

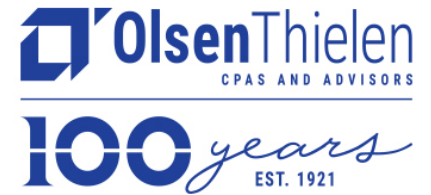
Welcome to

The State[®] of Manufacturing



The State of Manufacturing®

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Methodology

- On behalf of Enterprise Minnesota, Meeting Street Insights is pleased to present the key findings from the 14th annual survey of manufacturing executives in Minnesota.
- The survey was conducted August 16 through September 20, 2022, 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 based in Charleston, SC, and has been the lead researcher for all 14 surveys.



We also did an oversample to attain 50 interviews with manufacturers in each of the six Minnesota Initiative Foundations regions.

Northwest Minnesota Foundation

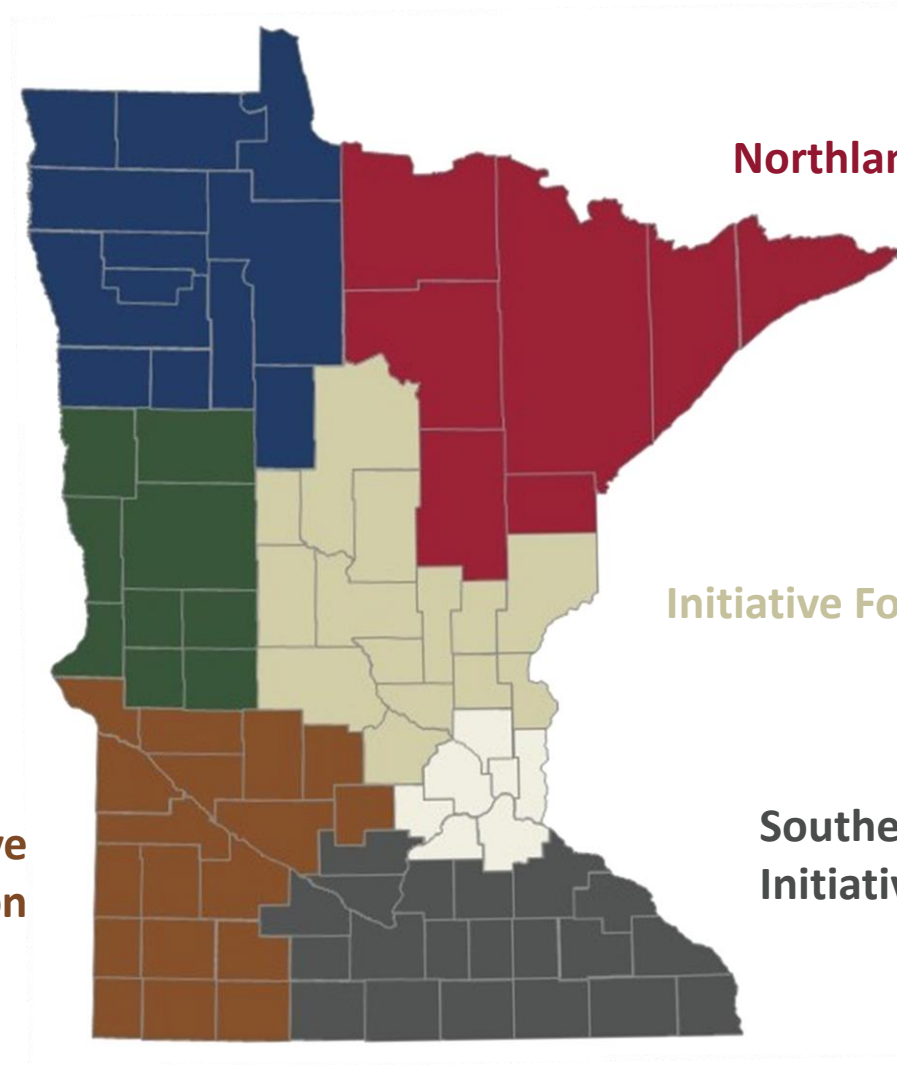
West Central Initiative

Southwest Initiative Foundation

Northland Foundation

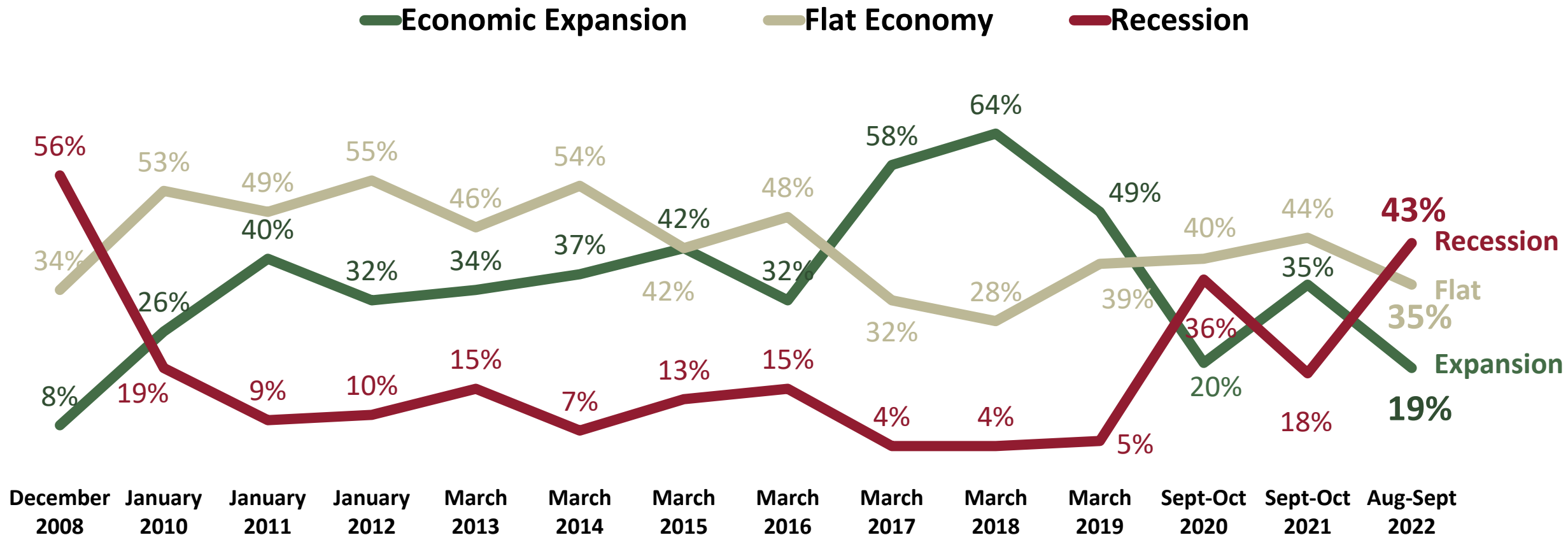
Initiative Foundation

Southern Minnesota Initiative Foundation



Recessionary fears are on the rise.

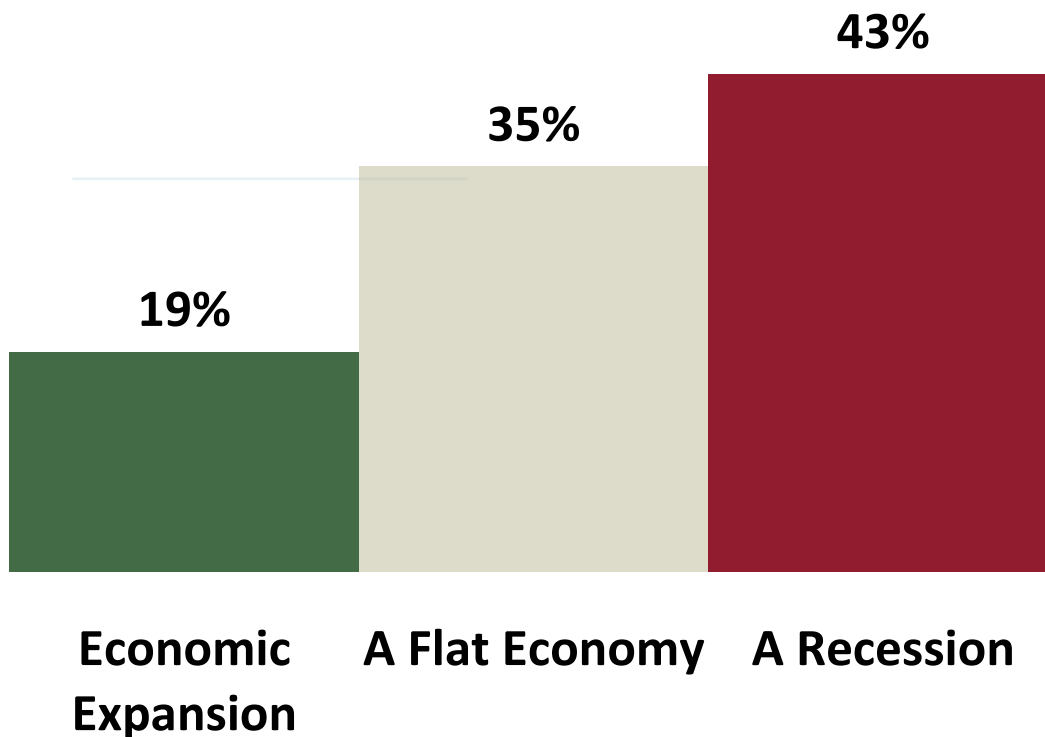
“As you think about 2022 as a whole, do you think this year will be one of economic expansion, a flat economy, or a recession?”



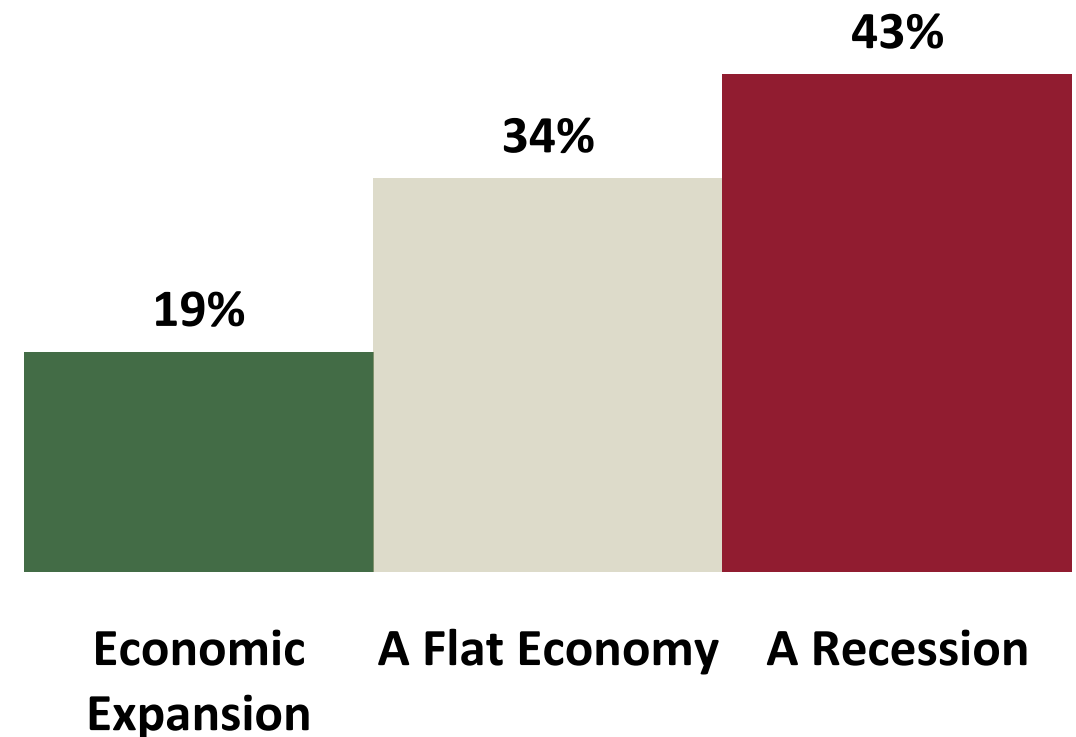


Manufacturers aren't too optimistic about 2023 either.

“As you think about 2022 as a whole, do you think this year will be one of economic expansion, a flat economy, or a recession?”

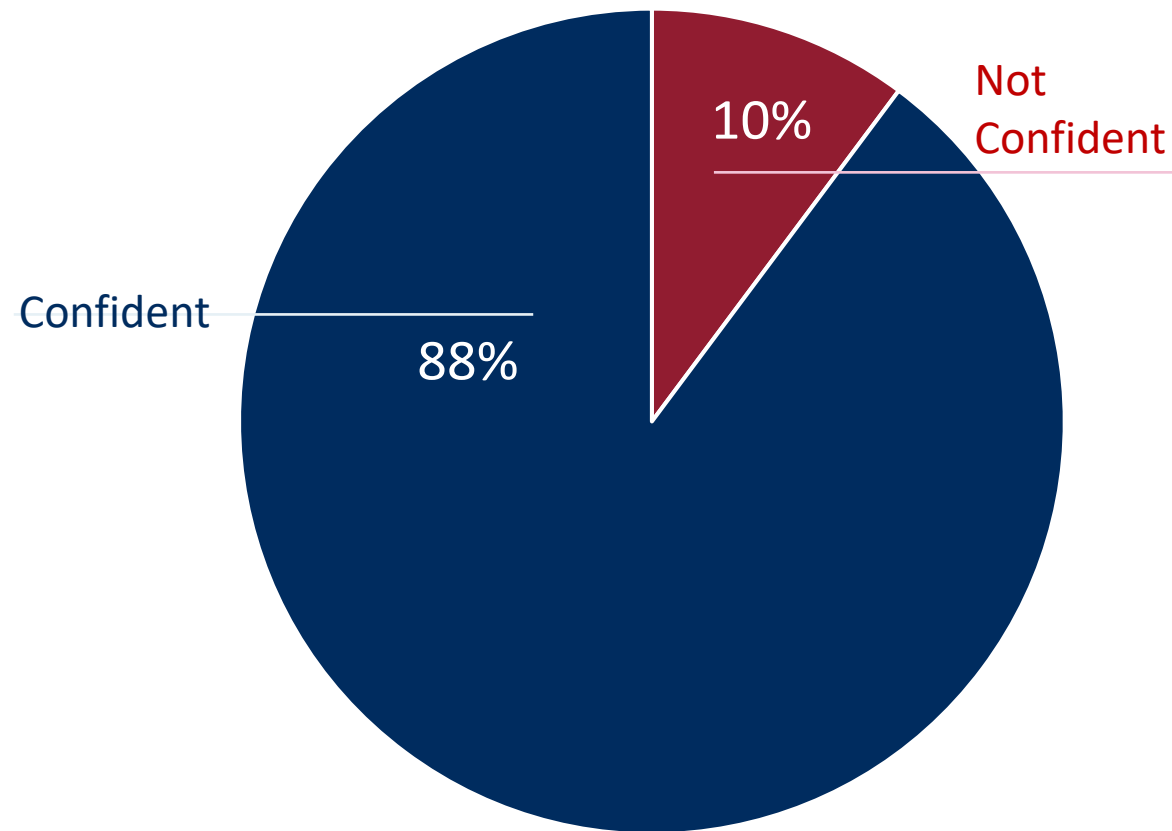


“If you had to make a projection about the year 2023, do you think 2023 as a whole will be a time of economic expansion, a flat economy, or a recession?”

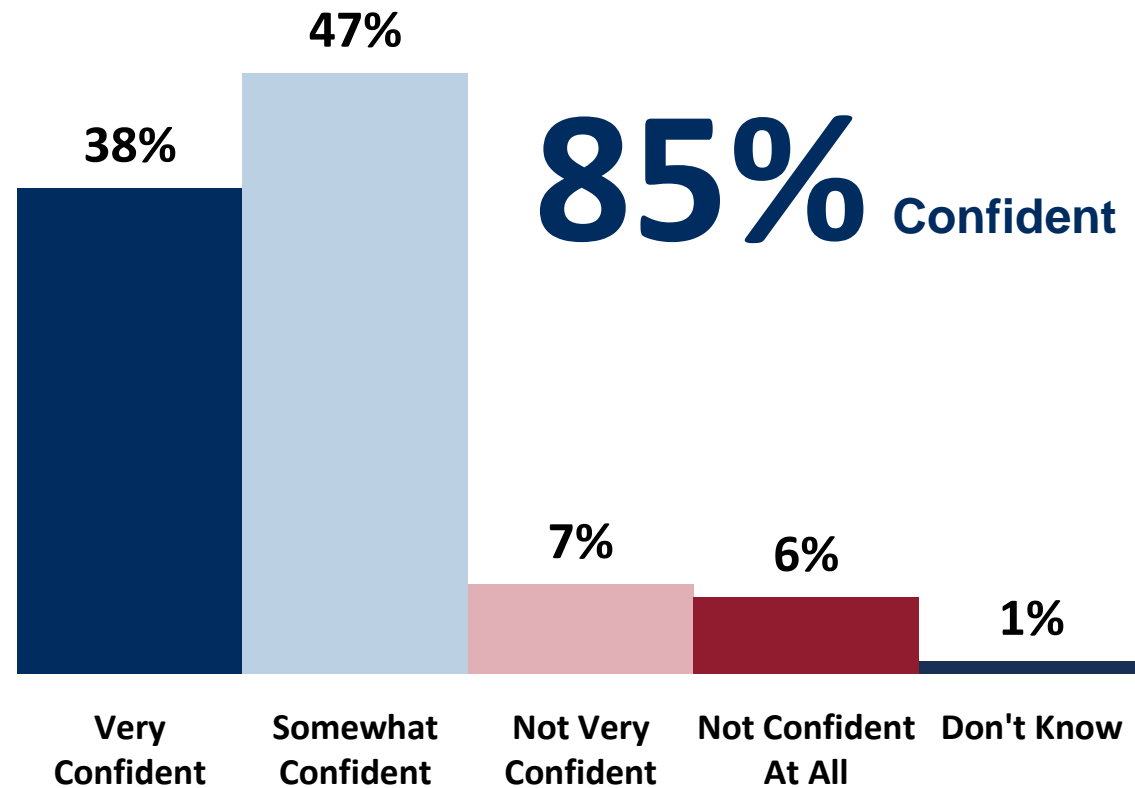


Most manufacturers feel confident in their ability to withstand a recession, even those who expect one.

"How confident are you that your company could withstand an economic recession in the next year?"



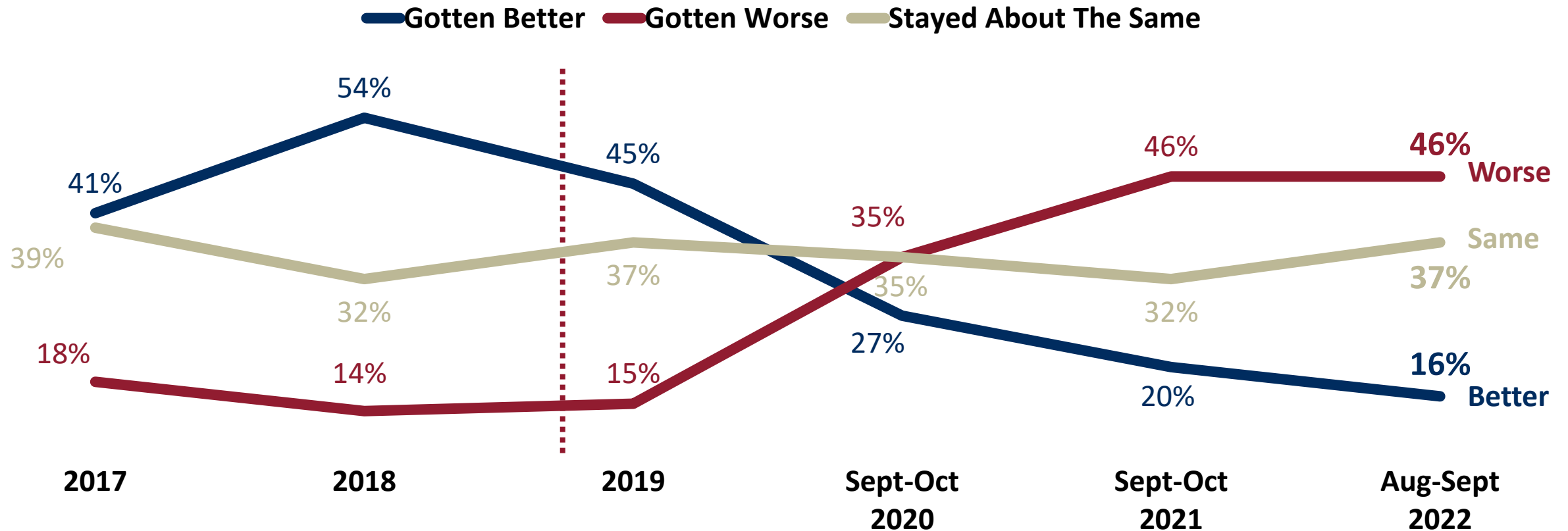
Among those who expect a recession in 2023





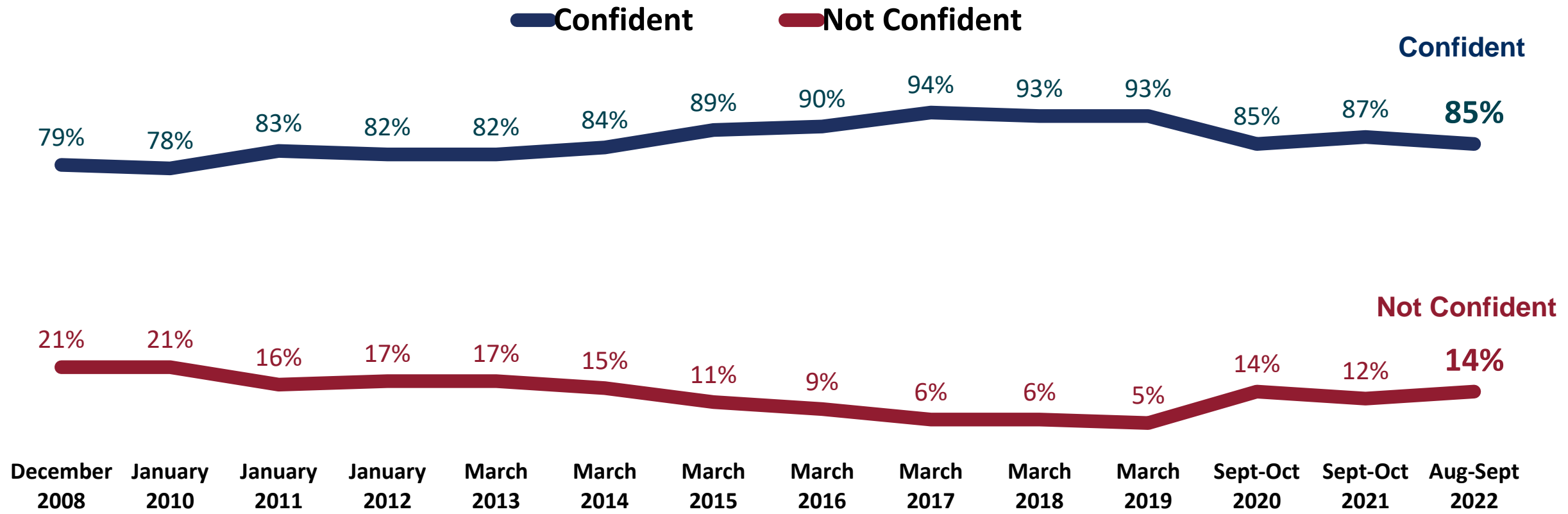
The percentage of manufacturers who think the business climate has gotten worse is unchanged since last year.

“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?”



While most manufacturers are still confident about the future, the levels are not back to the high we saw before the pandemic.

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





Confidence remains lowest among smaller manufacturers.

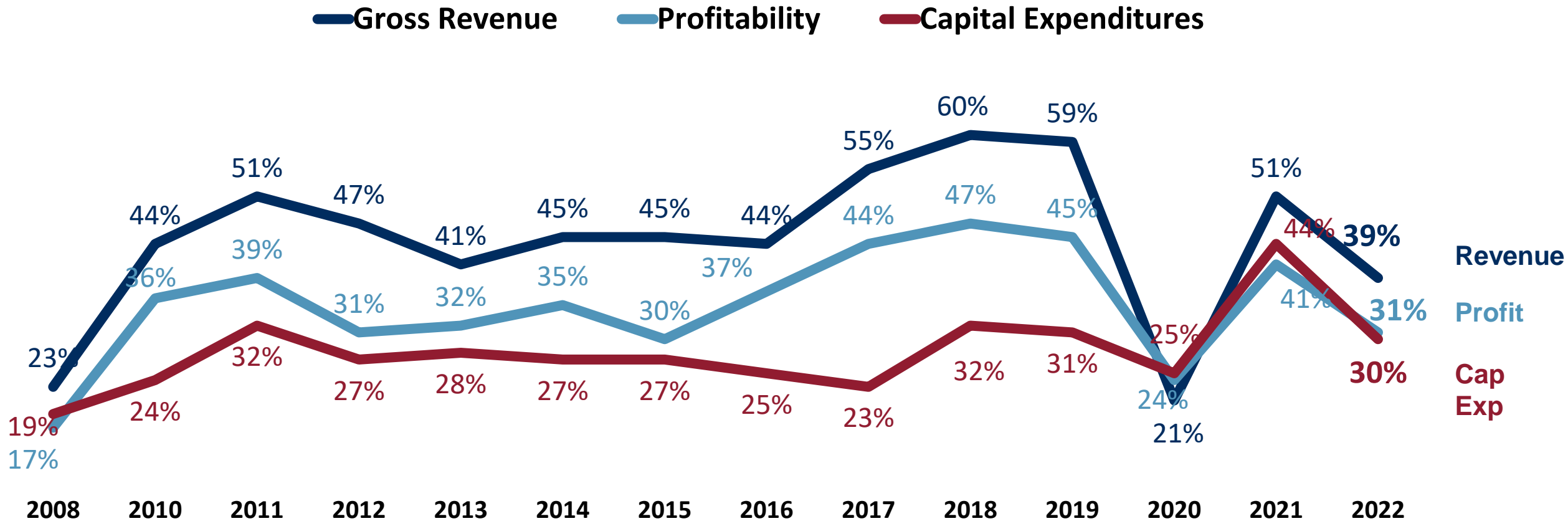
% Confident In Company's Future

	2019	Sept-Oct 2020	Sept-Oct 2021	Aug-Sept 2022
Metro Companies	93%	87%	89%	85%
Greater Minnesota Companies	93%	82%	85%	83%
Less than \$1 million in revenue	93%	78%	81%	75%
\$1-5 million in revenue	91%	88%	87%	89%
Over \$5 million in revenue	95%	90%	95%	96%
50 or fewer employees	93%	83%	84%	83%
Over 50 employees	94%	89%	97%	92%



Manufacturers are also more pessimistic about these key business metrics.

Percent of Manufacturers Expecting Increases in 2022 for...





Inflation and finding workers top the list of concerns.

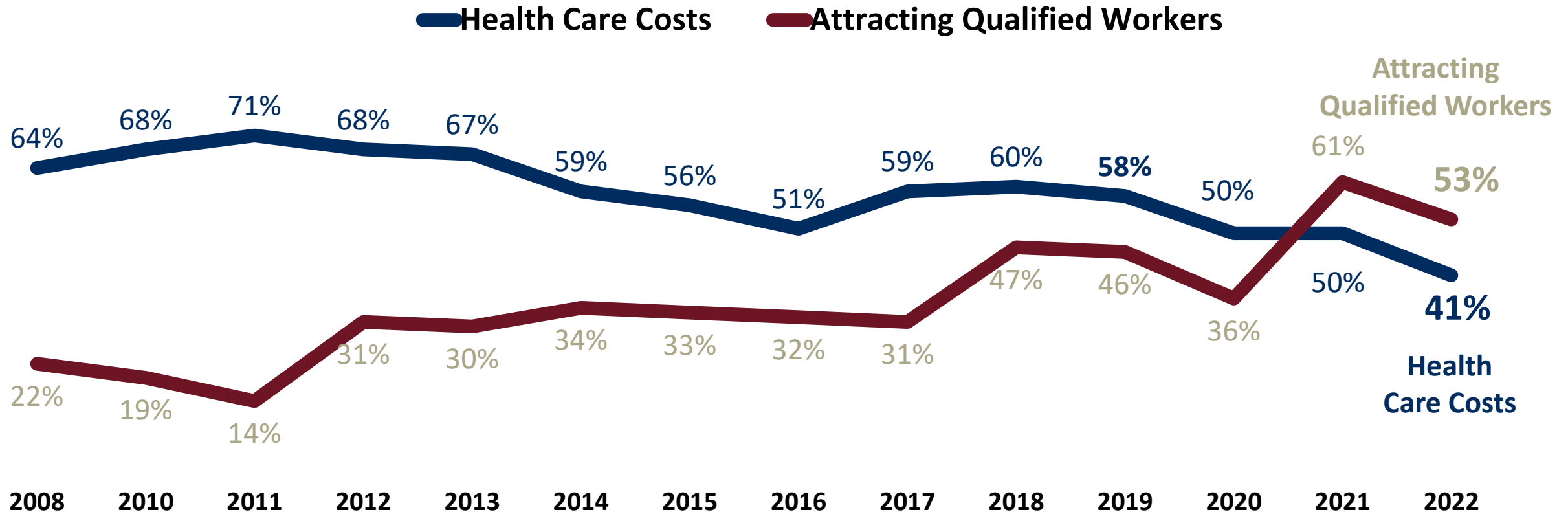
Concerns Ranked by % Concern (8-10) (Highlighted issues have changed 10%+ since 2021)

		Changed Since 2021
Overall Inflation	55%	Not Asked
Attracting qualified workers	53%	-8%
Incoming and outgoing supply chain issues	48%	-19%
Retaining qualified workers	43%	-6%
The costs of health care coverage	41%	-9%
Costs of Employee Salaries and Benefits	41%	-5%
Recession	41%	Not Asked
Developing Future Leaders	28%	-2%
Lack of Automation	5%	Not Asked



Health care costs concerns are on a downward trend, while concern in attracting workers remains high.

Concerns ranked by % concern (8-10)





Inflation is a big concern outside the metro area.

Northwest Minnesota Foundation

Overall Inflation (72%)

Recession (63%)
Economic & Global Uncertainty (59%)
Costs of Health Care (56%)
Attracting Workers (53%)

West Central Initiative

Overall Inflation (65%)

Attracting Workers (56%)
Costs of Health Care (53%)
Retaining Workers (53%)
Costs of Salaries (53%)

Southwest Initiative Foundation

Overall Inflation (58%)

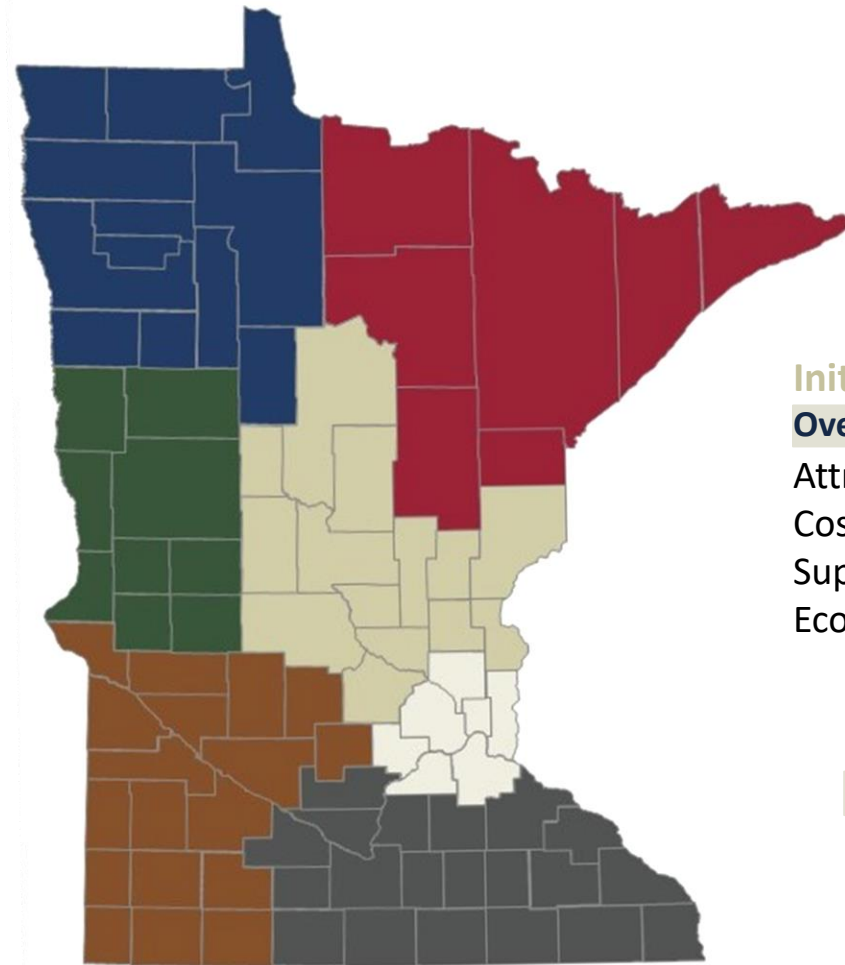
Costs of Health Care (58%)
Supply Chain Issues (54%)
Recession (50%)
Costs of Salaries (50%)

Twin Cities

Overall Inflation (56%)

Attracting Workers (54%)
Supply Chain Issues (50%)
Retaining Workers (41%)
Costs of Salaries & Recession (40%)

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



Northland Foundation

Overall Inflation (52%)

Supply Chain Issues (48%)
Retaining Workers (45%)
Attracting Workers (45%)
Recession/Economic & Global Uncertainty (42%)

Initiative Foundation

Overall Inflation (63%)

Attracting Workers (59%)
Costs of Health Care (55%)
Supply Chain Issues (53%)
Economic & Global Uncertainty (48%)

Southern Minnesota Initiative Foundation

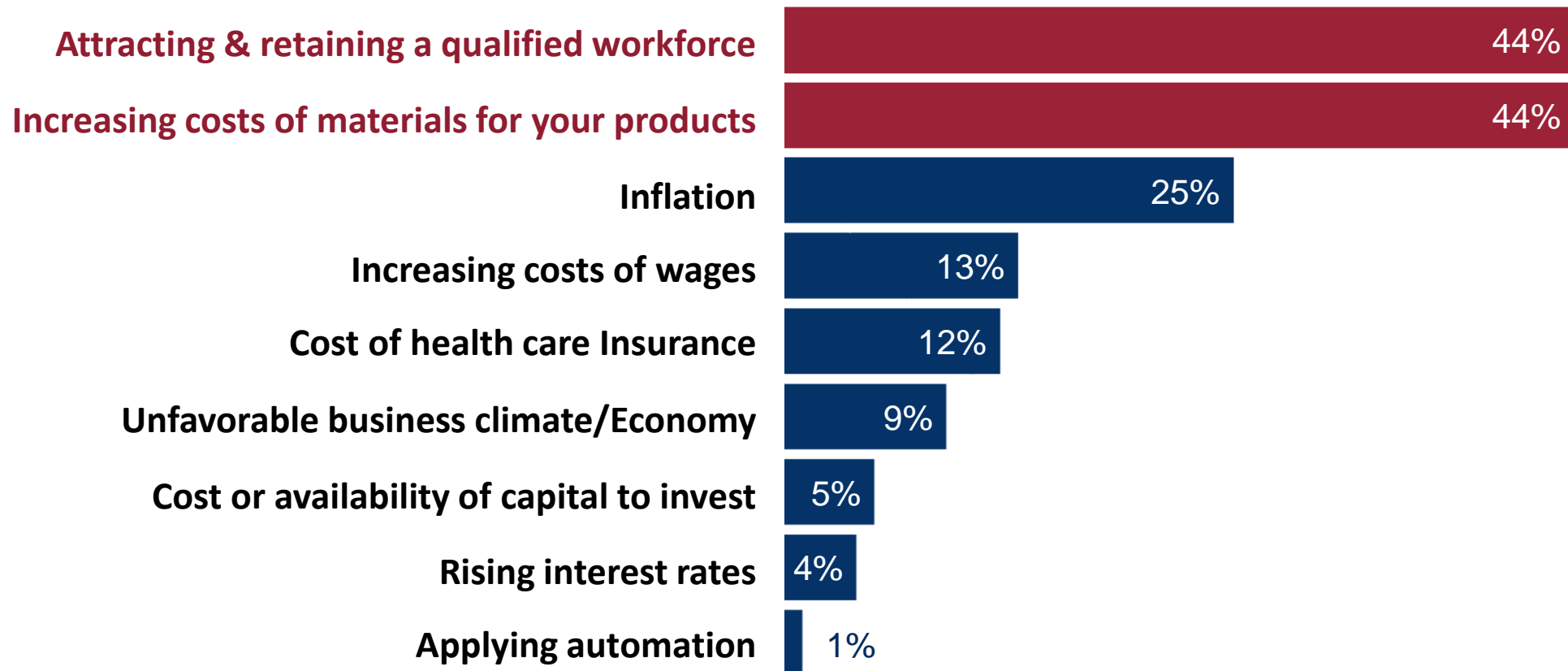
Supply Chain Issues (46%)

Overall Inflation (44%)
Attracting Workers (44%)
Costs of Salaries (44%)
Retaining Workers (42%)



Workforce and cost increases are also seen as the biggest challenges to growth.

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





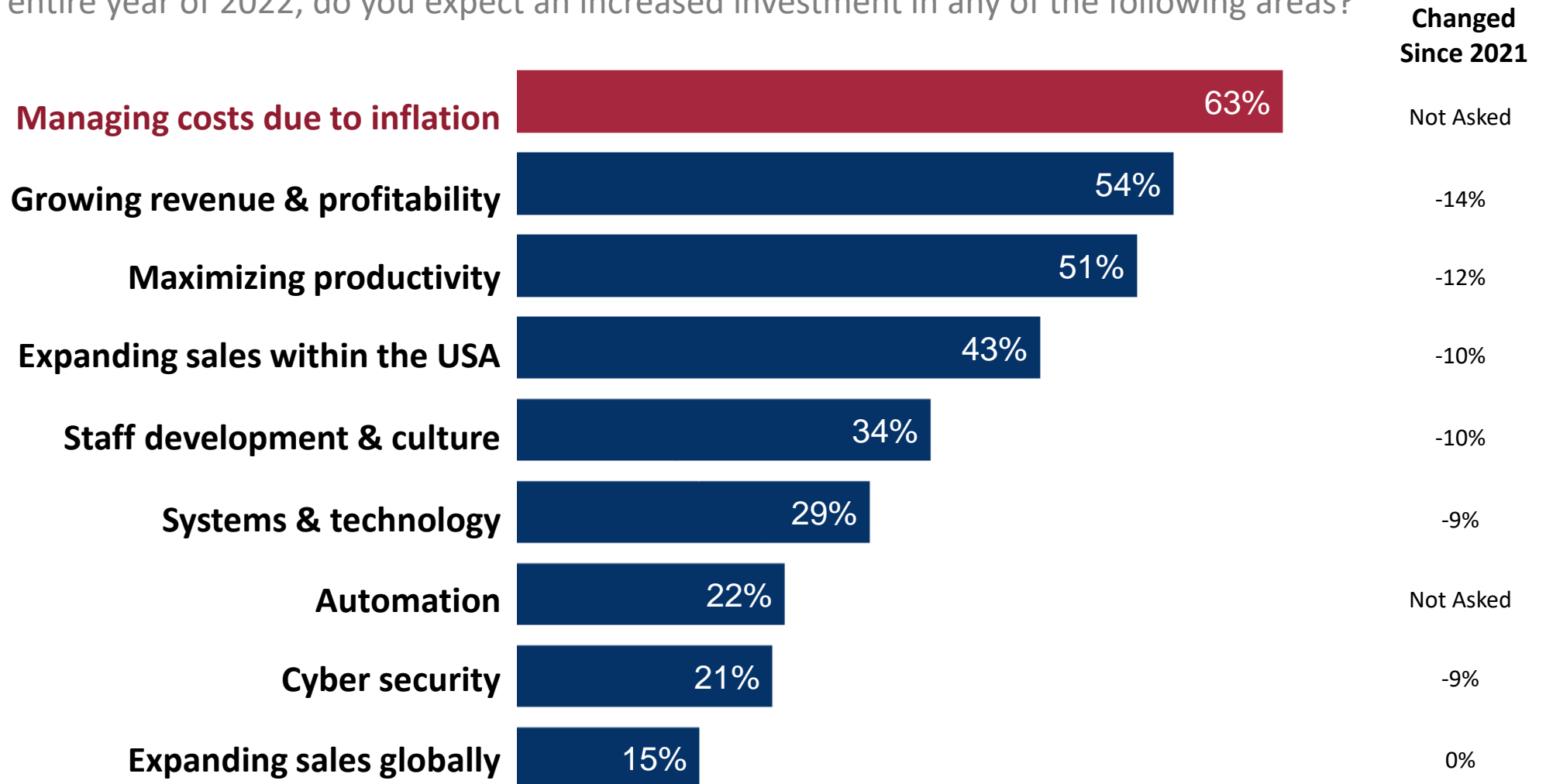
Lower revenue manufacturers are concerned about increasing costs.

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

	Less than \$1 Million Revenue	Between \$1-\$5 Million Revenue	Over \$5 Million Revenue
Attracting and retaining a qualified workforce	33%	43%	69%
Increasing costs of materials for your products	50%	46%	31%
Inflation	27%	24%	23%
Increasing costs of wages	6%	18%	18%
Cost of health care insurance	15%	18%	3%
Unfavorable business climate	10%	9%	10%
Cost or availability of capital to invest	6%	5%	3%
Rising interest rates	4%	5%	4%
Applying automation	0%	2%	2%

Increases in investment will go towards managing costs.

“For the entire year of 2022, do you expect an increased investment in any of the following areas?”





Higher revenue companies are making more investments in these areas.

Increased Investment by Key Groups (50%+ Items Highlighted)

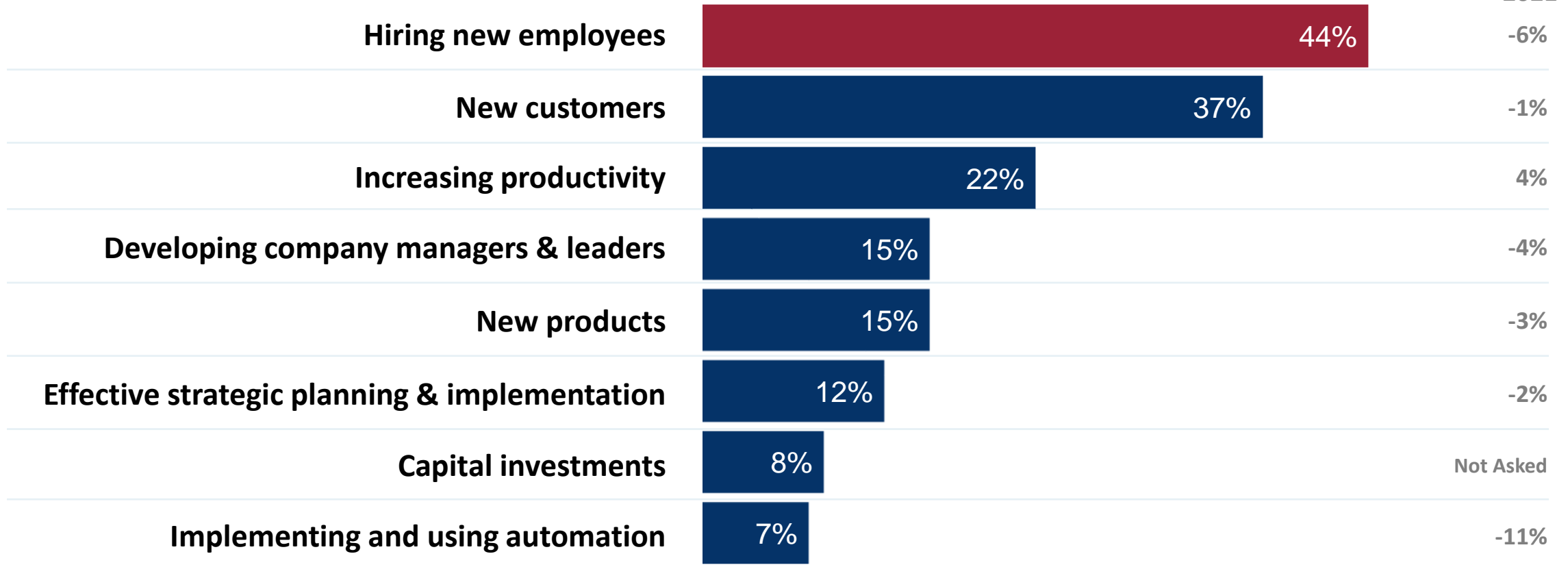
	Less than \$1 Million Revenue	Between \$1-\$5 Million Revenue	Over \$5 Million Revenue
Managing costs due to inflation	62%	65%	68%
Growing revenue & profitability	48%	55%	64%
Maximizing productivity	42%	57%	62%
Expanding sales within the USA	35%	42%	50%
Staff development & culture	21%	36%	59%
Systems & technology	19%	30%	43%
Automation	10%	28%	34%
Cyber security	12%	17%	37%
Expanding sales globally	12%	14%	24%



Finding new workers is still the most important driver of future growth.

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

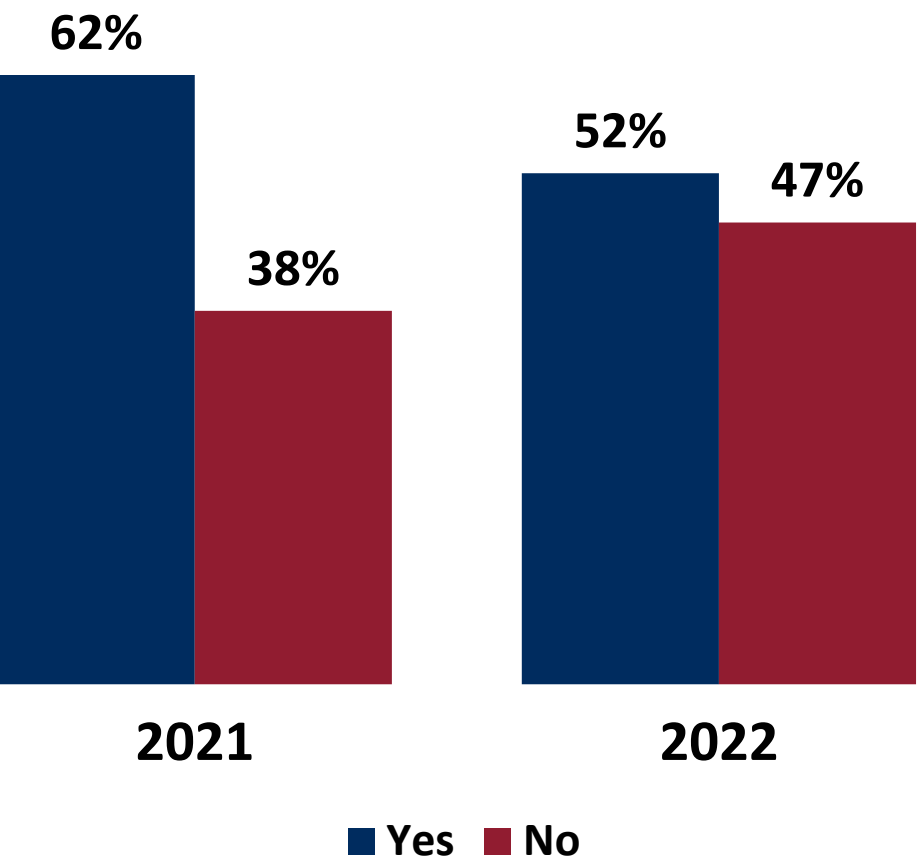
Sept-Oct
2021



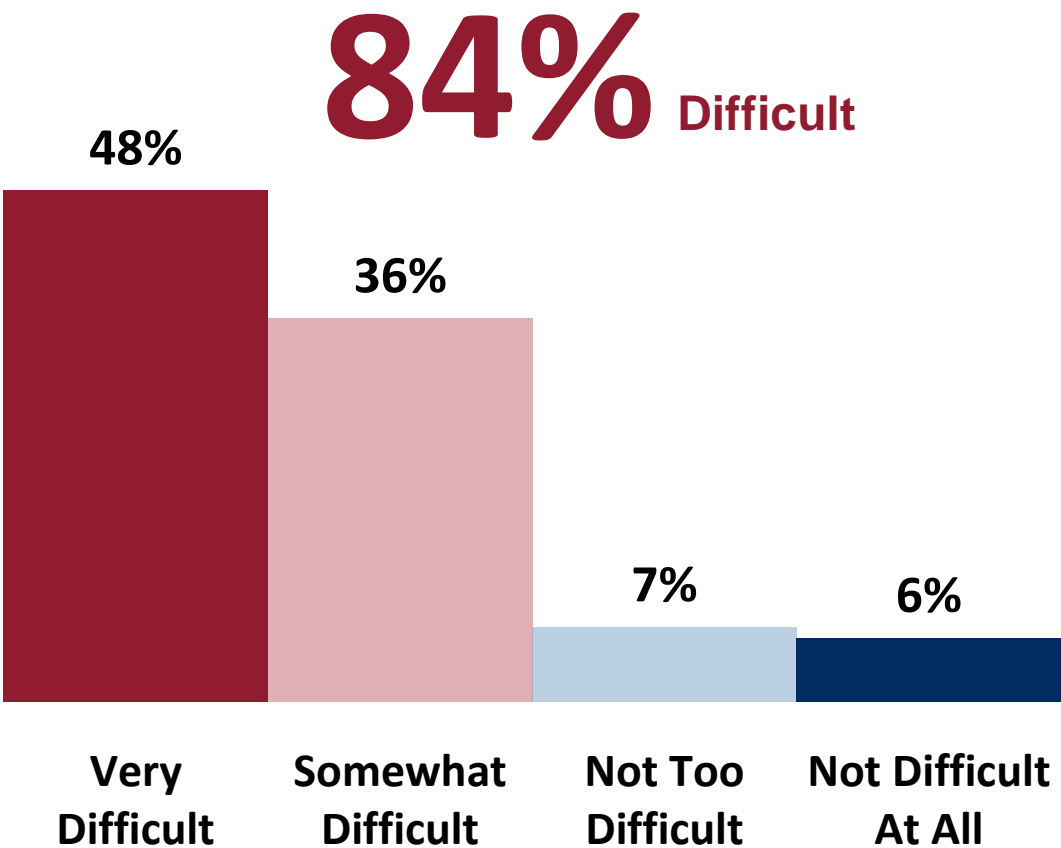


Most are looking to hire and having a very difficult time finding candidates.

“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	50%	84%
Greater Minnesota Companies	54%	85%
Less than \$1 million in revenue	31%	79%
\$1-5 million in revenue	48%	92%
Over \$5 million in revenue	91%	91%
50 or fewer employees	44%	85%
Over 50 employees	89%	85%

% who are
hiring AND find
it difficult:

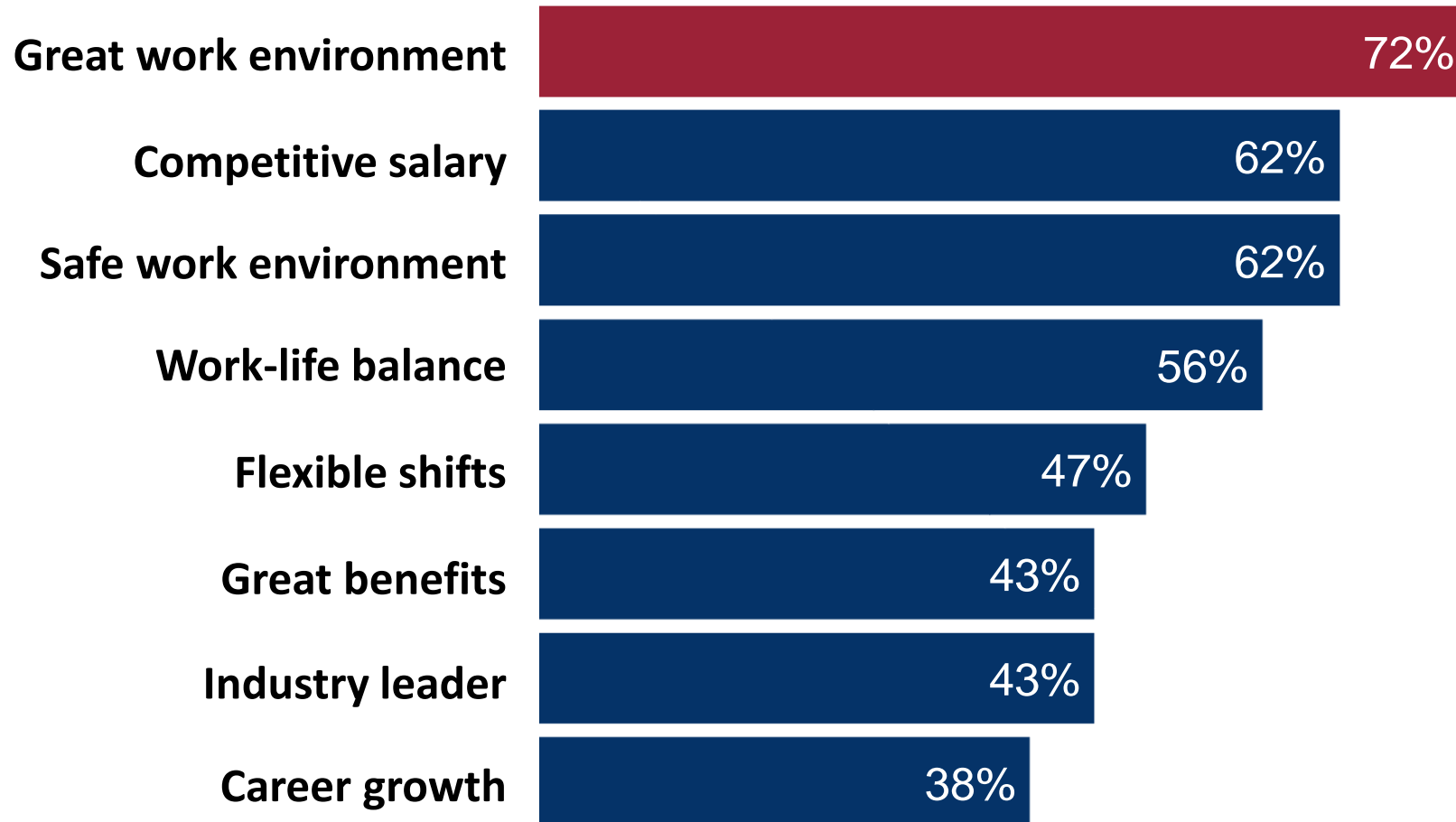
→ **42%**

→ **81%**



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 environments have increased in importance this year.

What your company wants to be known for by key groups

	2021	2022
Great work environment	69%	72%
Safe work environment	57%	62%
Competitive salary	61%	62%
Work-life balance	58%	56%
Flexible shifts	47%	47%
Great benefits	45%	43%
Industry leader	42%	43%
Career growth	45%	38%



Work environment is equally important across types of manufacturers.

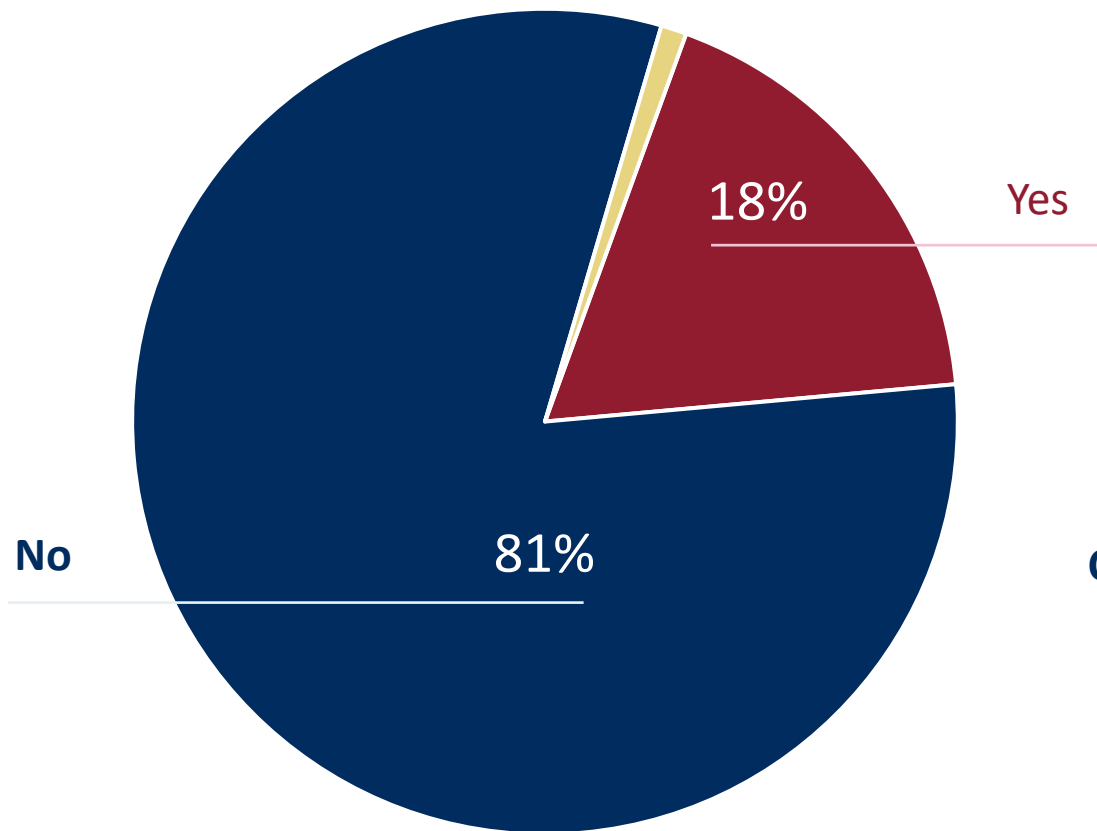
What your company wants to be known for by key groups

	50 or Fewer Employees	Over 50 Employees
Great work environment	71%	76%
Safe work environment	59%	78%
Competitive salary	58%	76%
Work-life balance	54%	67%
Flexible shifts	45%	53%
Great benefits	39%	66%
Industry leader	39%	60%
Career growth	36%	51%

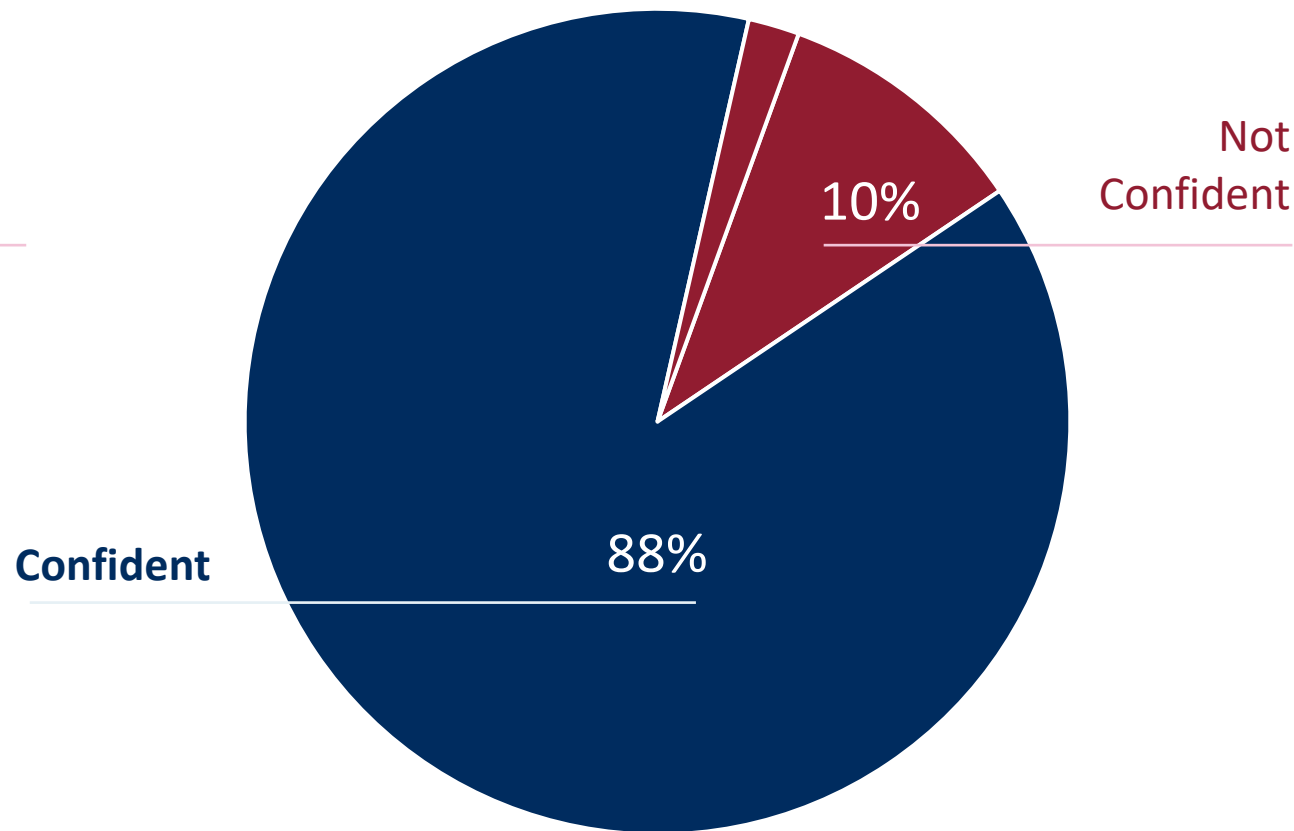


Eight in ten companies have not experienced a data breach and a similar percentage are confident that they are secure from such breaches.

“On a different topic, has your company, or a company you work or have a relationship with, 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?”





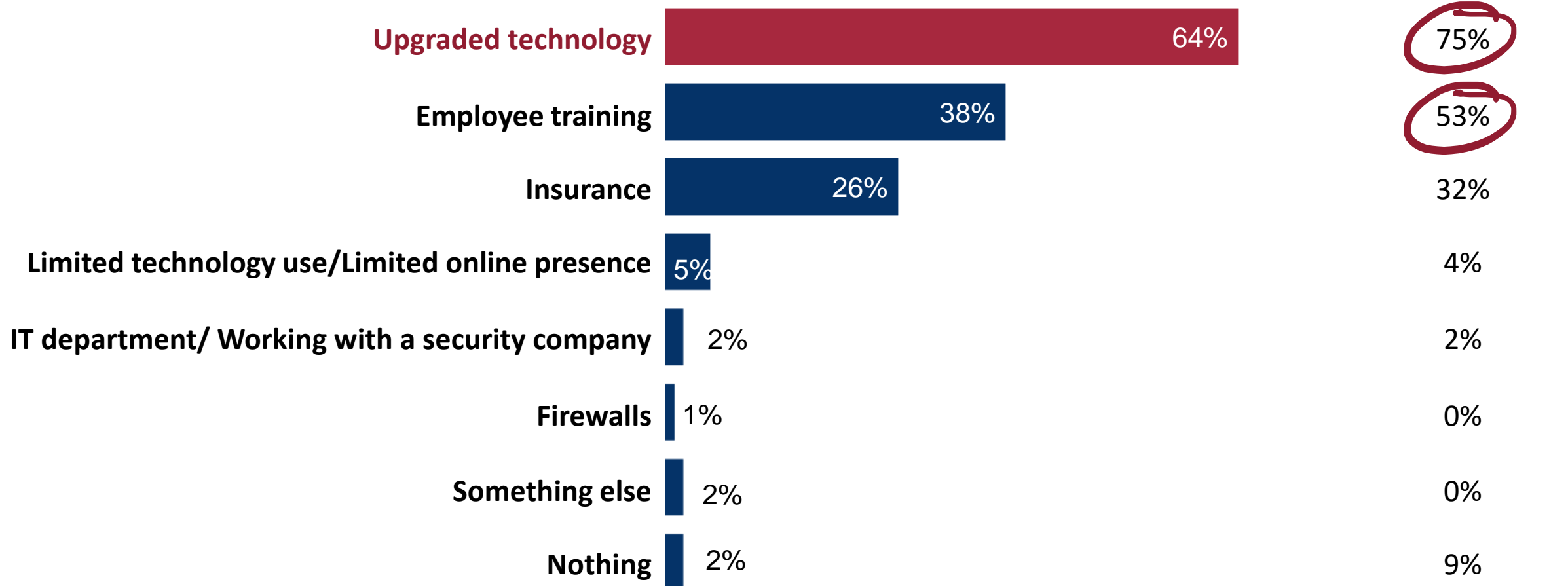
Larger companies are more likely to say they have experienced a breach.

Data breach by key groups

	Less than \$1 Million Revenue	Between \$1-\$5 Million Revenue	Over \$5 Million Revenue
Yes	9%	18%	29%
No	90%	78%	71%
Confident	79%	93%	94%
Not Confident	18%	7%	6%

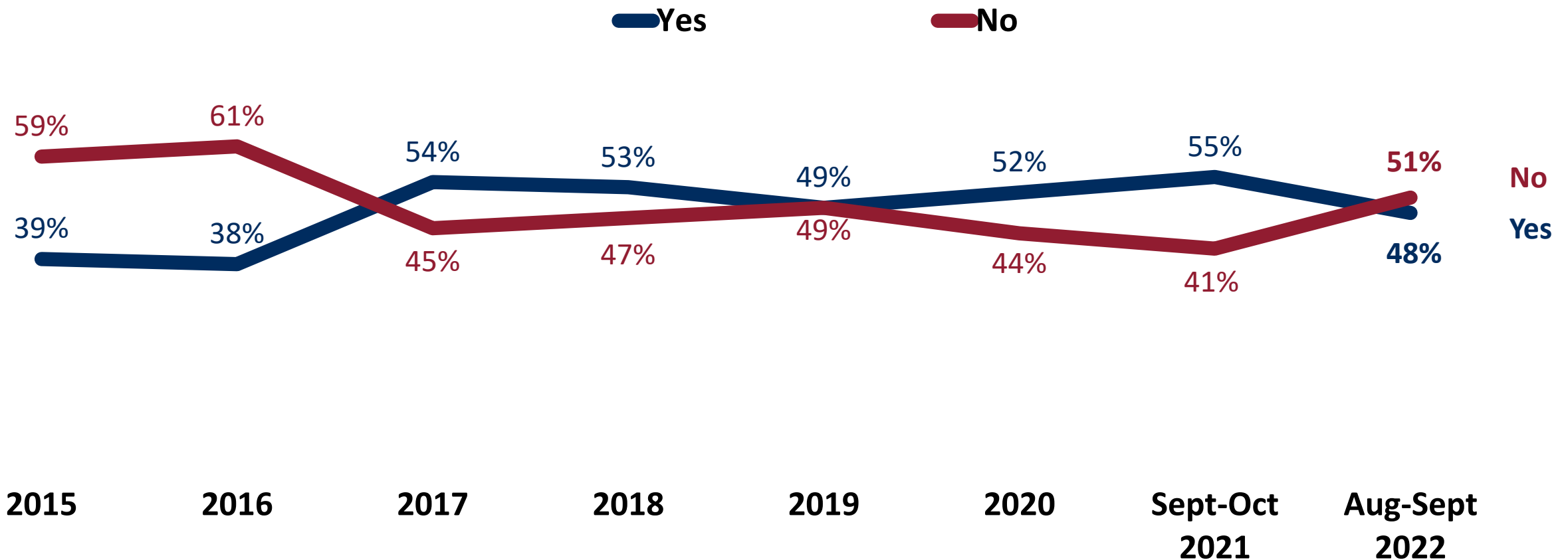
Companies are planning for protection against hacking, particularly those who have been hacked.

“What has your company done or what do you plan to do for protection from hacking, data breaches, and other technological threats?”



The percentage of manufacturers who have a formal strategic plan is down to its lowest level since 2016.

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





Most smaller manufacturers say they don't have a formal strategic plan.

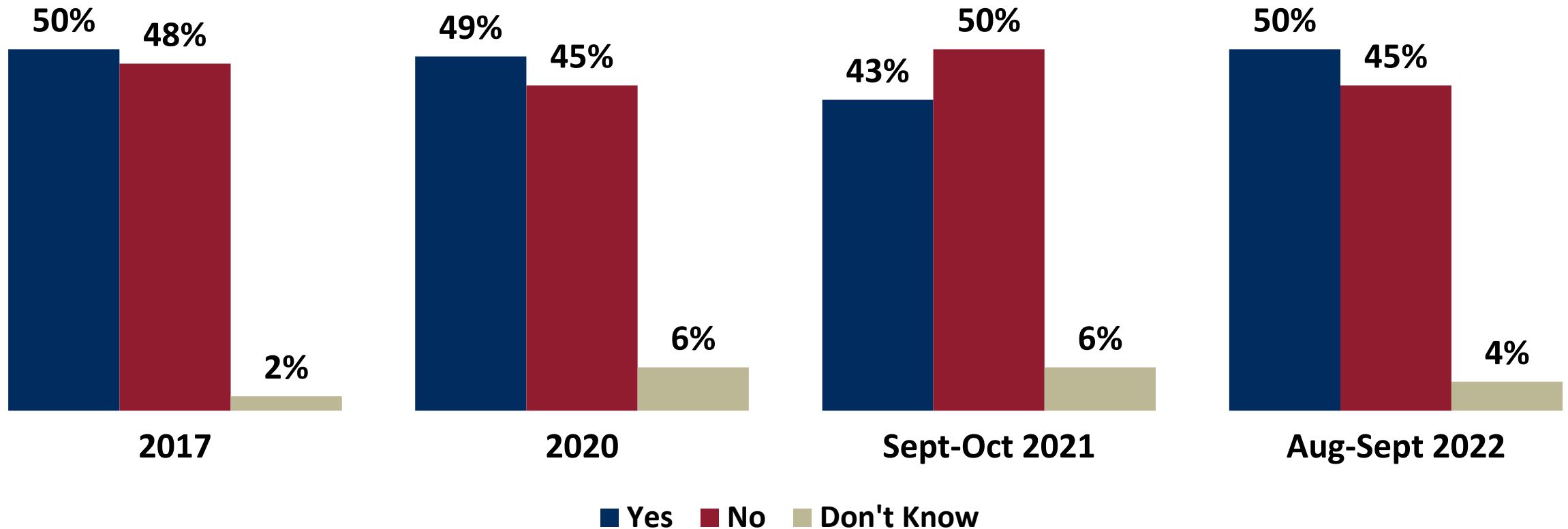
Formal strategic plan by key groups

	Less than \$1 Million Revenue	Between \$1-\$5 Million Revenue	Over \$5 Million Revenue	50 or Fewer Employees	Over 50 Employees
Yes	26%	50%	75%	42%	76%
No	74%	49%	25%	57%	24%



Half of manufacturers say they have a succession plan.

“On a different topic, does your company's senior leadership have a succession plan?”





Smaller manufacturers are also less likely to have a succession plan.

Succession plan by key groups

	Less than \$1 Million Revenue	Between \$1-\$5 Million Revenue	Over \$5 Million Revenue	50 or Fewer Employees	Over 50 Employees
Yes	31%	50%	70%	47%	64%
No	67%	44%	25%	50%	26%

**The
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The Bottom Line



The Bottom Line

- There are heightened concerns that we're heading toward tougher economic times. The number of manufacturers who fear an upcoming recession has more than doubled over the last year. We also see fewer manufacturers expecting their revenues and profitability to increase this year.



The Bottom Line

- While attracting (and retaining) a quality workforce remains a perennial cloud hanging over manufacturing, inflation has arrived like a severe pop-up storm. Inflation is particularly a big concern among manufacturers outside the Twin Cities. Concerns about supply chain issues have died down from last year's high.



The Bottom Line

- Nearly half of all manufacturers do not have a formal strategic plan and about the same percentage report not having a succession plan. We find the vast majority of smaller manufacturers are more likely not to have either of these plans in place.
- Cybersecurity continues to be a low-level concern for most manufacturers, even though nearly one out of six have experienced a data breach of some kind.

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Panel Discussion



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)



Matt Hanson

President, Hanson Silo Company



- Hanson Silo Company was founded in 1916 and is a fourth-generation family business based in Lake Lillian, MN
- Matt Hanson has been with Hanson Silo Co. for 28 years, becoming president in 2007
- Enterprise Minnesota Peer Council member





Abbey Hellickson

Business Growth Consultant, Enterprise Minnesota



- Joined Enterprise Minnesota in 2016
- Expertise – Talent/Leadership Development, and Peer Council leader
- 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

Jane Meyer

Training Coordinator, Windings, Inc.



- Windings, Inc. is 100% employee-owned and based in New Ulm, MN
- Jane has been with Windings nearly 20 years and has held various leadership positions including supervision and management in Operations and Clean Space
- AS9100D Certified Internal Auditor



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