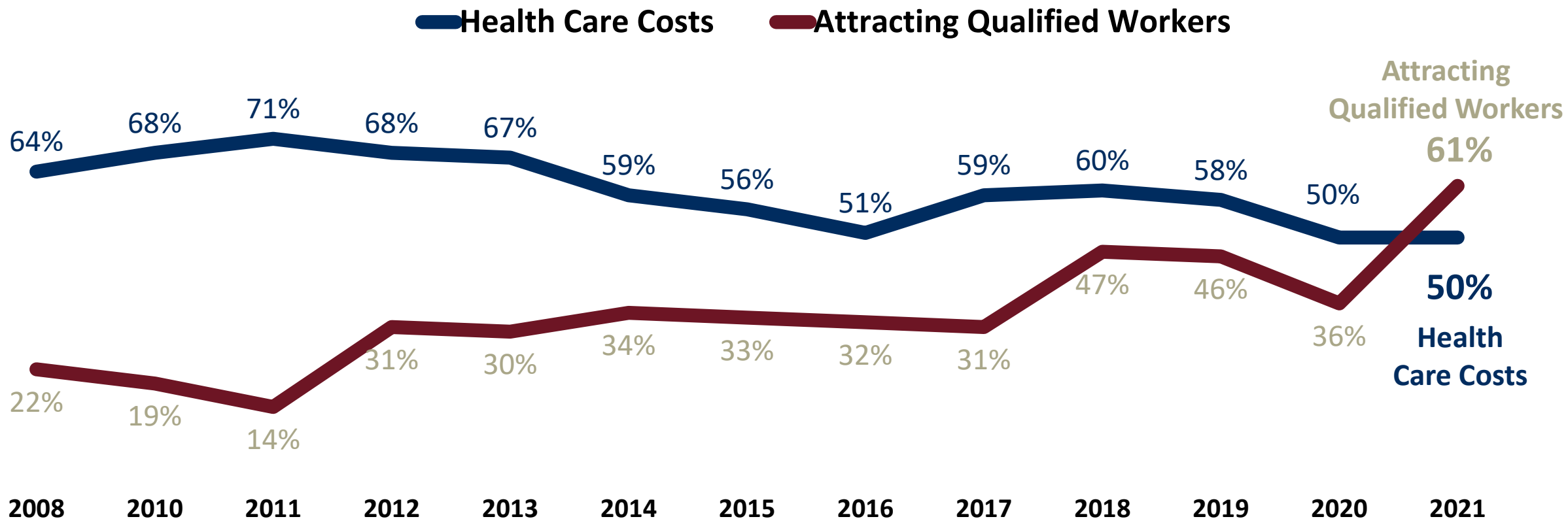
Supply chains are now at the top of manufacturers list of concerns.

Concerns ranked by % concern (8-10) (Highlighted issues have increased 10%+ since 2020)

Supply chain		Change Since 2020
	67%	Not Asked
Attracting qualified workers	61%	+25
The costs of health care coverage	50%	±0
Retaining qualified workers	49%	+13
Costs of employee salaries and benefits	46%	+22
Economic and global uncertainty	40%	+1
Federal government programs resulting from pandemic	35%	+12
State government programs resulting from pandemic	32%	+6
Developing future leaders	30%	+2
Cybersecurity	25%	-5
Getting your products to market	20%	+5

Health care costs concerns are holding steady for the second consecutive year, while we see a significant surge with concern in attracting workers.

Concerns Ranked by % Concern (8-10)



Supply chain concerns run high outside the metro area.

Top Five Concerns by Foundation (% 8-10 Concern)

Northwest Minnesota Foundation

Supply Chain Issues (75%)

Retaining Workers (60%)
Costs of Health Care (60%)
Attracting Workers (55%)
State Government Programs (55%)

West Central Initiative

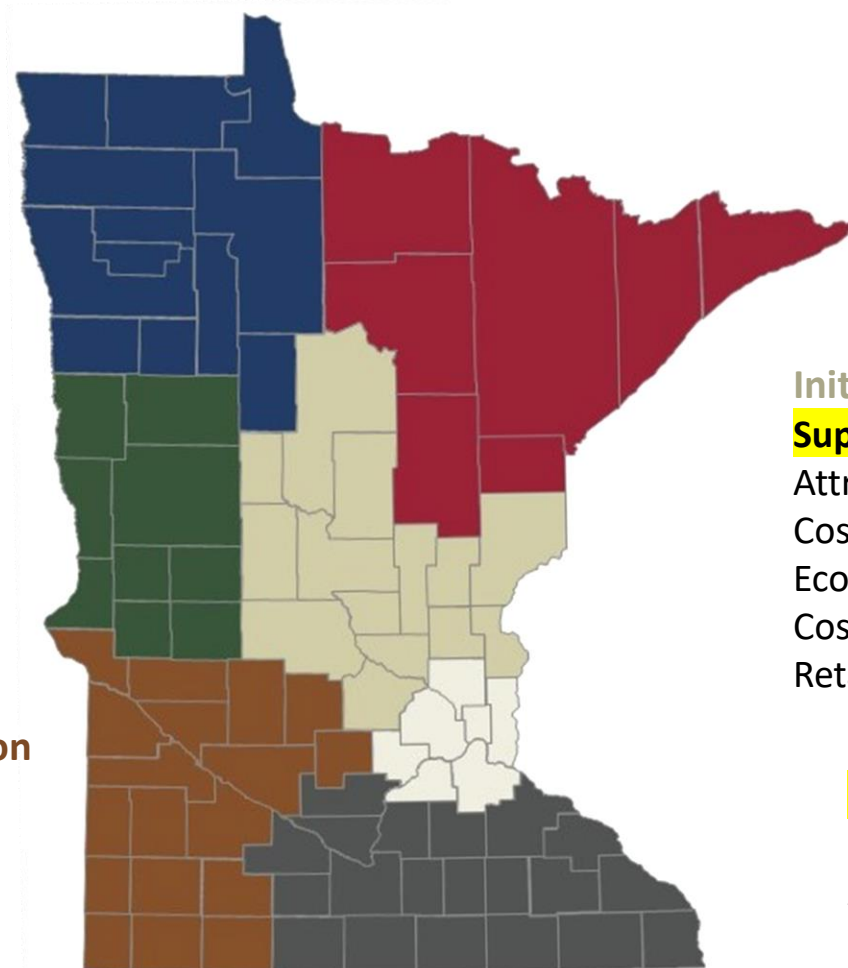
Attracting Workers (73%)

Supply Chain Issues (69%)
Costs of Health Care (56%)
Retaining Workers (56%)
Costs of Salaries (47%)
Economic Uncertainty (47%)

Southwest Initiative Foundation

Supply Chain Issues (75%)

Attracting Workers (55%)
Retaining Workers (48%)
Costs of Health Care (48%)
Costs of Salaries (45%)



Northland Foundation

Supply Chain Issues (65%)

Attracting Workers (53%)
Costs of Health Care (51%)
Federal Government Programs (49%)
Retaining Workers (47%)

Initiative Foundation

Supply Chain Issues (69%)

Attracting Workers (54%)
Costs of Salaries (52%)
Economic Uncertainty (45%)
Costs of Health Care (44%)
Retaining Workers (44%)

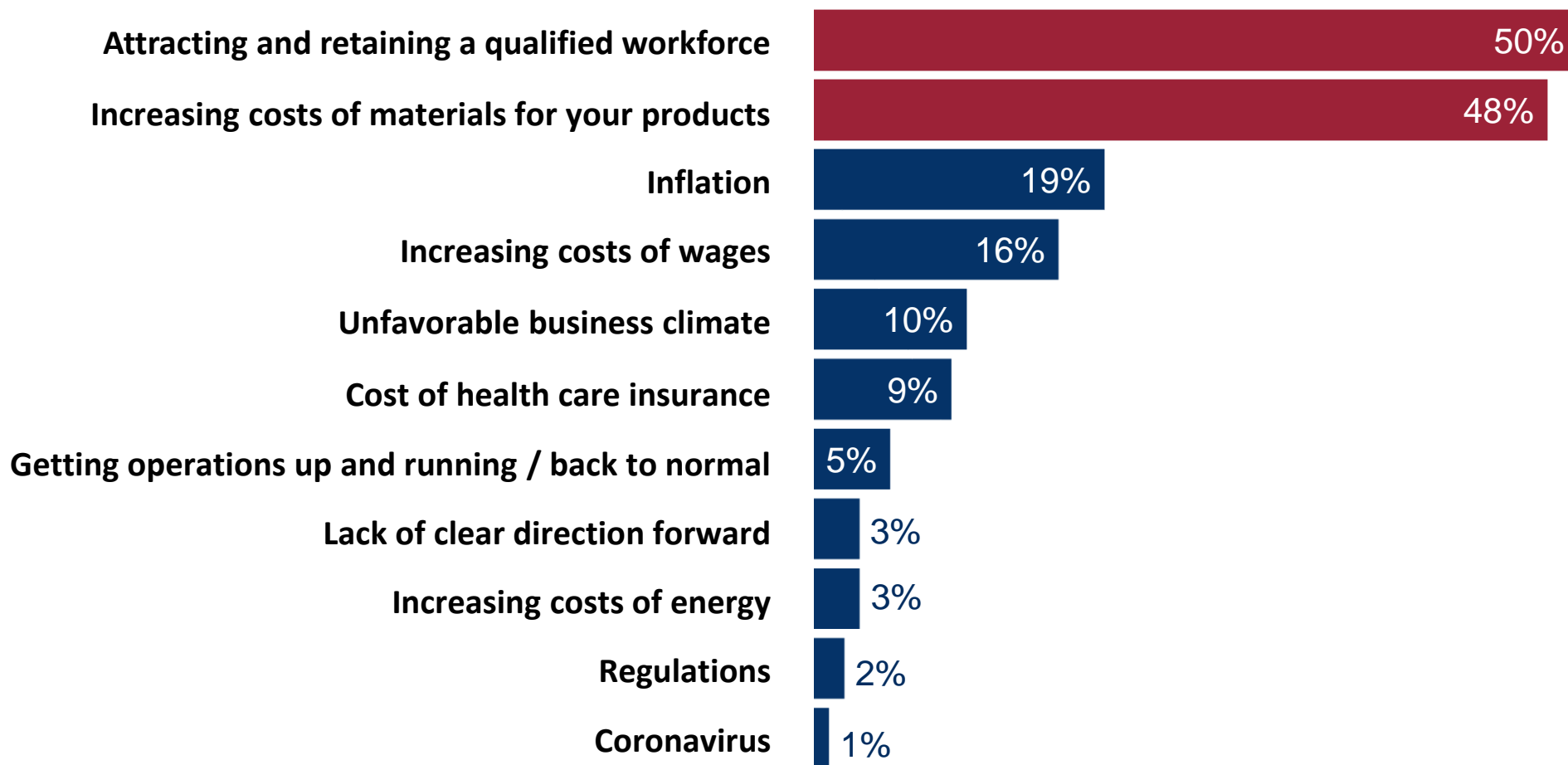
Southern Minnesota Initiative Foundation

Supply Chain Issues (57%)

Costs of Health Care (55%)
Attracting Workers (53%)
Retaining Workers (45%)
Costs of Salaries (45%)

Workforce and supply chains are also seen as the biggest challenge to growth.

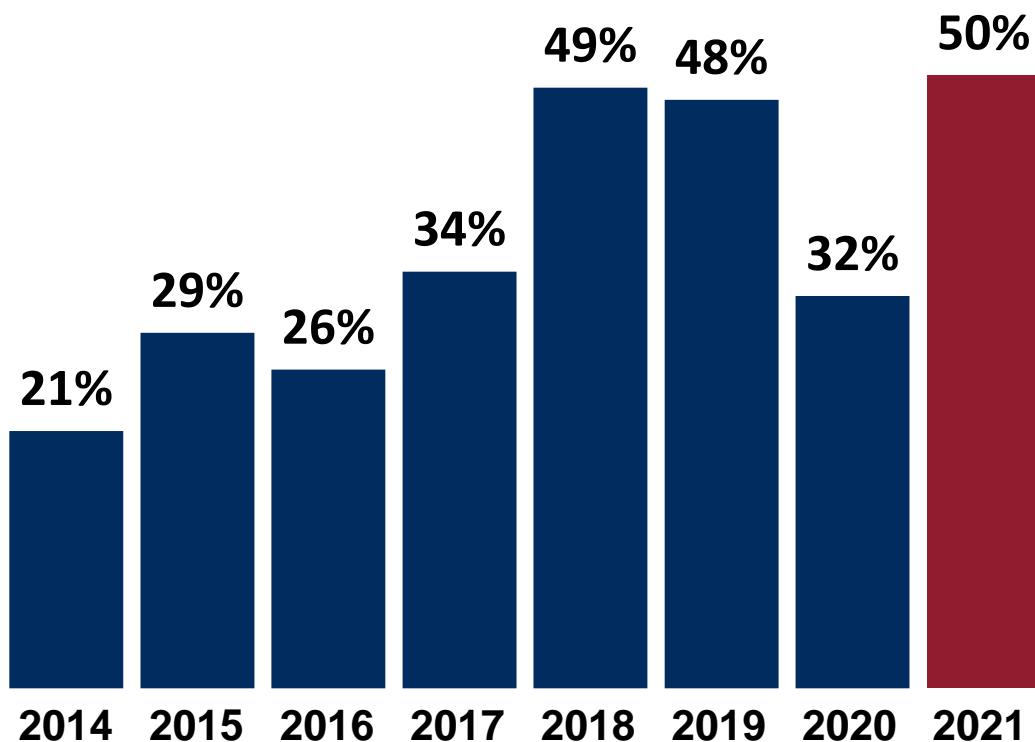
“What would you say are the one or two biggest challenges your company is facing that might negatively impact future growth?”



Workforce issues have hit their highest level yet, while health insurance has dropped dramatically as a business challenge.

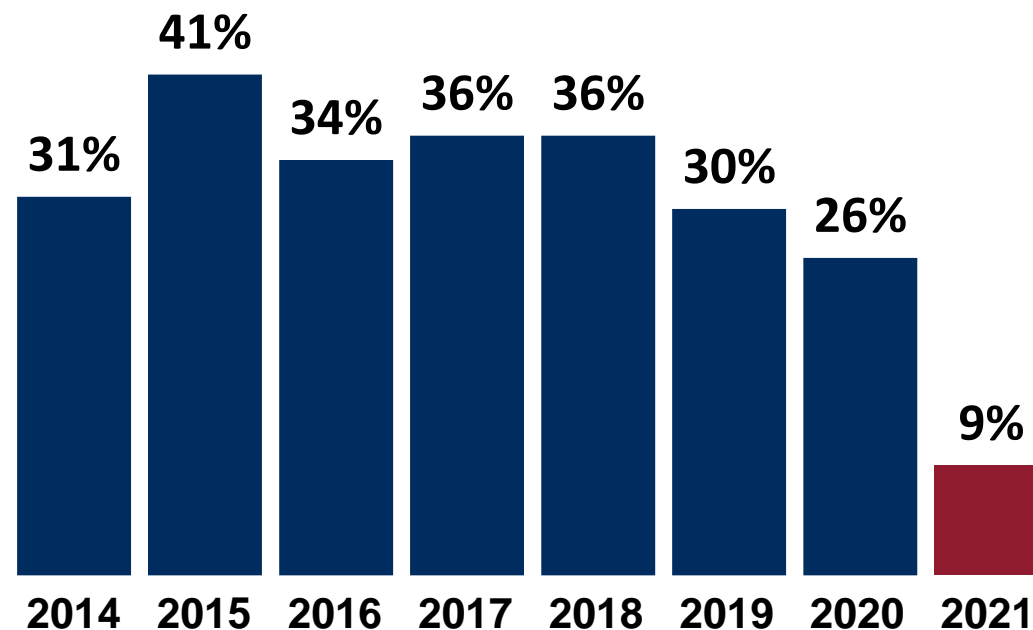
Attracting and Retaining a
Qualified Workforce

+18



Cost of Health Insurance

-17



Workforce challenges are a bigger deal for larger companies.

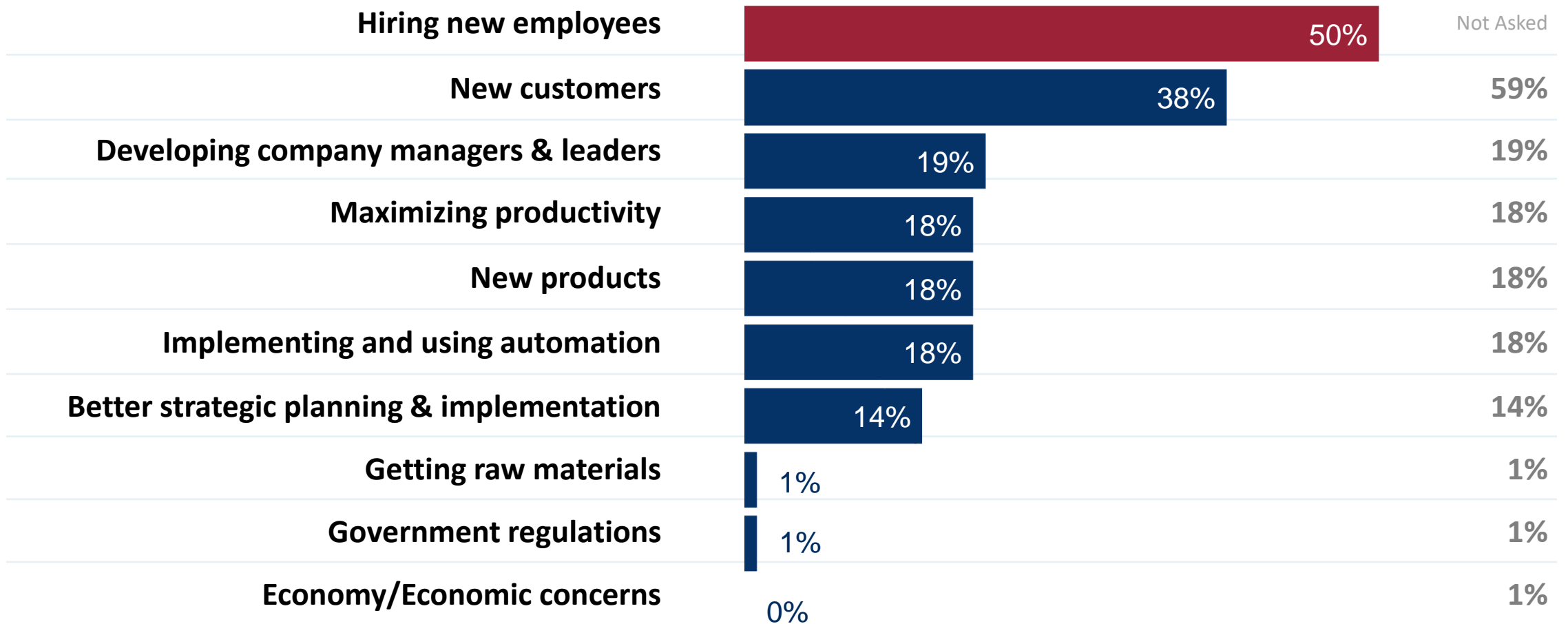
“What would you say are the one or two biggest challenges your company is facing that might negatively impact future growth?” (Gold highlights top two challenges)

	Less than \$1 Million Revenue	Between \$1-\$5 Million Revenue	Over \$5 Million Revenue	50 or Fewer Employees	Over 50 Employees
Attracting and retaining a qualified workforce	35%	52%	69%	44%	73%
Increasing costs of materials for your products	49%	47%	47%	49%	42%
Inflation	20%	19%	16%	18%	19%
Increasing costs of wages	13%	17%	17%	15%	21%
Unfavorable business climate	15%	11%	4%	12%	3%
Cost of health care insurance	11%	6%	9%	8%	12%

Finding new workers is most important driver of future growth.

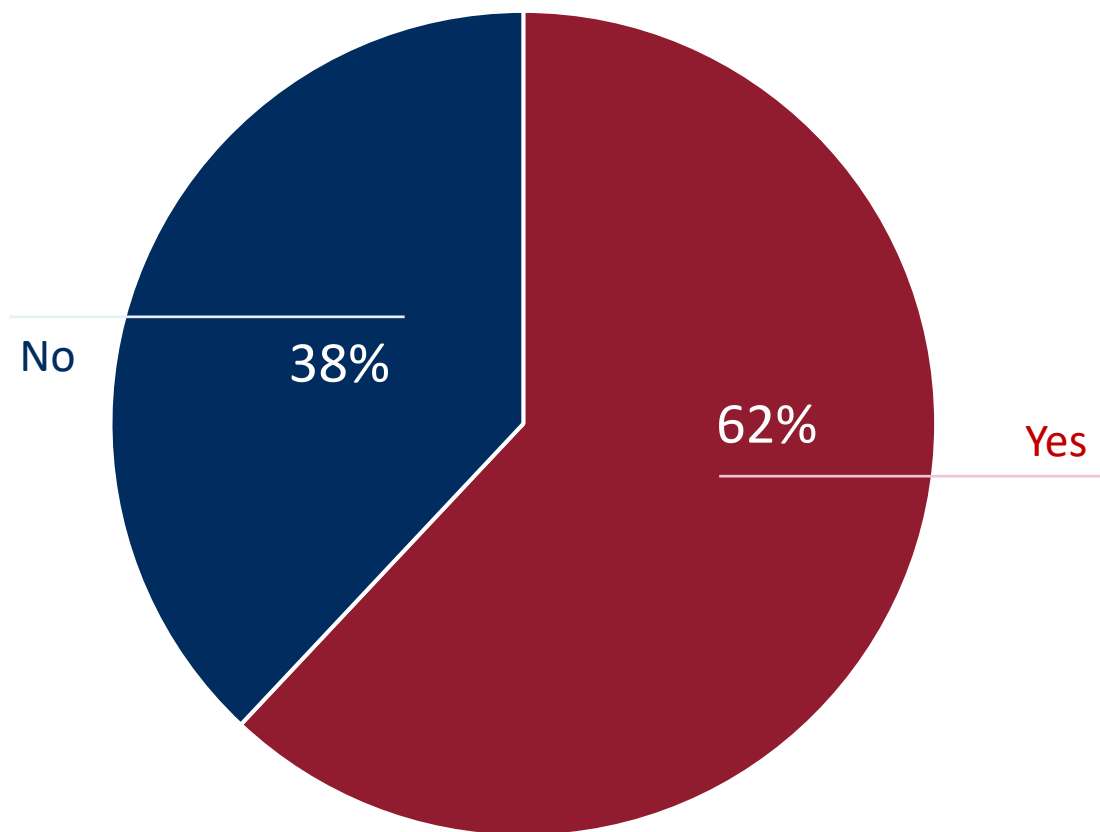
“What would you say are the two or three most important drivers of your company’s future growth?”

Sept-Oct
2020

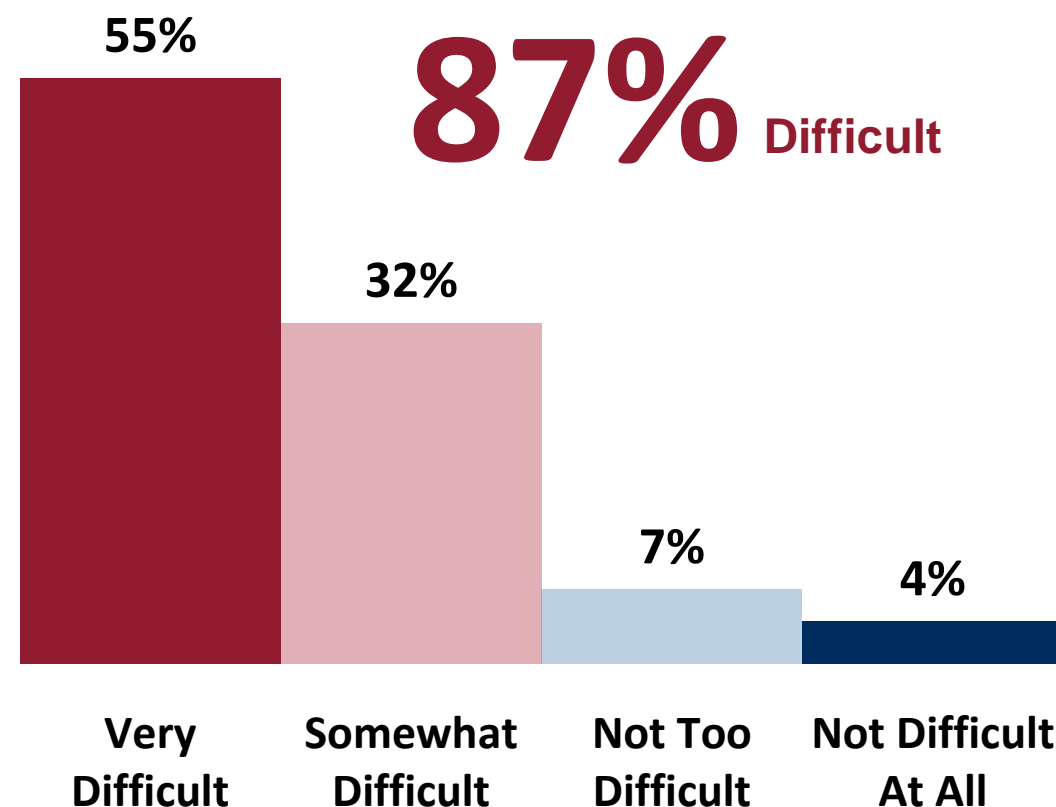


Most are looking to hire and having a very difficult time finding candidates.

“Does your company currently have positions that are open and are hiring?”



“Overall, how difficult do you think it is to attract qualified candidates to manufacturers like you?”



Larger manufacturers are looking for workers and having a hard time doing so.

% Hiring & % Difficult Attracting Qualified Candidates

	% Hiring	% Difficult
Metro companies	63%	88%
Greater Minnesota companies	60%	86%
Less than \$1 million in revenue	41%	83%
\$1-5 million in revenue	61%	87%
Over \$5 million in revenue	89%	93%
50 or fewer employees	55%	85%
Over 50 employees	91%	92%

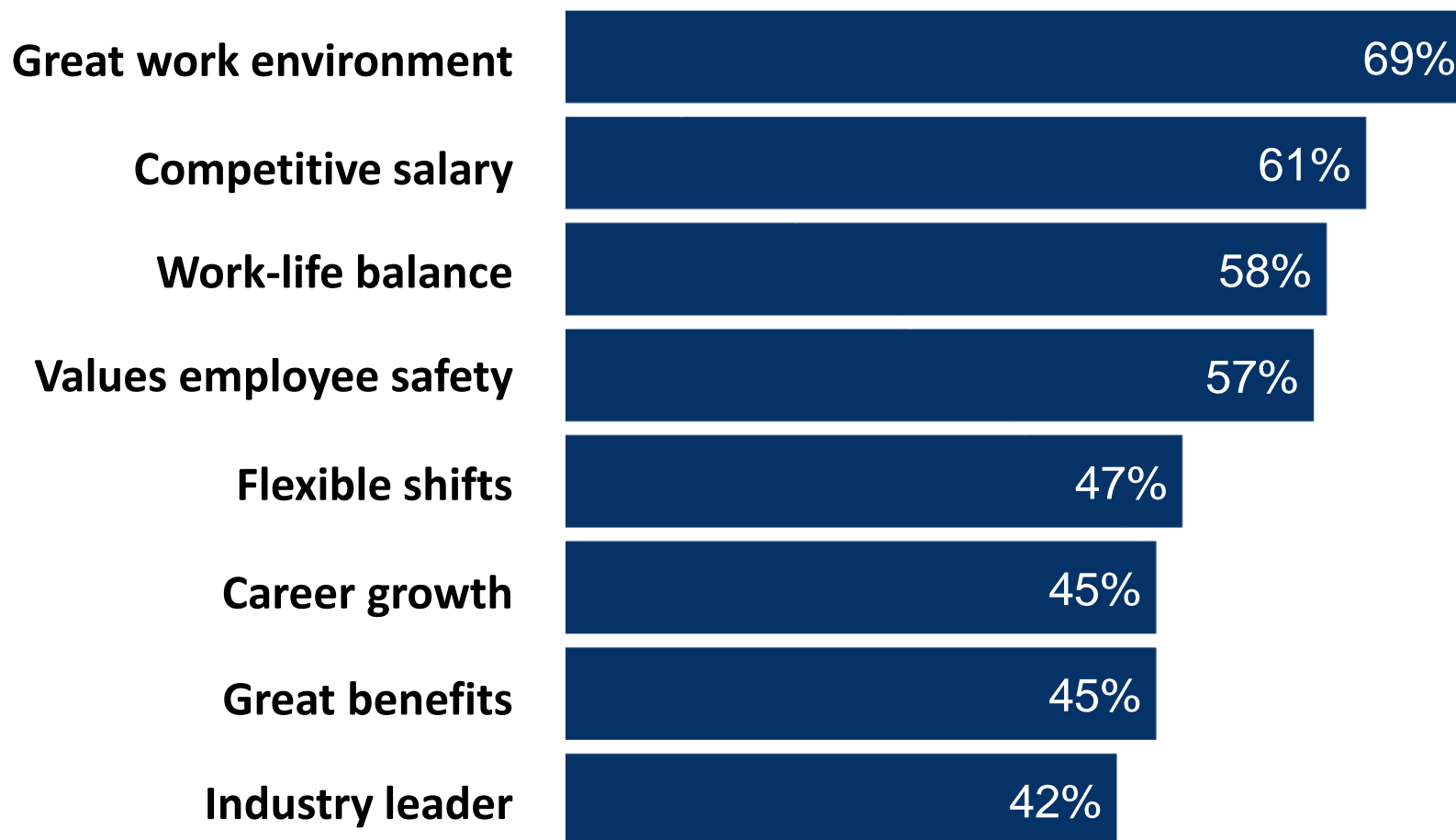
% who are
hiring AND find
it difficult:

→ **47%**

→ **84%**

Manufacturers want to be known as having a great work environment.

“When thinking about attracting and hiring new employees, what does your company want to be known for?”



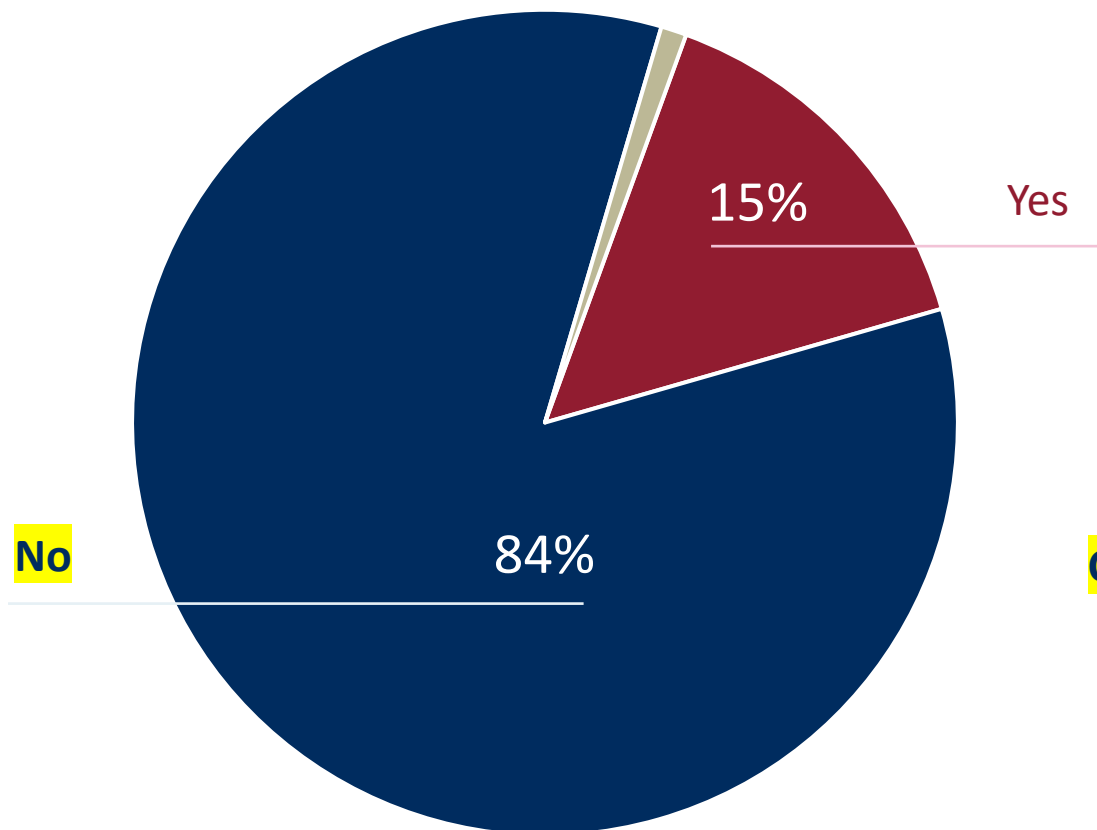
Work environment is equally important across types of manufacturers.

What your company wants to be known for by key groups (Top four highlights)

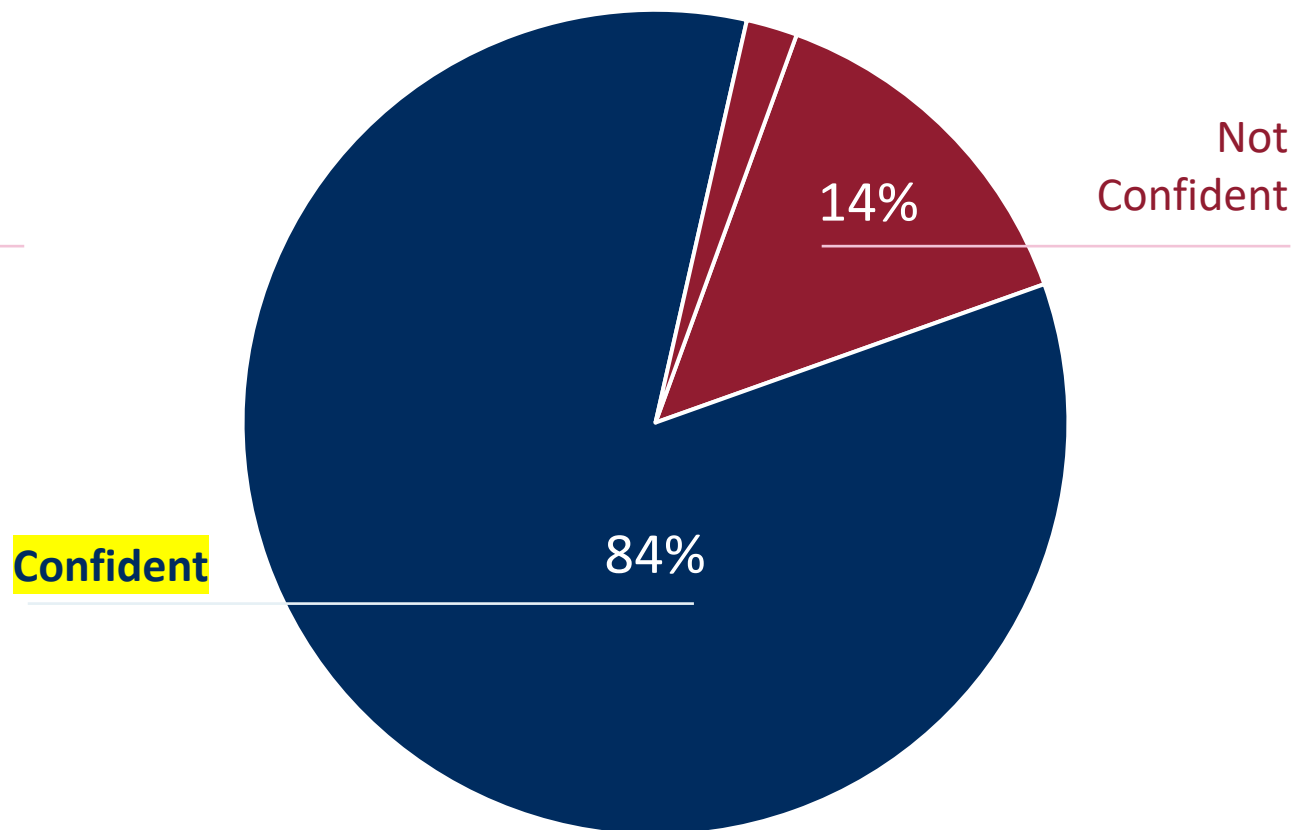
	Less than \$1 Million Revenue	Between \$1-\$5 Million Revenue	Over \$5 Million Revenue	50 or Fewer Employees	Over 50 Employees
Great work environment	68%	67%	73%	69%	72%
Competitive salary	55%	63%	67%	58%	73%
Work-life balance	53%	59%	64%	57%	62%
Values employee safety	49%	60%	63%	54%	67%
Flexible shifts	45%	43%	49%	46%	49%
Career growth	38%	45%	55%	42%	58%
Great benefits	28%	49%	64%	40%	61%
Industry leader	31%	41%	59%	37%	63%

Eight in ten companies have not experienced a data breach and an equal percentage are confident that they are secure from such breaches.

“On a different topic, has your company been hacked or experienced a data breach of some kind?”

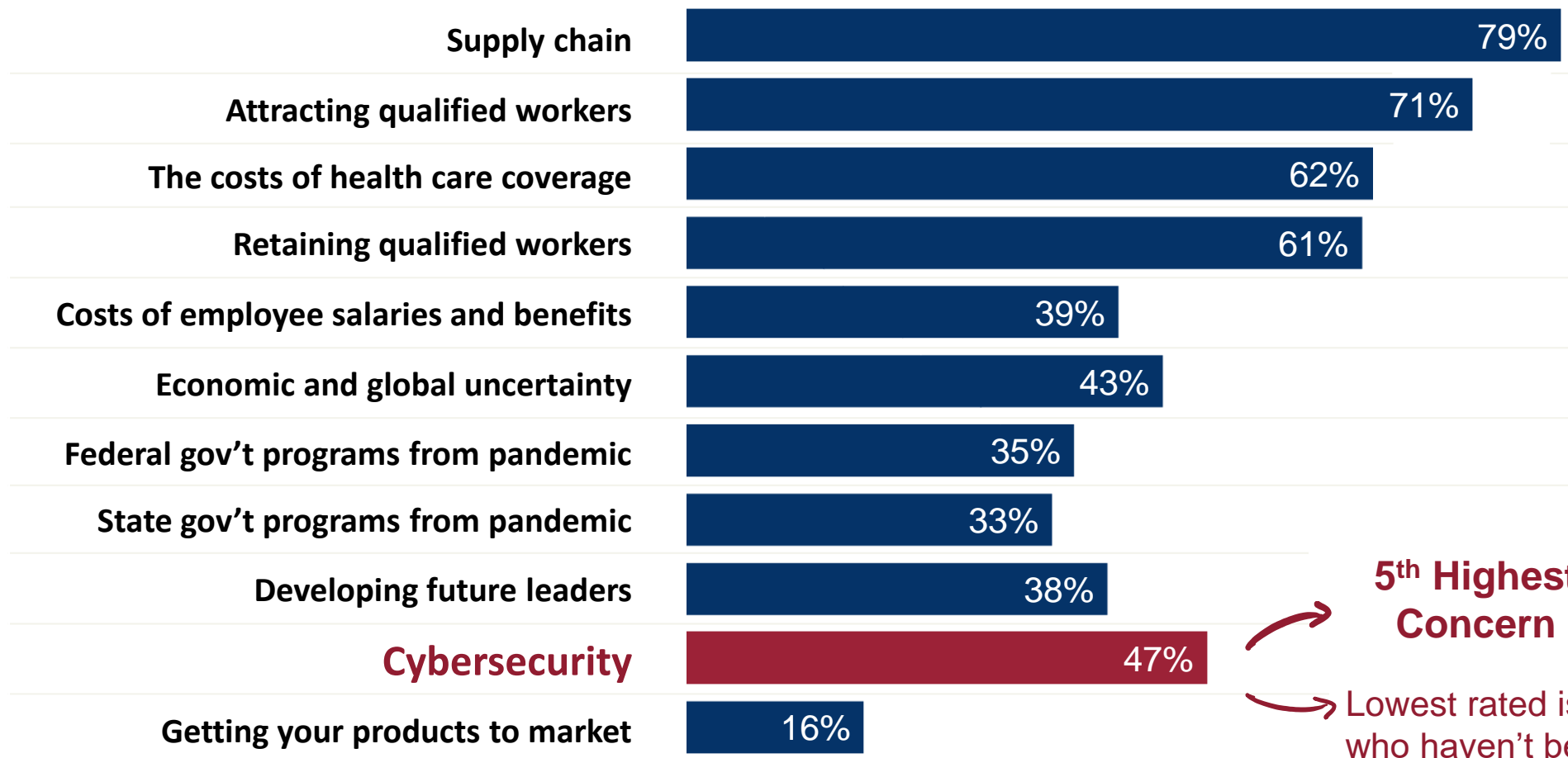


“How confident are you that your company is secure from hacking, data breaches, and other technological threats?”



Cybersecurity is a big concern, though, among those familiar with it.

Concerns Ranked by % Concern (8-10) (Among those who have been hacked)



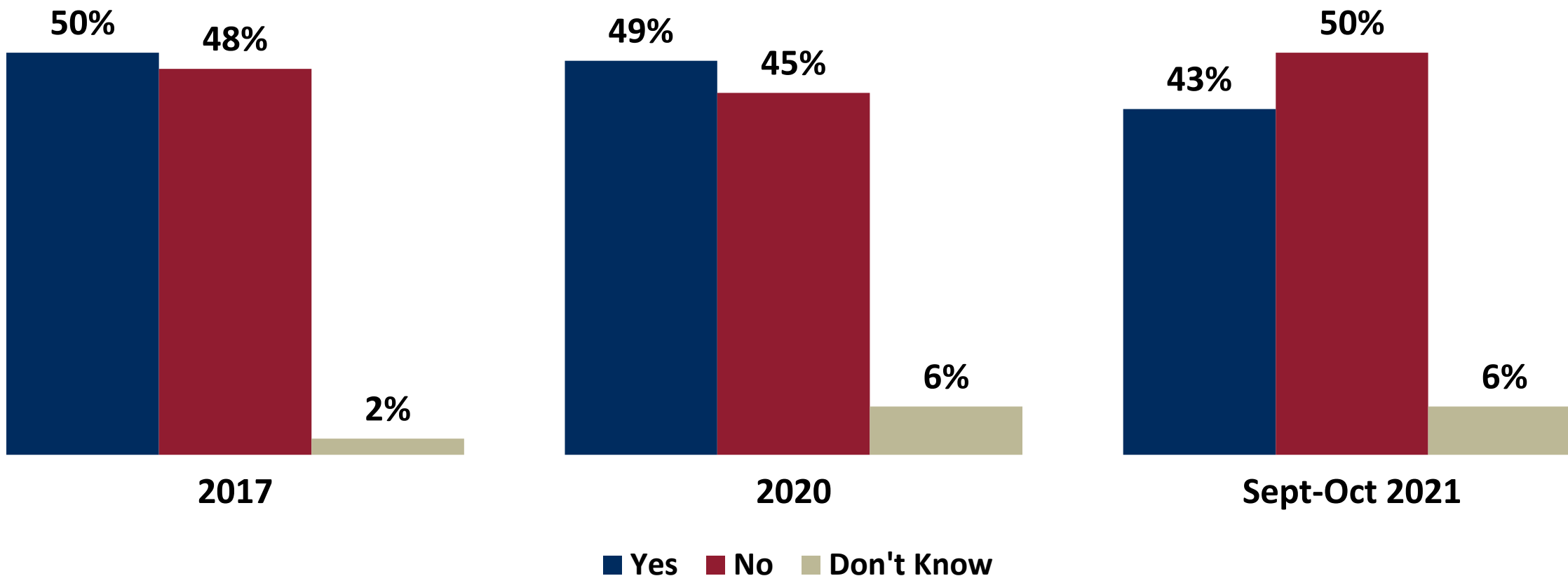
**5th Highest
Concern**



Lowest rated issue among those who haven't been hacked (only 20% of those who haven't been hacked rate it as a high concern)

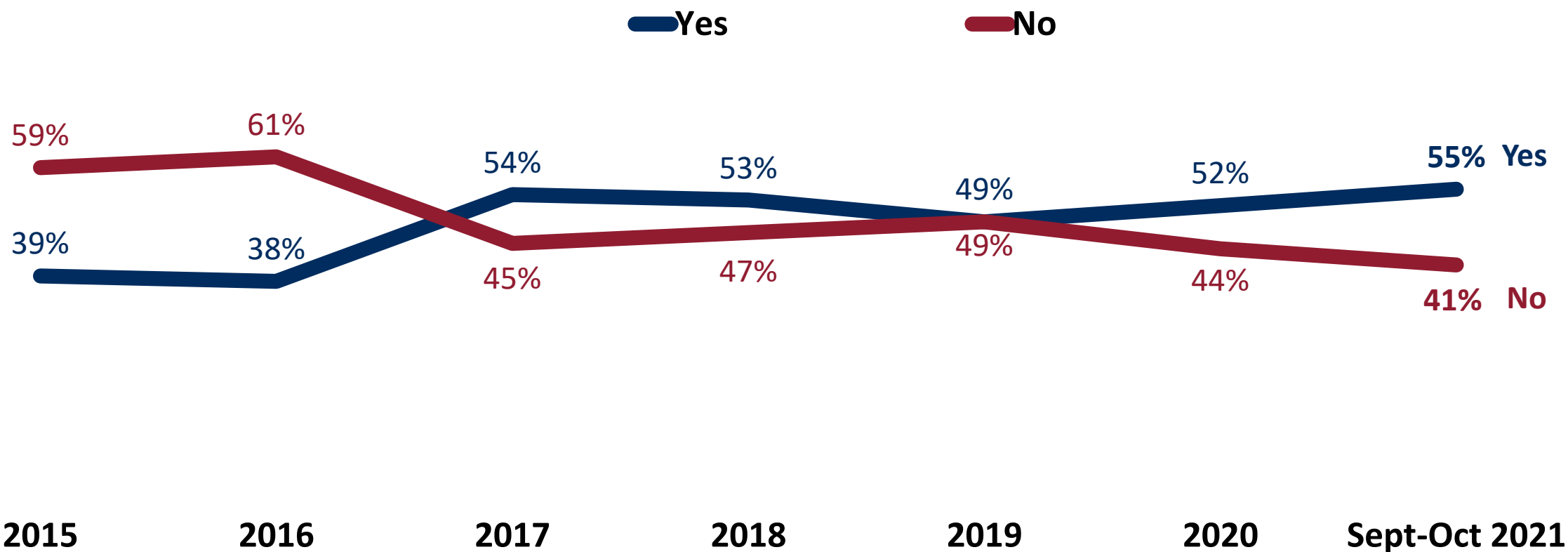
The percentage of manufacturers who have a succession plan is down to its lowest level yet.

“Does your company have a succession plan?”



Those who say they have a formal strategic plan is at its highest level yet.

“On a different topic, does your company have a formal strategic plan for profitable growth?”



A sunset scene with silhouettes of people and large numbers. The sun is low on the horizon, creating a warm orange glow. In the foreground, four silhouetted figures are standing on a grassy hill, interacting with large black numbers. The first figure is on the left, reaching up towards a large '2' that is suspended by ropes. The second figure is next to a large '0'. The third figure is next to a large '2'. The fourth figure is on the right, reaching up towards a large '2' that is also suspended by ropes. The background shows a sunset sky with orange and blue clouds. On the far left, there is a silhouette of a lattice tower. On the far right, there is a silhouette of a tall antenna or radio tower.

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The Bottom Line



2022

The Bottom Line

- It's undeniable that the COVID-19 pandemic has had a big impact on manufacturers in Minnesota. This survey data shows COVID-19's impact on manufacturers to be just as significant (if not more so) than it was a year ago today.
- The pandemic has intensified attention around a core set of issues facing manufacturing industry: supply chain and workforce concerns.

2022

The Bottom Line

- Confidence among manufacturing executives hasn't returned to pre-pandemic levels, though we do see more optimistic data on the key business metrics (grow revenue, profit, and capital expenditure increases) than we did a year ago.
- Finally, when it comes to what issue or issues might be on the horizon for manufacturers, we're keeping a close eye on cybersecurity. While it doesn't make the top tier of concerns facing the industry today, neither did workforce concerns 10 years ago (!).

A sunset scene with silhouettes of people and large numbers. The sun is low on the horizon, creating a warm orange glow. In the foreground, four silhouetted figures are standing on a grassy hill, interacting with large, dark numbers. One figure is near a '2' on the left, another is near a '0' in the center, and two others are near a '2' on the right. A large '2' is also visible in the upper right corner. The background shows a sky with soft clouds and a distant tower on the right.

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Manufacturing Panel

Keith Gadacz

Business Growth Consultant, Enterprise Minnesota



- Joined Enterprise Minnesota in 2018
- Expertise – ISO 9001, AS9100D, and ISO 13485
- Brings experience as a quality manager and continuous improvement champion at Nortech Systems, and as a quality manager for Minnesota Rubber & Plastics
- Certifications – Six Sigma and Certified Lead Auditor

Steve Haarstad

Business Growth Consultant, Enterprise Minnesota



- Joined Enterprise Minnesota in 2016
- Expertise – Strategic Planning, Revenue Growth, Peer Council leader
- Served as global customer service manager, global education manager, and marketing training manager at Emerson Process Management
- Certifications – Certified Exit Planning Advisor (CEPA)

Abbey Hellickson

Business Growth Consultant, Enterprise Minnesota



- Joined Enterprise Minnesota in 2016
- Expertise – Talent/Leadership Development, and Peer Council facilitator
- Served as director of business and workforce education at Rochester Community and Technical College and as a corporate training instructor at Fastenal
- Certifications – TRACOM Social Style

Greg Langfield

Business Growth Consultant, Enterprise Minnesota

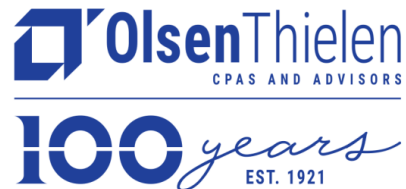


- Joined Enterprise Minnesota in 2012
- Expertise – Continuous Improvement, ISO, and Peer Council leader
- Served as an engineering manager at Covidien and project engineer at Automation Services Inc. and Doboy Packaging Machinery
- Certifications – TWI Instructor – Job Instruction



Full results can be viewed at enterpriseminnesota.org

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