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Methodology

On behalf of Enterprise Minnesota, Meeting Street Insights is pleased to present the key findings from the 15th annual survey of manufacturing executives in Minnesota.

The survey was conducted August 16 through September 14, 2023, 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 15 surveys.



Minnesota Initiative Foundations

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

**Northwest
Minnesota
Foundation**

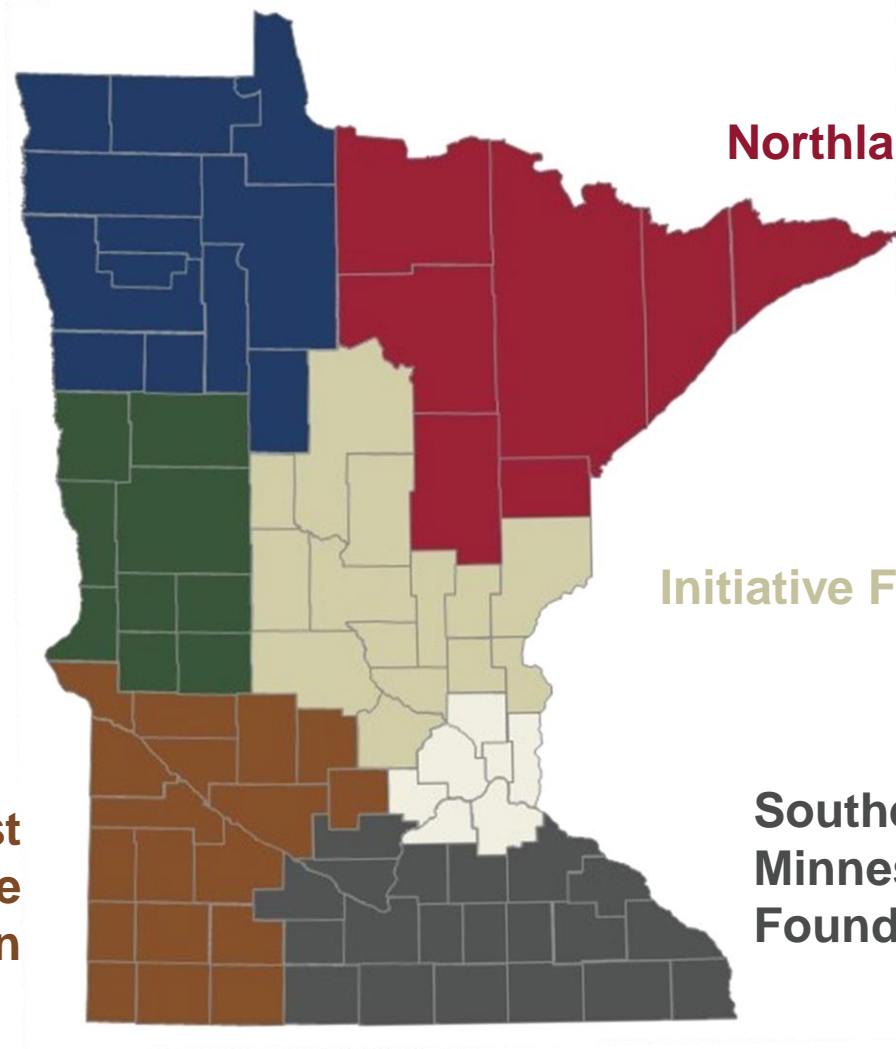
**West Central
Initiative**

**Southwest
Initiative
Foundation**

Northland Foundation

Initiative Foundation

**Southern
Minnesota Initiative
Foundation**





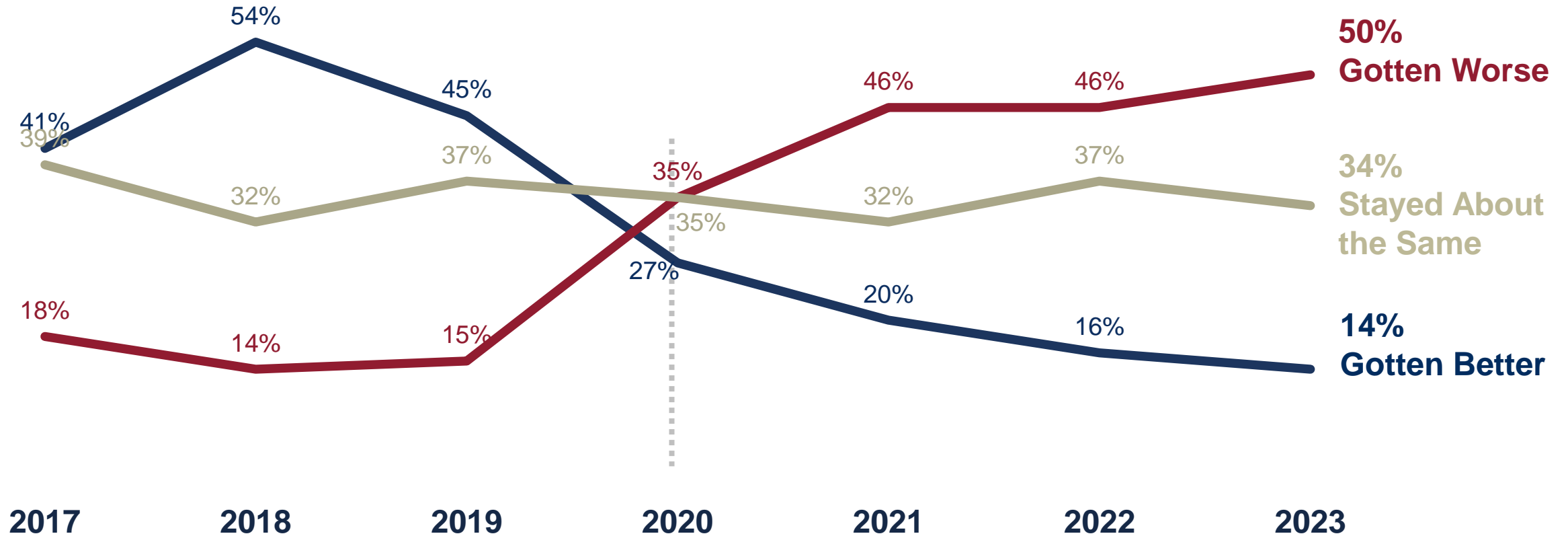
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Key Fall 2023 Findings



The percentage of manufacturers who think the business climate has gotten worse has increased to its highest level yet.

“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?”





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**Concerns with the
MN Legislature's Actions**



Business executives are very concerned about the recent state legislative session, especially the paid leave requirements.

“Thinking about some of these issues, I will read you a few short descriptions of recent developments coming out of the legislative session, and I want to know how concerned you are about this legislation and its effect on your business.”

The lack of small business exemption for paid leave, meaning small businesses will be forced to provide the same benefits as larger corporations

56% Very

77%

The costs associated with funding the new paid family and medical leave program through a new payroll tax, split between employer and employee

47%

72%

The new requirements on an employer for paid sick and safe time

38%

68%

Cannabis in the workplace and limits on being able to regulate it

38%

60%

The new wage theft law that makes property owners and developers responsible for any wage theft by construction subcontractors

20%

44%

The ban on non-competes

15%

35%

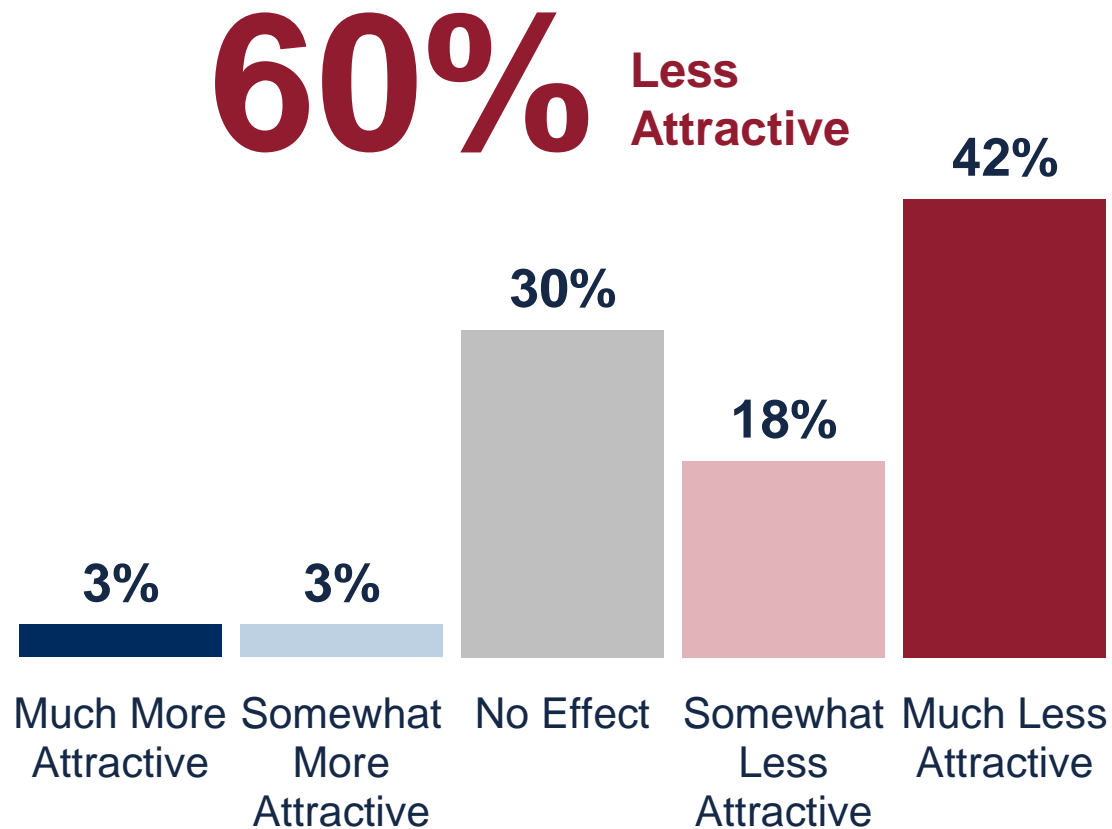
There are solid majorities of manufacturers who are worried about most of this new legislation.

Total Worried by Company Revenue and Size (50%+ Items Highlighted)

	Less than \$1 Million Revenue	Between \$1-\$5 Million Revenue	Over \$5 Million Revenue	50 or Fewer Employees	Over 50 Employees
Lack of small business exemption for paid leave	78%	87%	79%	82%	60%
Costs associated with funding family and medical leave	72%	84%	79%	75%	70%
Paid sick and safe time	68%	80%	68%	72%	60%
Cannabis in the workplace	57%	69%	74%	61%	75%
Wage theft	47%	49%	47%	47%	45%
The ban on non-competes	32%	35%	47%	34%	50%

Most manufacturers think the new legislation has made the state **less attractive** for businesses.

“Do you think these legislative developments have made Minnesota more attractive or less attractive for businesses, or does it have no real effect one way or the other?”



	Total Less Attractive
Metro companies	54%
Greater Minnesota companies	72%
Less than \$1 million in revenue	53%
\$1-5 million in revenue	69%
Over \$5 million in revenue	69%
50 or fewer employees	60%
Over 50 employees	70%

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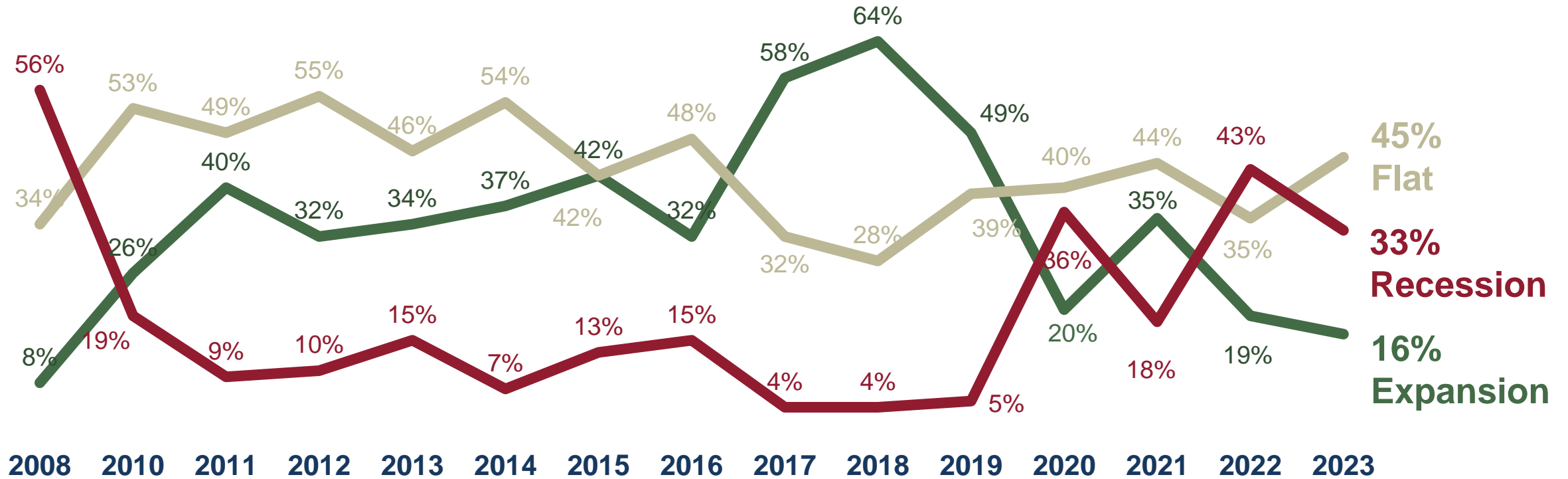


Business Climate/Economy



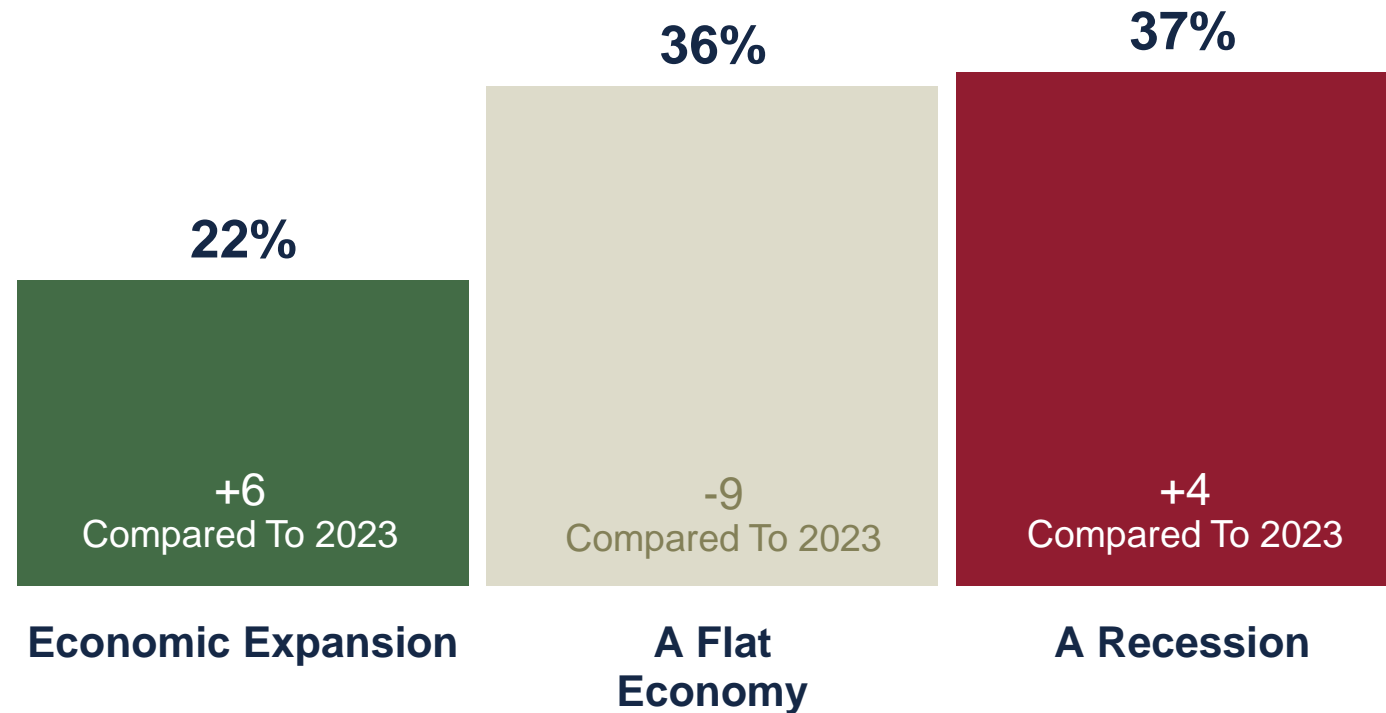
Recessionary fears have eased some, but economic stagnation is rising.

“And, even though we only have a few months left in 2023, as you think about this year, 2023, as a whole, do you think this year will be one of economic expansion, a flat economy, or a recession?”



Manufacturers aren't thinking 2024 is going to be much better.

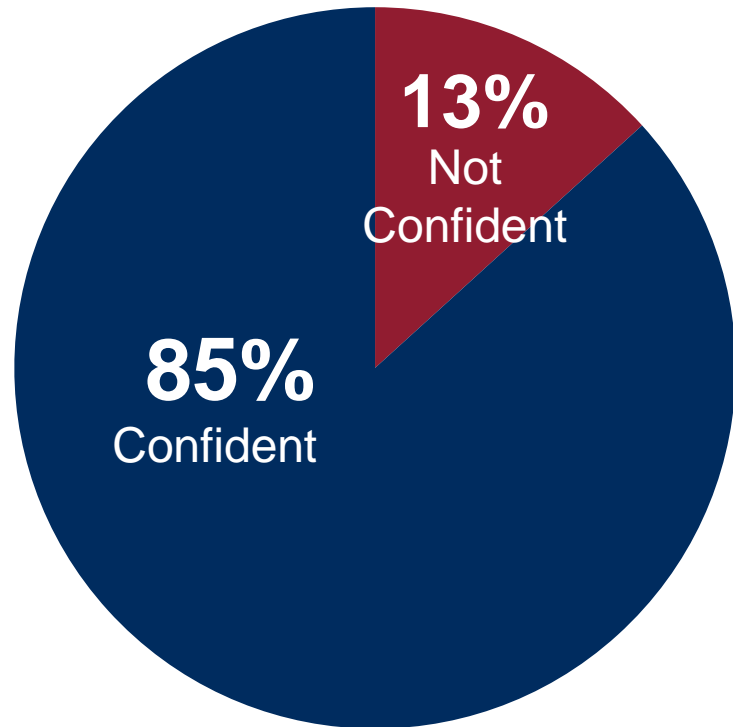
“And, what about **next year**? If you had to make a projection about the year 2024, do you think 2024 as a whole will be a time of economic expansion, a flat economy, or a recession?”



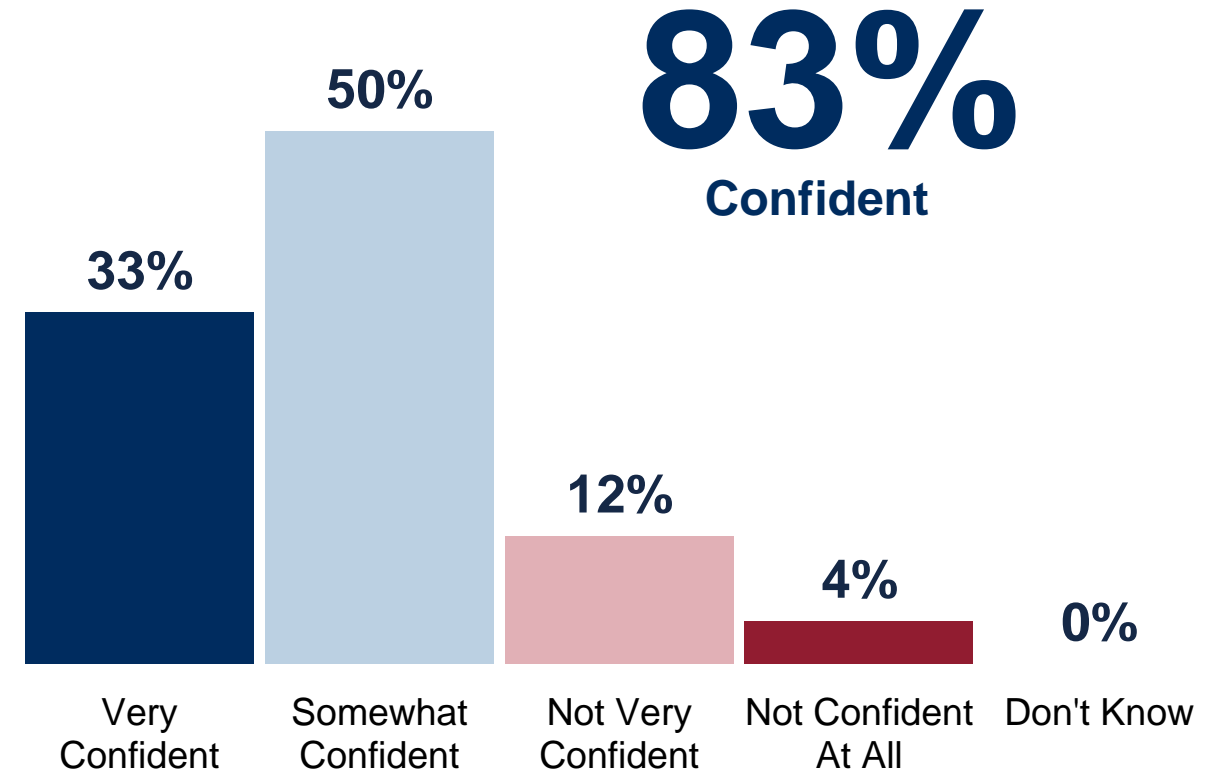


Most manufacturers feel confident in their ability to withstand an economic downturn, even those who expect a recession this year.

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

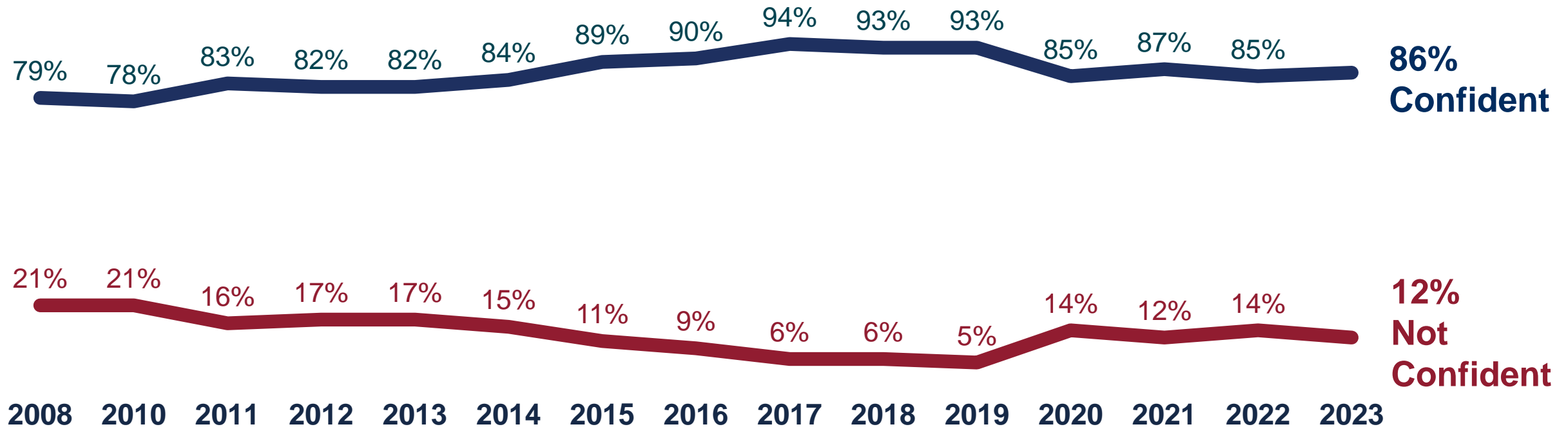


Among Those Who Expect a Recession in 2023



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?”



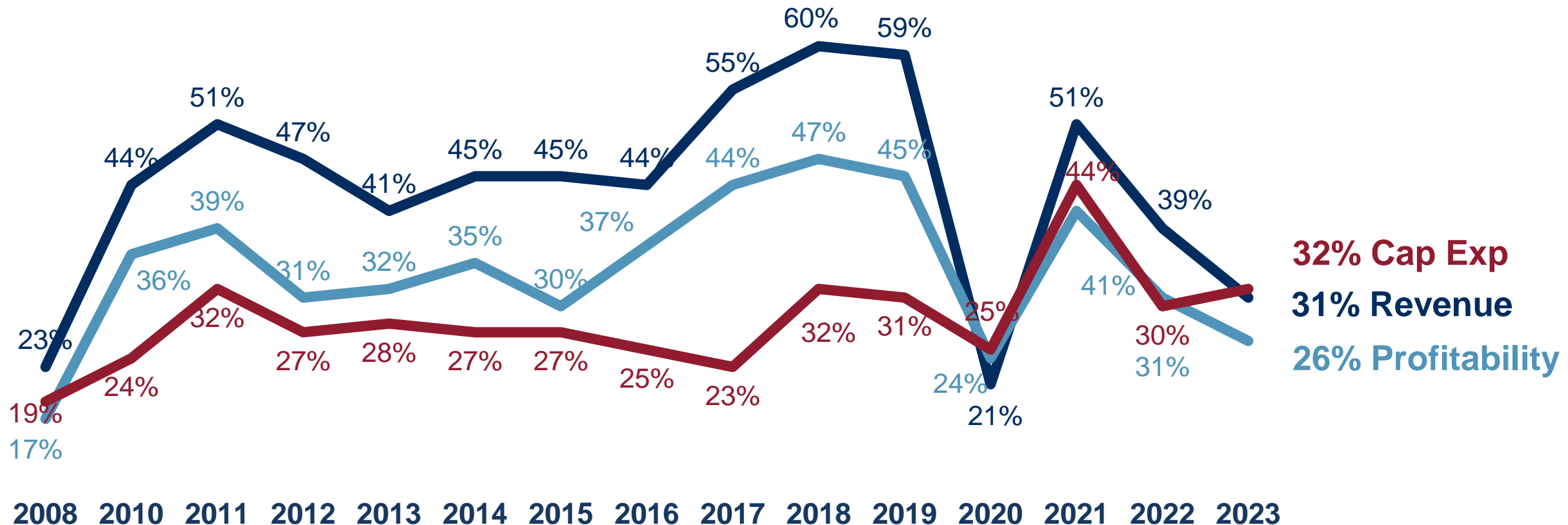
Confidence remains lowest among smaller manufacturers.

% Confident In Company's Future

	2019	2020	2021	2022	2023
Metro companies	93%	87%	89%	85%	89%
Greater Minnesota companies	93%	82%	85%	83%	81%
Less than \$1 million in revenue	93%	78%	81%	75%	75%
\$1-5 million in revenue	91%	88%	87%	89%	88%
Over \$5 million in revenue	95%	90%	95%	96%	99%
50 or fewer employees	93%	83%	84%	83%	84%
Over 50 employees	94%	89%	97%	92%	95%

Manufacturers are expecting even fewer increases in their key business metrics, nearing the 2020 low marks.

Percent of Manufacturers Expecting Increases in 2023 for...



Attracting workers and health care costs top the list of concerns.

Concerns Ranked by % Concern (8-10)

		Changed Since 2022
Attracting qualified workers	44%	-9
The costs of health care coverage	43%	+2
Overall inflation	38%	-17
Costs of employee salaries and benefits	36%	-5
Retaining qualified workers	35%	-8
Recession	31%	-10
Developing future leaders	29%	+1
Data breaches and cybersecurity	24%	Not Asked
Incoming and outgoing supply chain issues	22%	-26
Implementing automation	7%	Not Asked

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Top Concerns/Workforce



**Workforce concerns are higher for businesses with 11+ employees,
while inflation is most concerning for smaller businesses.
Health care costs are a concern for all.**

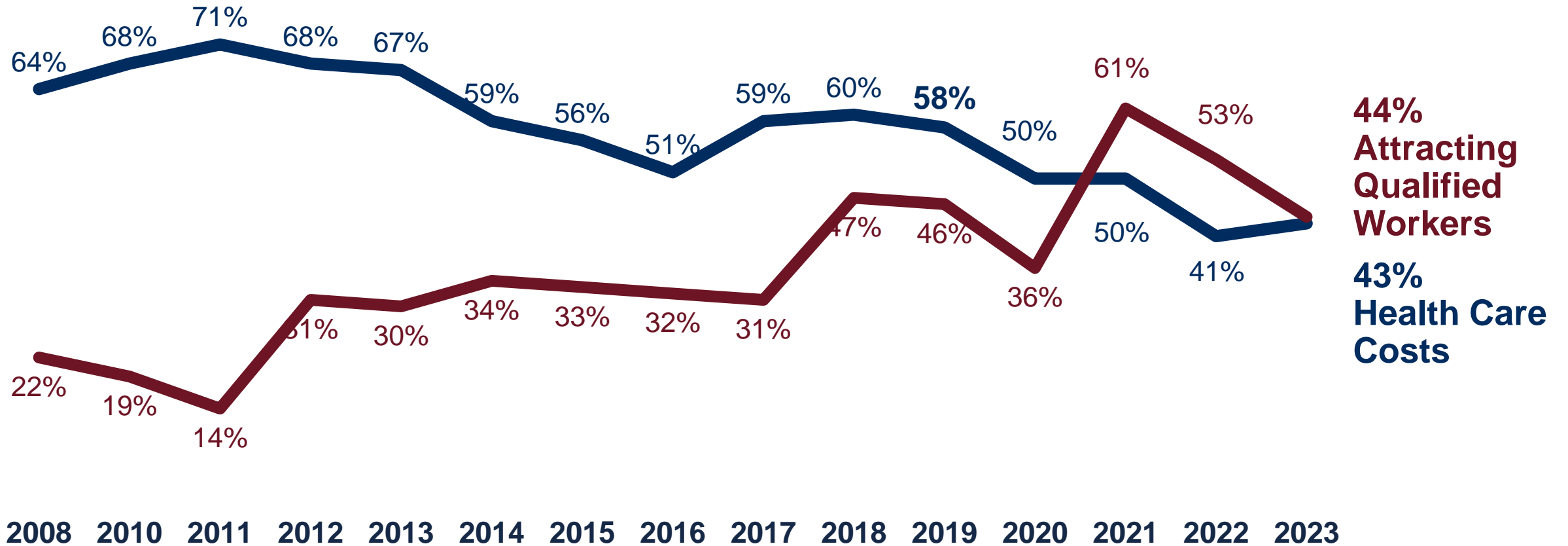
Concerns (8-10) by Employee Size (40%+ Items Highlighted)

	1-10 Employees	11-50 Employees	50+ Employees
Attracting qualified workers	38%	58%	46%
The costs of health care coverage	45%	41%	42%
Overall inflation	47%	35%	18%
Costs of employee salaries and benefits	34%	44%	34%
Retaining qualified workers	31%	41%	35%
Recession	38%	24%	25%
Developing future leaders	26%	32%	36%
Data breaches and cybersecurity	24%	21%	24%
Incoming and outgoing supply chain issues	27%	21%	11%
Implementing automation	5%	10%	9%



Attracting workers has declined steeply since 2021, while health care costs remain a big concern.

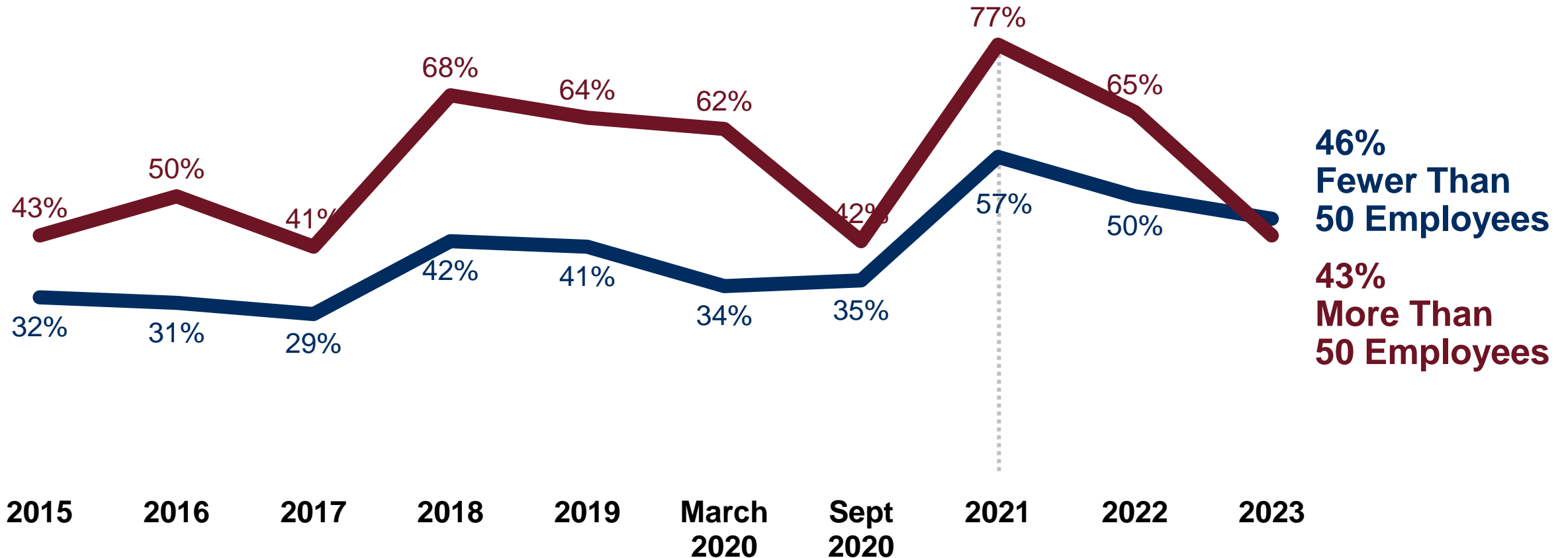
% Concerned (8-10) Over Time





Attracting workers has declined as a concern since 2021 among both smaller and larger companies (but especially with larger ones).

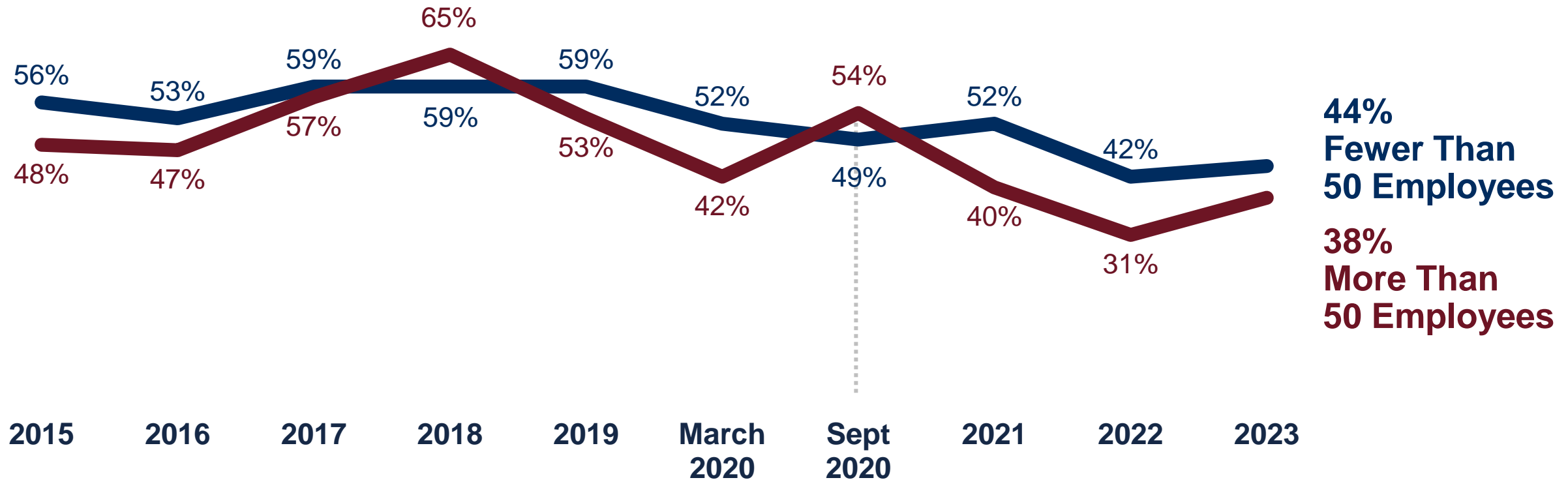
Attracting Qualified Workers - % Concerned (8-10)





Concerns about health care costs have climbed this year with larger manufacturers, though it still is lower than it was pre-pandemic.

Health Care Costs - % Concerned (8-10)





Inflation is a big concern outside the metro area.

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

NORTHWEST MINNESOTA FOUNDATION

Overall Inflation (46%)
Recession (39%)

WEST CENTRAL INITIATIVE

Overall Inflation (39%)
Costs of Health Care (37%)

SOUTHWEST INITIATIVE FOUNDATION

Attracting Workers (51%)
Overall Inflation (49%)

TWIN CITIES

Costs of Health Care (45%)
Attracting Workers (44%)

NORTHLAND FOUNDATION

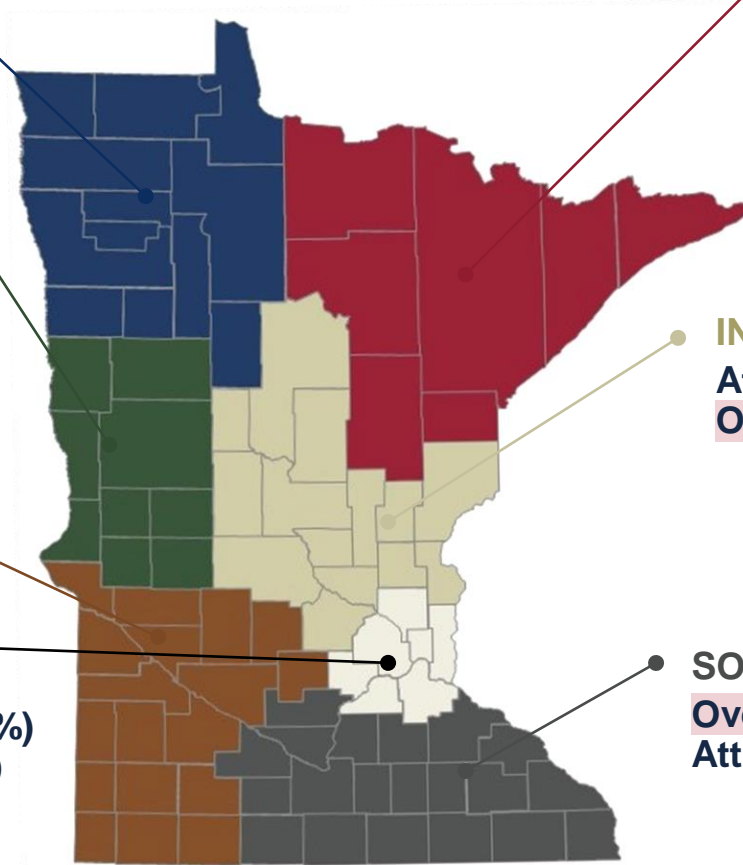
Attracting Workers (56%)
Overall Inflation (48%)

INITIATIVE FOUNDATION

Attracting Workers (49%)
Overall Inflation (46%)

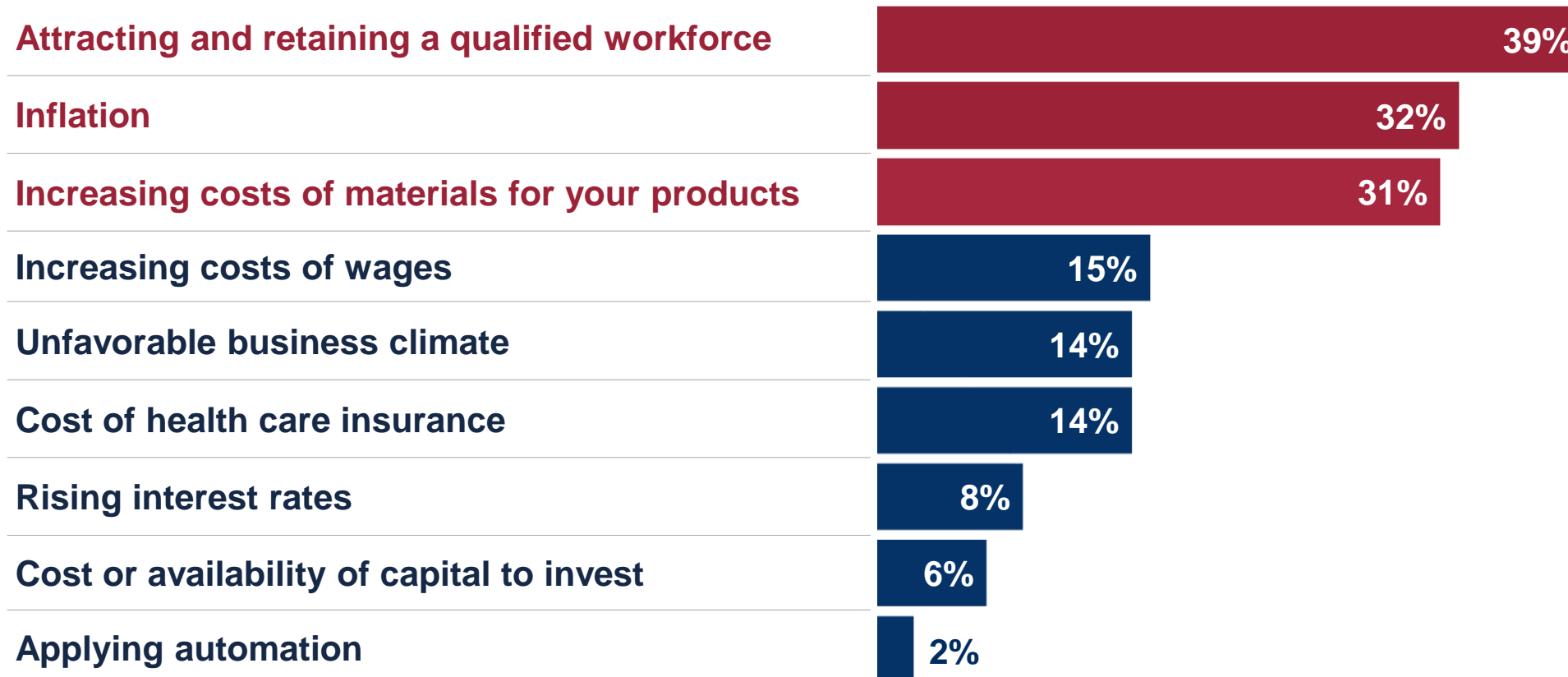
SOUTHERN MINNESOTA INITIATIVE FOUNDATION

Overall Inflation (47%)
Attracting Workers (47%)



Going forward, workforce, inflation, and costs are 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?”





Larger and higher revenue manufacturers say their biggest challenge is workforce issues, while smaller companies also cite 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	50 or Fewer Employees	Over 50 Employees
Attracting and retaining a qualified workforce	30%	42%	53%	36%	58%
Inflation	33%	26%	30%	30%	33%
Increasing costs of materials for your products	36%	32%	18%	32%	16%
Increasing costs of wages	14%	19%	17%	16%	12%
Unfavorable business climate	14%	14%	17%	14%	16%
Cost of health care insurance	13%	14%	13%	13%	18%
Rising interest rates	8%	9%	5%	9%	5%
Cost or availability of capital to invest	4%	7%	7%	6%	7%
Applying automation	1%	2%	7%	2%	6%

Increases in investment will go towards managing costs.

“For the entire year of 2023, do you expect an increased investment in any of the following areas?”

		Changed Since 2022
Managing costs due to inflation	56%	-7
Growing revenue and profitability	51%	-3
Maximizing productivity	50%	-1
Expanding sales within the USA	46%	+3
Staff development	34%	0
Systems and technology	30%	+1
Cybersecurity	24%	+3
Automation	19%	-3
Expanding sales globally	13%	-2



Higher revenue companies are making more investments in these areas.

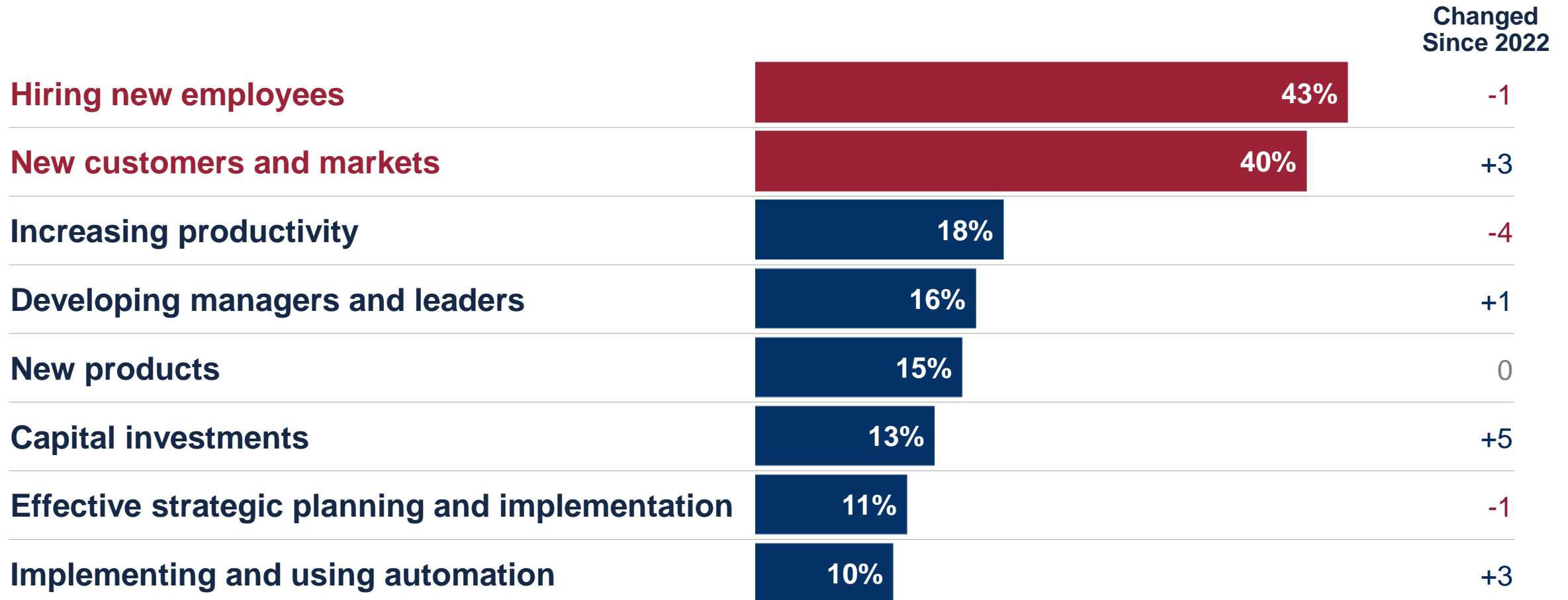
Increased Investment by Key Groups (50%+ Items Highlighted)

	Less than \$1 Million Revenue	Between \$1-\$5 Million Revenue	Over \$5 Million Revenue
Managing costs due to inflation	52%	62%	60%
Growing revenue and profitability	49%	52%	59%
Maximizing productivity	43%	50%	62%
Expanding sales within the USA	47%	41%	52%
Staff development	19%	37%	51%
Systems and technology	26%	30%	42%
Cybersecurity	23%	18%	34%
Automation	12%	19%	30%
Expanding sales globally	10%	12%	19%



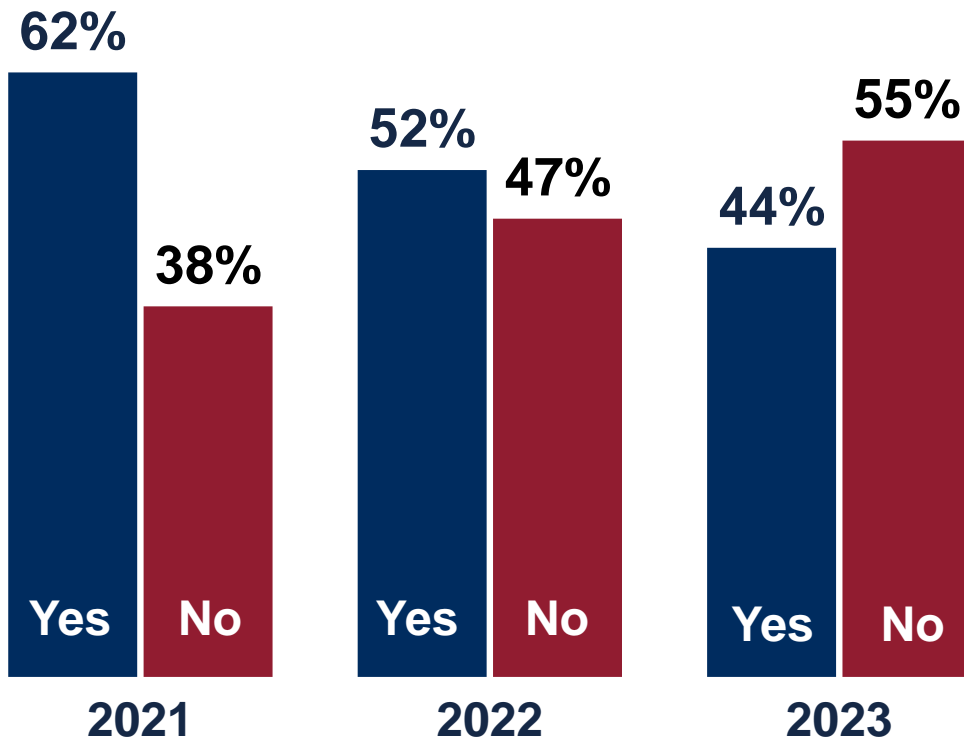
Finding new workers and new customers is still the most important driver of future growth.

“Thinking ahead, what would you say are the two or three most important drivers of your company's future growth?”

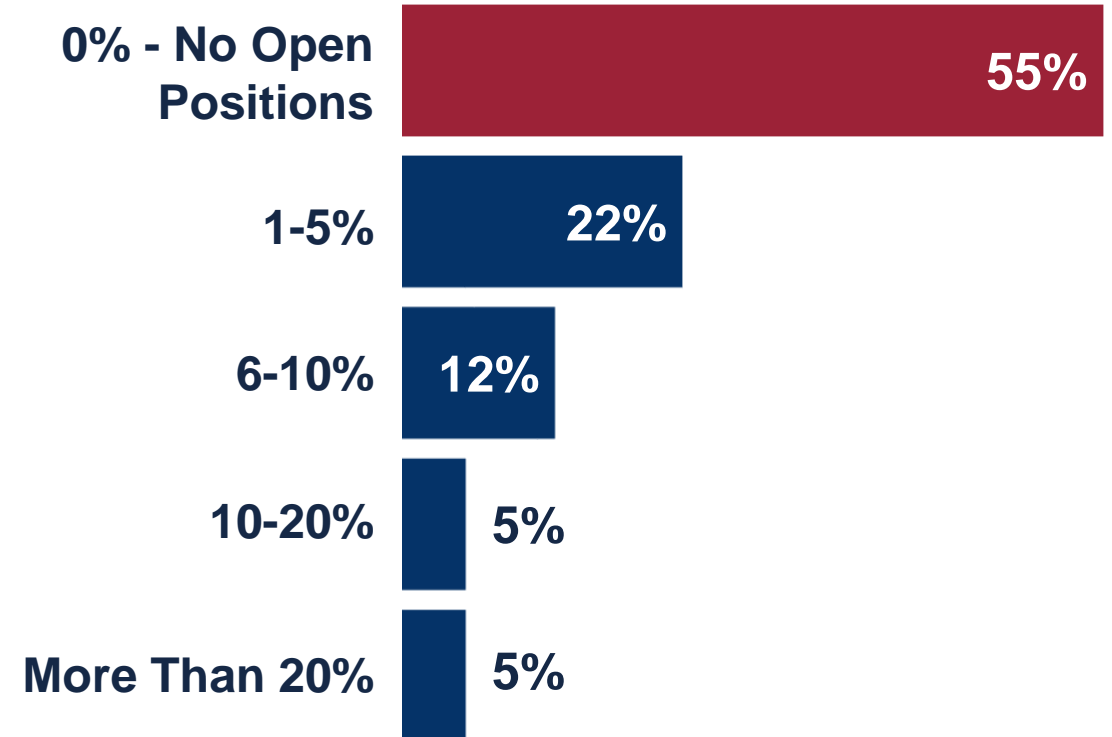


A majority of manufacturers now are not looking to hire and have fewer positions available.

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



“And what percentage of positions are currently open?”





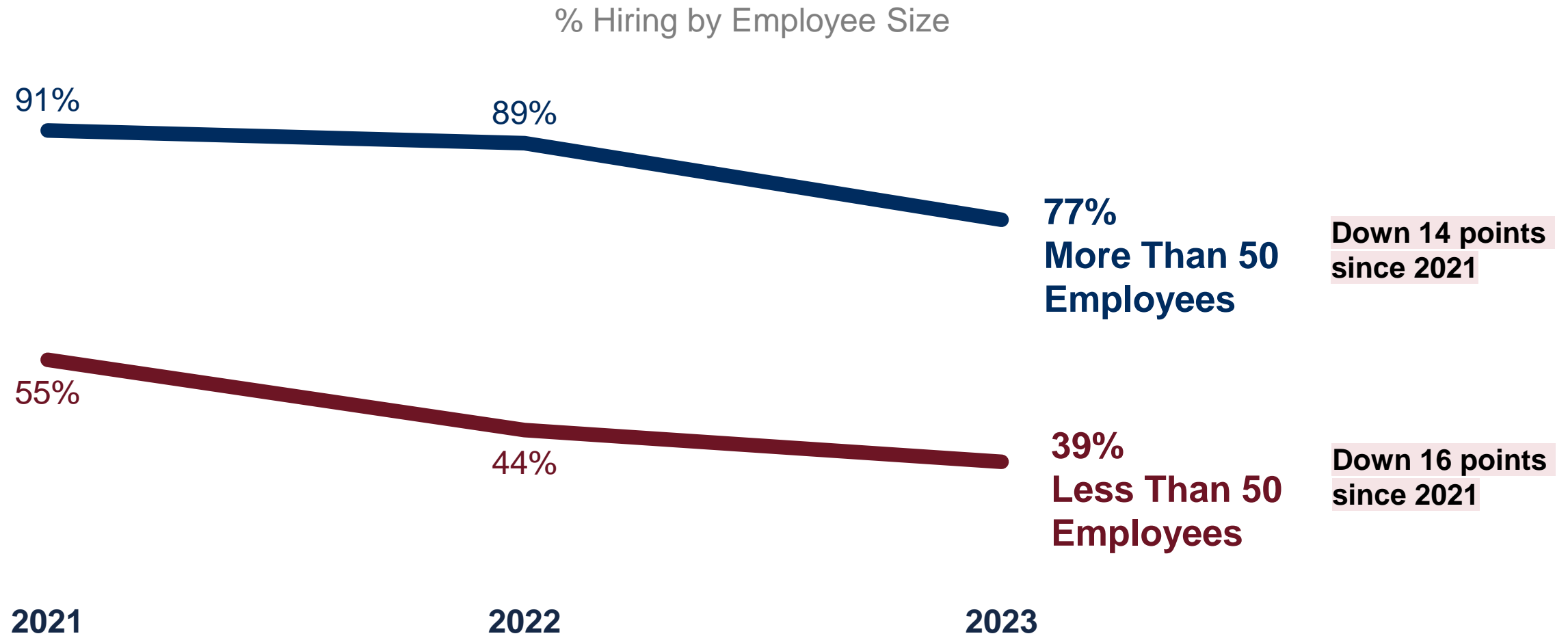
Smaller companies are less likely to be hiring, but even larger companies don't have a lot of positions currently open.

% of Positions Available (Top Choice Highlighted)

	0% (No Openings)	1-5%	6-10%	10-20%	20% +
Metro companies	52%	22%	14%	6%	4%
Greater Minnesota companies	57%	23%	8%	4%	5%
Less than \$1 million in revenue	74%	10%	4%	3%	7%
\$1-5 million in revenue	54%	19%	14%	9%	4%
Over \$5 million in revenue	23%	48%	20%	7%	1%
50 or fewer employees	60%	18%	11%	6%	5%
Over 50 employees	20%	49%	22%	5%	4%



While larger companies are driving the open position numbers this year, over the past two years, all manufacturers have seen a similar decline.





Most manufacturers continue to tell us that attracting qualified candidates is a difficult task. But we do see some softening in the numbers.

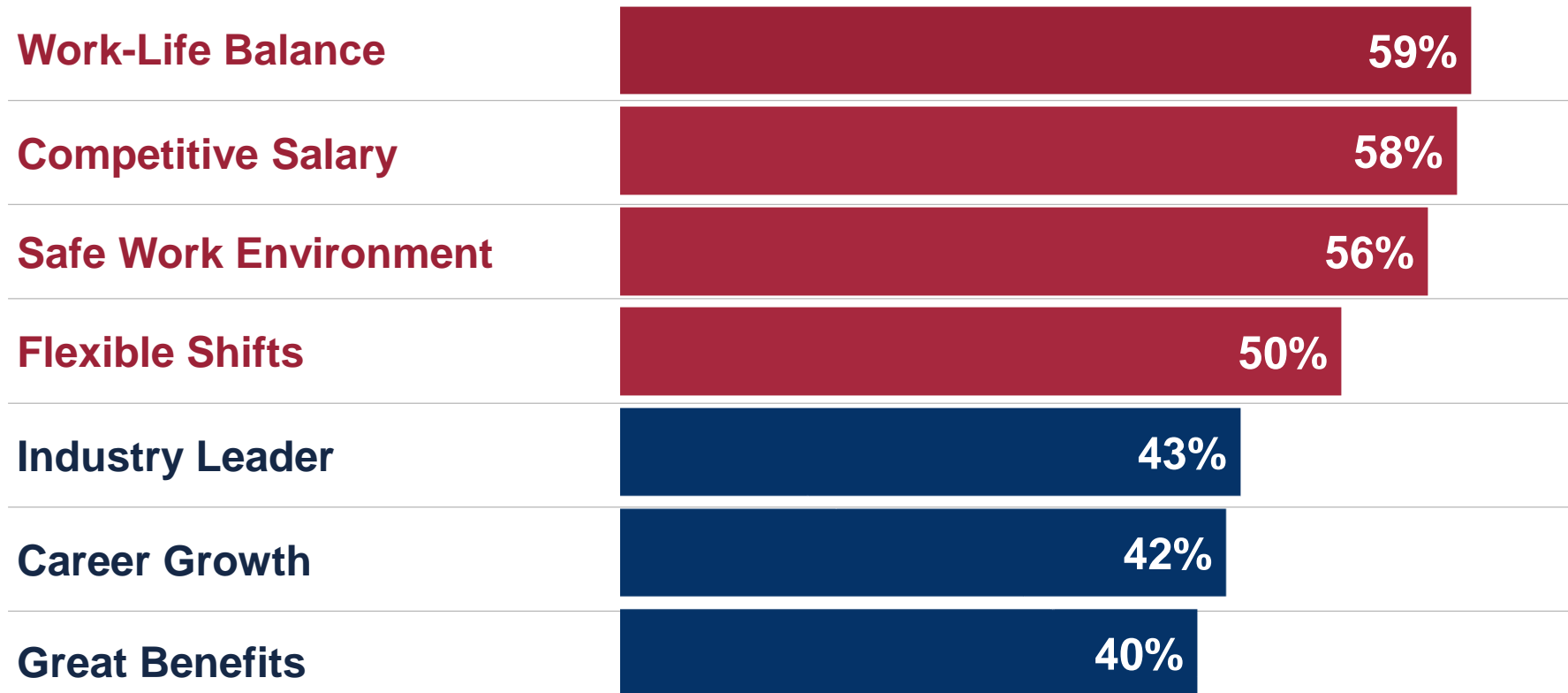
“Overall, how difficult do you think it is to attract qualified candidates to manufacturers like you?”

	2021	2022	2023
TOTAL DIFFICULT	87%	84%	83%
Very Difficult	55%	48%	40%
Somewhat Difficult	32%	36%	43%
Not Too Difficult	7%	7%	12%
Not Difficult at All	4%	6%	4%
Don't Know/Not Sure	1%	2%	1%



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?”





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Manufacturing Company Preparedness and Culture

Work-life balance has increased in importance this year.

What Your Company Wants to Be Known for Over Time

	2022	2023	Change Since 2022
Work-Life Balance	56%	59%	+3
Competitive Salary	62%	58%	-4
Safe Work Environment	62%	56%	-6
Flexible Shifts	47%	50%	+3
Industry Leader	43%	43%	0
Career Growth	38%	42%	+4
Great Benefits	43%	40%	-3



Work environment is equally important across types of manufacturers.

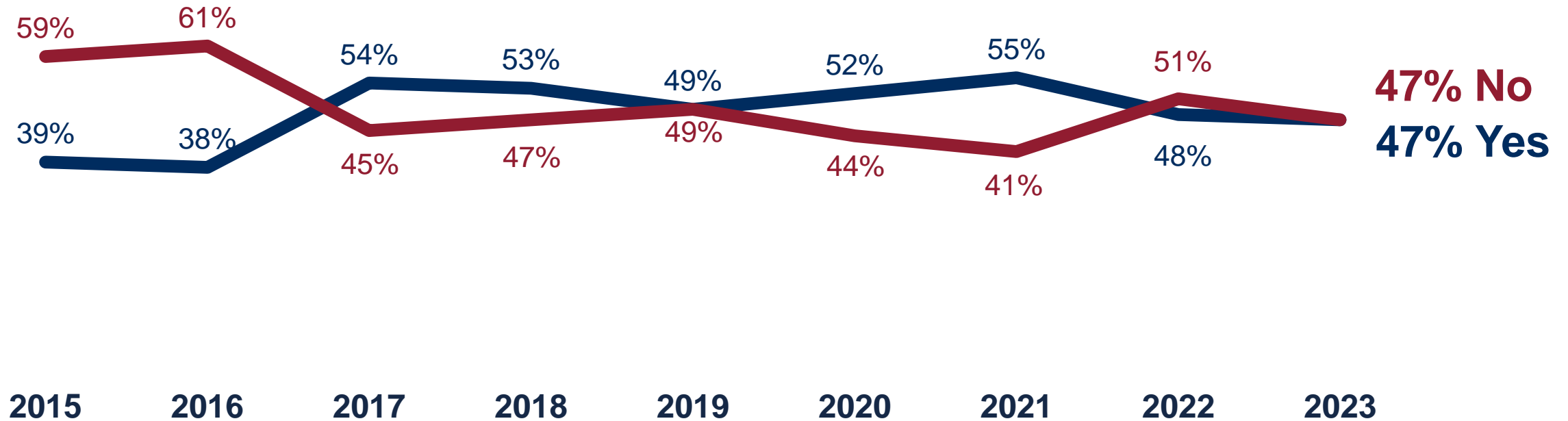
What Your Company Wants to Be Known for by Employee Size (50%+ Items Highlighted)

	50 or Fewer Employees	Over 50 Employees
Work-Life Balance	57%	71%
Competitive Salary	56%	69%
Safe Work Environment	54%	70%
Flexible Shifts	47%	67%
Industry Leader	38%	73%
Career Growth	38%	66%
Great Benefits	35%	71%



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.

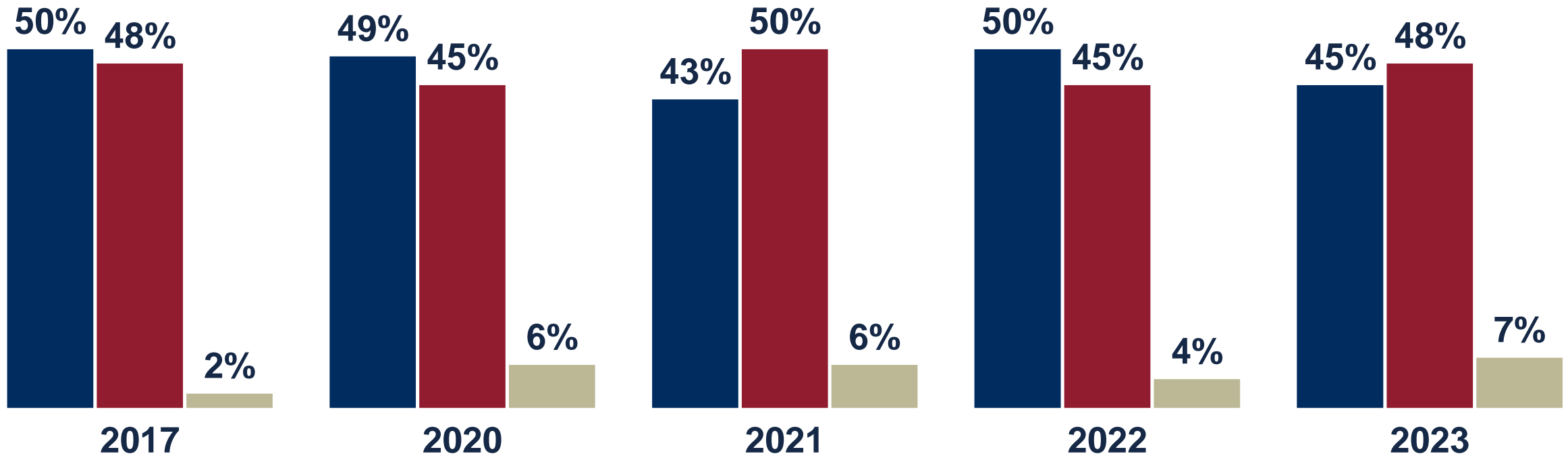
Formal Strategic Plan by Key Groups

	Yes	No
Less than \$1 million in revenue	27%	69%
\$1-5 million in revenue	53%	43%
Over \$5 million in revenue	71%	25%
50 or fewer employees	42%	52%
Over 50 employees	71%	20%

Half of manufacturers say they have a succession plan.

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

■ Yes ■ No ■ Don't Know





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

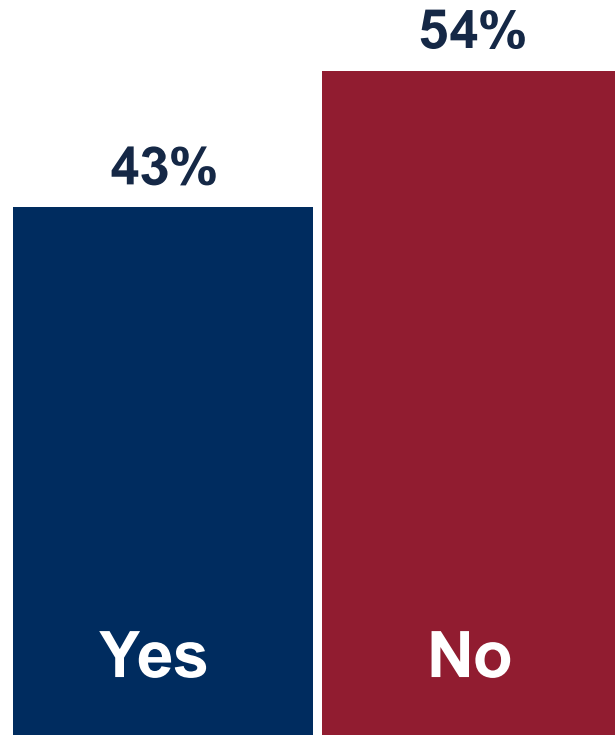
Succession Plan by Key Groups

	Yes	No
Less than \$1 million in revenue	29%	69%
\$1-5 million in revenue	47%	49%
Over \$5 million in revenue	69%	21%
50 or fewer employees	40%	55%
Over 50 employees	73%	11%



Four out of ten manufacturers say they have a formal mission, vision, and values, with most of those being larger companies.

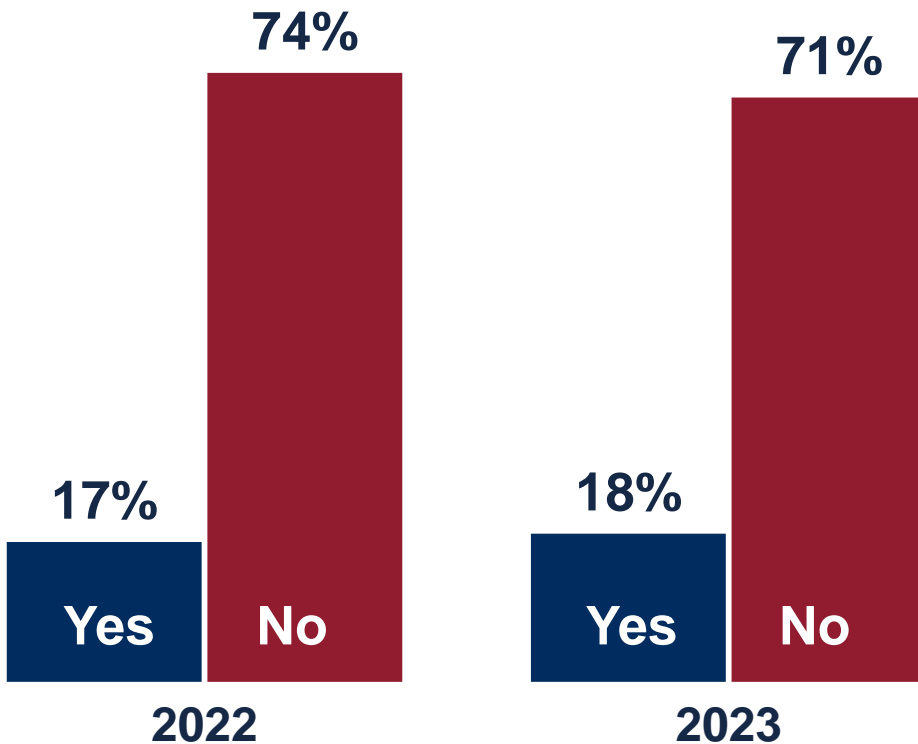
“Does your organization have a formal mission, vision, and values?”



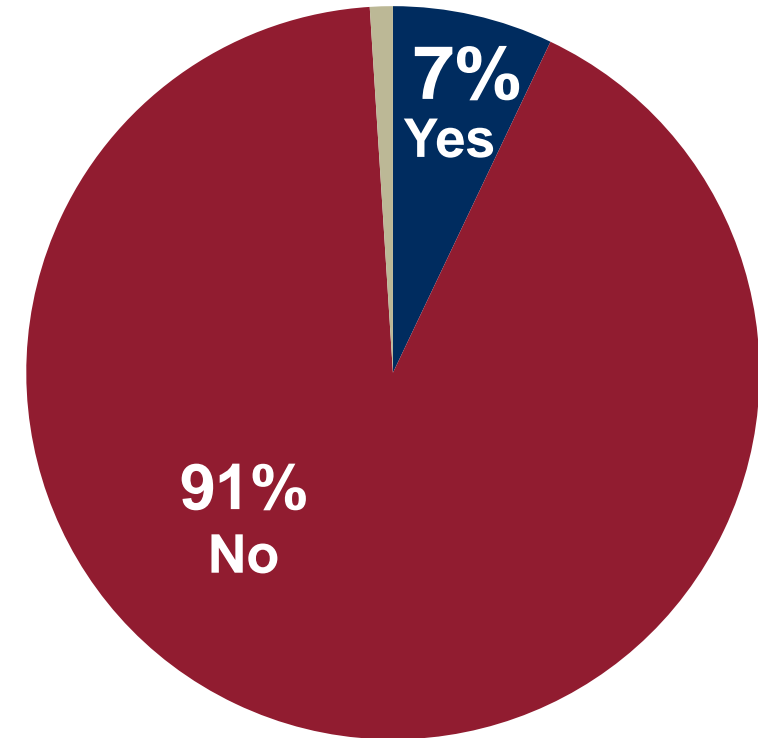
	Yes	No
Metro companies	47%	50%
Greater Minnesota companies	38%	60%
Less than \$1 million in revenue	17%	82%
\$1-5 million in revenue	50%	47%
Over \$5 million in revenue	75%	24%
50 or fewer employees	37%	61%
Over 50 employees	82%	13%

Those who aren't ISO certified don't have plans to be.

“Thinking about quality and business management systems certifications, is your company ISO certified?”

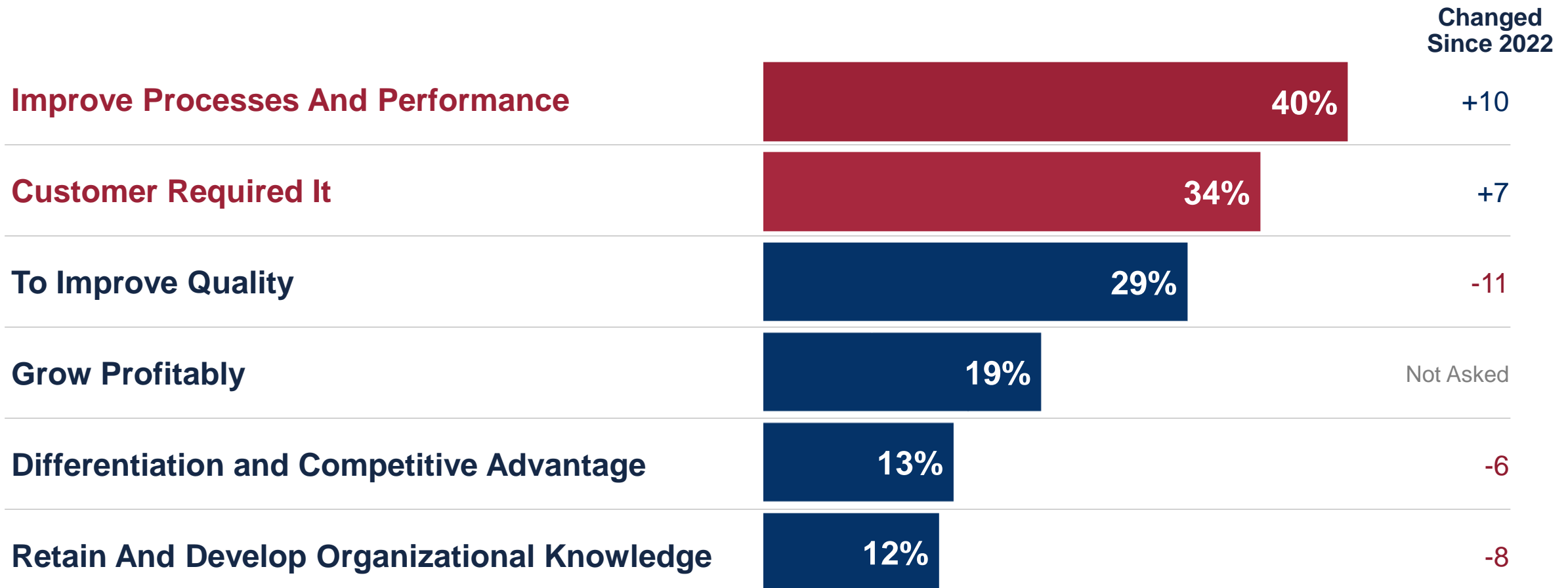


“And is your company getting ISO certified or have a plan to become ISO certified?”
(Among those who are not ISO certified)



Among those who are certified, they cite improved performance, quality, or that a customer required it.

“Why have you implemented a quality/business management system? Please choose the top one or two reasons.”



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The Bottom Line



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The Bottom Line

- While fears of a recession appear to be fading, manufacturers of all sizes worry we're in a period of economic stagnation. It's clear from this survey data that this uncertainty is impacting their outlook on their business and impacting their decisions around hiring and investing.

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The Bottom Line

- Additionally, manufacturers express serious concern about the changes enacted by the State Legislature in 2023, most notably the requirements for paid family and medical leave, paid sick and safe leave, and cannabis in the workplace. **Not surprisingly, half of all manufacturers say business climate in Minnesota today is worse than it was five years ago.**

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The Bottom Line

- The main pain points for manufacturers in this year's survey are attracting qualified workers, the cost of health care coverage, and overall inflation. Inflationary concerns are down considerably from a year ago, while health care concerns have inched up a little. While workforce issues continue to reside at the top of the concern list, hiring has slowed – just 44% have positions open for hiring (down from 52% in 2022).



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The Bottom Line

- Many manufacturers tell us they are putting strategic planning on the back burner. Only 47% say they have a strategic plan in place and just 45% report having a succession plan (both are down from a year ago). Only 43% say their company has a formal mission, vision, and values.