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

Gotten Better | Gotten Worse | Stayed About The Same
--- | --- | ---
2017 | 41% | 39%
2018 | 54% | 32%
2019 | 45% | 37%
Sept-Oct 2020 | 35% | 35%
Sept-Oct 2021 | 46% | 32%
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?”

September-October 2020

- Major Impact: 66%
- Modest Impact: 26%
- Minor Impact: 5%
- No Impact at All: 2%

September-October 2021

- Major Impact: 68%
- Modest Impact: 26%
- Minor Impact: 5%
- No Impact at All: 1%
Smaller manufacturers say they are feeling the impact even more this year.

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

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Metro companies</td>
<td>65%</td>
<td>66%</td>
</tr>
<tr>
<td>Greater Minnesota companies</td>
<td>68%</td>
<td>69%</td>
</tr>
<tr>
<td>Less than $1 million in revenue</td>
<td>70%</td>
<td>78%</td>
</tr>
<tr>
<td>$1-5 million in revenue</td>
<td>60%</td>
<td>59%</td>
</tr>
<tr>
<td>Over $5 million in revenue</td>
<td>68%</td>
<td>61%</td>
</tr>
<tr>
<td>50 or fewer employees</td>
<td>68%</td>
<td>70%</td>
</tr>
<tr>
<td>Over 50 employees</td>
<td>58%</td>
<td>59%</td>
</tr>
</tbody>
</table>
The impact is a little lower with those in the northern parts of the state.

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?”

<table>
<thead>
<tr>
<th>Revenue Category</th>
<th>Short Term</th>
<th>Long Term</th>
</tr>
</thead>
<tbody>
<tr>
<td>Less than $1 Million Revenue</td>
<td>52%</td>
<td>45%</td>
</tr>
<tr>
<td>Between $1-5 Million Revenue</td>
<td>51%</td>
<td>45%</td>
</tr>
<tr>
<td>Over $5 Million Revenue</td>
<td>40%</td>
<td>55%</td>
</tr>
<tr>
<td>50 or Fewer Employees</td>
<td>51%</td>
<td>46%</td>
</tr>
<tr>
<td>Over 50 Employees</td>
<td>39%</td>
<td>59%</td>
</tr>
</tbody>
</table>
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?”

Confident

- 79%
- 78%
- 83%
- 82%
- 82%
- 84%
- 89%
- 90%
- 94%
- 93%
- 93%
- 85%

Not Confident

- 21%
- 21%
- 16%
- 17%
- 17%
- 15%
- 11%
- 9%
- 6%
- 6%
- 5%
- 14%
- 12%
Confidence among smaller manufacturers remains below pre-pandemic levels.

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Metro companies</td>
<td>93%</td>
<td>87%</td>
<td>89%</td>
</tr>
<tr>
<td>Greater Minnesota companies</td>
<td>93%</td>
<td>82%</td>
<td>85%</td>
</tr>
<tr>
<td>Less than $1 million in revenue</td>
<td>93%</td>
<td>78%</td>
<td>81%</td>
</tr>
<tr>
<td>$1-5 million in revenue</td>
<td>91%</td>
<td>88%</td>
<td>87%</td>
</tr>
<tr>
<td>Over $5 million in revenue</td>
<td>95%</td>
<td>90%</td>
<td>95%</td>
</tr>
<tr>
<td>50 or fewer employees</td>
<td>93%</td>
<td>83%</td>
<td>84%</td>
</tr>
<tr>
<td>Over 50 employees</td>
<td>94%</td>
<td>89%</td>
<td>97%</td>
</tr>
</tbody>
</table>
We do see an upward trend in key business metrics from a year ago.

Percent of Manufacturers Expecting Increases in 2021 for...

- Gross Revenue
- Profitability
- Capital Expenditures
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)

<table>
<thead>
<tr>
<th>Supply chain</th>
<th>Change Since 2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Supply chain</td>
<td>67%</td>
</tr>
<tr>
<td>Attracting qualified workers</td>
<td>61%</td>
</tr>
<tr>
<td>The costs of health care coverage</td>
<td>50%</td>
</tr>
<tr>
<td>Retaining qualified workers</td>
<td>49%</td>
</tr>
<tr>
<td>Costs of employee salaries and benefits</td>
<td>46%</td>
</tr>
<tr>
<td>Economic and global uncertainty</td>
<td>40%</td>
</tr>
<tr>
<td>Federal government programs resulting from pandemic</td>
<td>35%</td>
</tr>
<tr>
<td>State government programs resulting from pandemic</td>
<td>32%</td>
</tr>
<tr>
<td>Developing future leaders</td>
<td>30%</td>
</tr>
<tr>
<td>Cybersecurity</td>
<td>25%</td>
</tr>
<tr>
<td>Getting your products to market</td>
<td>20%</td>
</tr>
</tbody>
</table>
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)

- **Health Care Costs**
  - 2008: 64%
  - 2010: 68%
  - 2011: 71%
  - 2012: 68%
  - 2013: 67%
  - 2014: 59%
  - 2015: 56%
  - 2016: 51%
  - 2017: 59%
  - 2018: 60%
  - 2019: 58%
  - 2020: 50%
  - 2021: 50%

- **Attracting Qualified Workers**
  - 2008: 22%
  - 2010: 19%
  - 2011: 14%
  - 2012: 31%
  - 2013: 30%
  - 2014: 34%
  - 2015: 33%
  - 2016: 32%
  - 2017: 31%
  - 2018: 47%
  - 2019: 46%
  - 2020: 36%
  - 2021: 36%
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?”

<table>
<thead>
<tr>
<th>Challenge</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Attracting and retaining a qualified workforce</td>
<td>50%</td>
</tr>
<tr>
<td>Increasing costs of materials for your products</td>
<td>48%</td>
</tr>
<tr>
<td>Inflation</td>
<td>19%</td>
</tr>
<tr>
<td>Increasing costs of wages</td>
<td>16%</td>
</tr>
<tr>
<td>Unfavorable business climate</td>
<td>10%</td>
</tr>
<tr>
<td>Cost of health care insurance</td>
<td>9%</td>
</tr>
<tr>
<td>Getting operations up and running / back to normal</td>
<td>5%</td>
</tr>
<tr>
<td>Lack of clear direction forward</td>
<td>3%</td>
</tr>
<tr>
<td>Increasing costs of energy</td>
<td>3%</td>
</tr>
<tr>
<td>Regulations</td>
<td>2%</td>
</tr>
<tr>
<td>Coronavirus</td>
<td>1%</td>
</tr>
</tbody>
</table>
Workforce issues have hit their highest level yet, while health insurance has dropped dramatically as a business challenge.

Attracting and Retaining a Qualified Workforce

Cost of Health Insurance

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Workforce %</td>
<td>21%</td>
<td>29%</td>
<td>26%</td>
<td>34%</td>
<td>49%</td>
<td>48%</td>
<td>50%</td>
<td>50%</td>
</tr>
<tr>
<td>Health Insurance %</td>
<td>31%</td>
<td>41%</td>
<td>34%</td>
<td>36%</td>
<td>36%</td>
<td>36%</td>
<td>30%</td>
<td>26%</td>
</tr>
</tbody>
</table>

+18% | -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)

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

<table>
<thead>
<tr>
<th>Driver</th>
<th>Sept-Oct 2020</th>
<th>Not Asked</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hiring new employees</td>
<td>50%</td>
<td></td>
</tr>
<tr>
<td>New customers</td>
<td>38%</td>
<td>59%</td>
</tr>
<tr>
<td>Developing company managers &amp; leaders</td>
<td>19%</td>
<td>19%</td>
</tr>
<tr>
<td>Maximizing productivity</td>
<td>18%</td>
<td>18%</td>
</tr>
<tr>
<td>New products</td>
<td>18%</td>
<td>18%</td>
</tr>
<tr>
<td>Implementing and using automation</td>
<td>18%</td>
<td>18%</td>
</tr>
<tr>
<td>Better strategic planning &amp; implementation</td>
<td>14%</td>
<td>14%</td>
</tr>
<tr>
<td>Getting raw materials</td>
<td>1%</td>
<td>1%</td>
</tr>
<tr>
<td>Government regulations</td>
<td>1%</td>
<td>1%</td>
</tr>
<tr>
<td>Economy/Economic concerns</td>
<td>0%</td>
<td>1%</td>
</tr>
</tbody>
</table>
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?”

- Yes: 62%
- No: 38%

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

- Very Difficult: 55%
- Somewhat Difficult: 32%
- Not Too Difficult: 7%
- Not Difficult At All: 4%

87% Difficult
Larger manufacturers are looking for workers and having a hard time doing so.

<table>
<thead>
<tr>
<th>% Hiring &amp; % Difficult Attracting Qualified Candidates</th>
</tr>
</thead>
<tbody>
<tr>
<td>% Hiring</td>
</tr>
<tr>
<td>-----------</td>
</tr>
<tr>
<td>Metro companies</td>
</tr>
<tr>
<td>Greater Minnesota companies</td>
</tr>
<tr>
<td>Less than $1 million in revenue</td>
</tr>
<tr>
<td>$1-5 million in revenue</td>
</tr>
<tr>
<td>Over $5 million in revenue</td>
</tr>
<tr>
<td>50 or fewer employees</td>
</tr>
<tr>
<td>Over 50 employees</td>
</tr>
</tbody>
</table>

% 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?”

- Great work environment: 69%
- Competitive salary: 61%
- Work-life balance: 58%
- Values employee safety: 57%
- Flexible shifts: 47%
- Career growth: 45%
- Great benefits: 45%
- Industry leader: 42%
Work environment is equally important across types of manufacturers.

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

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

<table>
<thead>
<tr>
<th>Concern</th>
<th>% Concern</th>
</tr>
</thead>
<tbody>
<tr>
<td>Supply chain</td>
<td>79%</td>
</tr>
<tr>
<td>Attracting qualified workers</td>
<td>71%</td>
</tr>
<tr>
<td>The costs of health care coverage</td>
<td>62%</td>
</tr>
<tr>
<td>Retaining qualified workers</td>
<td>61%</td>
</tr>
<tr>
<td>Costs of employee salaries and benefits</td>
<td>39%</td>
</tr>
<tr>
<td>Economic and global uncertainty</td>
<td>43%</td>
</tr>
<tr>
<td>Federal gov’t programs from pandemic</td>
<td>35%</td>
</tr>
<tr>
<td>State gov’t programs from pandemic</td>
<td>33%</td>
</tr>
<tr>
<td>Developing future leaders</td>
<td>38%</td>
</tr>
<tr>
<td>Cybersecurity</td>
<td>47%</td>
</tr>
<tr>
<td>Getting your products to market</td>
<td>16%</td>
</tr>
</tbody>
</table>

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?”

- **2017**: 50% Yes, 48% No, 2% Don't Know
- **2020**: 49% Yes, 45% No, 6% Don't Know
- **Sept-Oct 2021**: 43% Yes, 50% No, 6% Don't Know
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?”
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.
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 (!).
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 enterprisemnnesota.org

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- Employment and Economic Development
- Olsen Thielen
- Production Workforce Professionals
- Widseth Architects Engineers
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