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of Manufacturing<sup>®</sup>  
2020



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# Research Methodology

On behalf of Enterprise Minnesota, Meeting Street Insights is pleased to present the key findings from the 12<sup>th</sup> annual survey of manufacturing executives in Minnesota.

The survey was conducted **September 8 through October 7, 2020, 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 12 surveys.

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

**Northwest Minnesota  
Foundation**

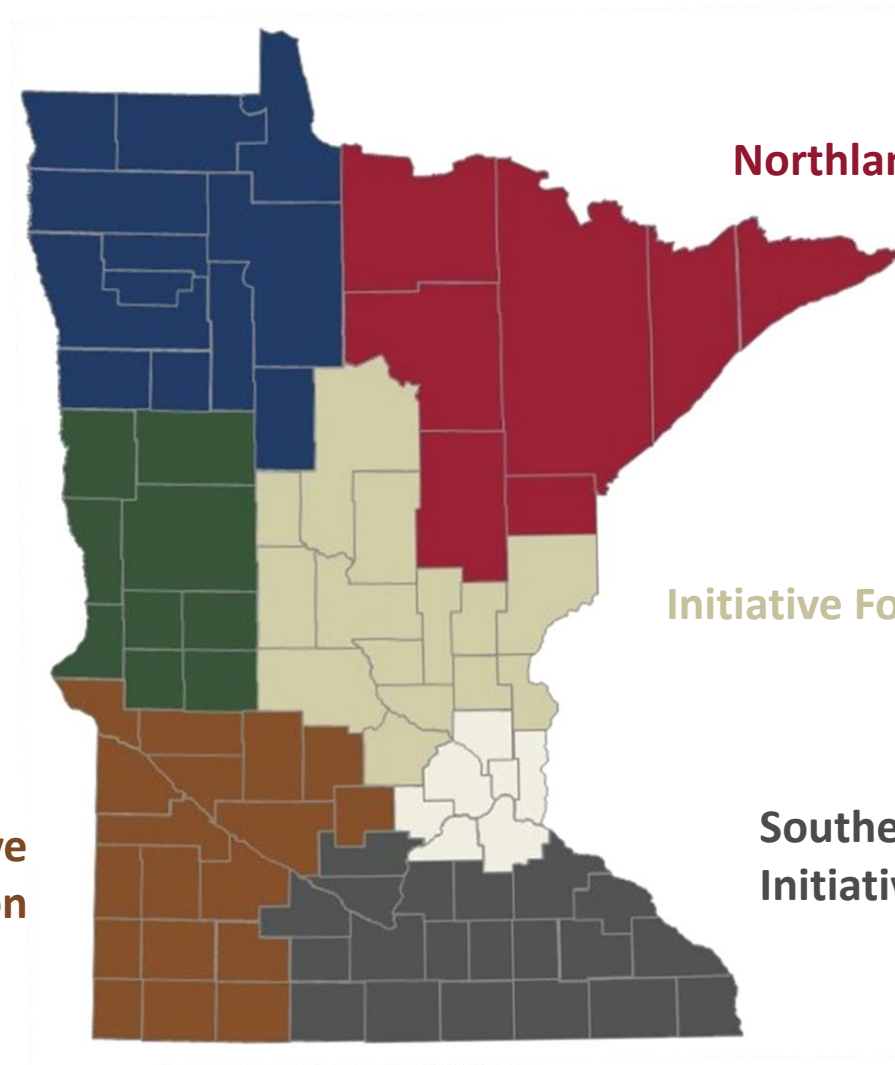
**West Central Initiative**

**Southwest Initiative  
Foundation**

**Northland Foundation**

**Initiative Foundation**

**Southern Minnesota  
Initiative Foundation**

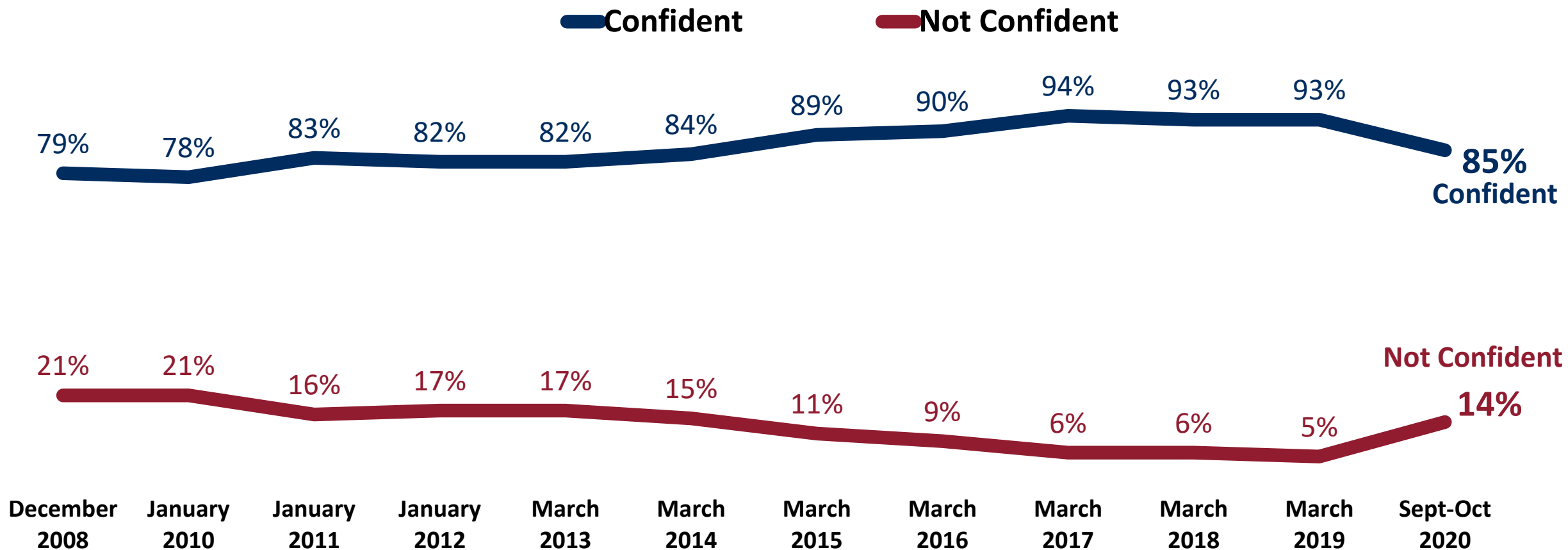


# KEY **FALL 2020** FINDINGS



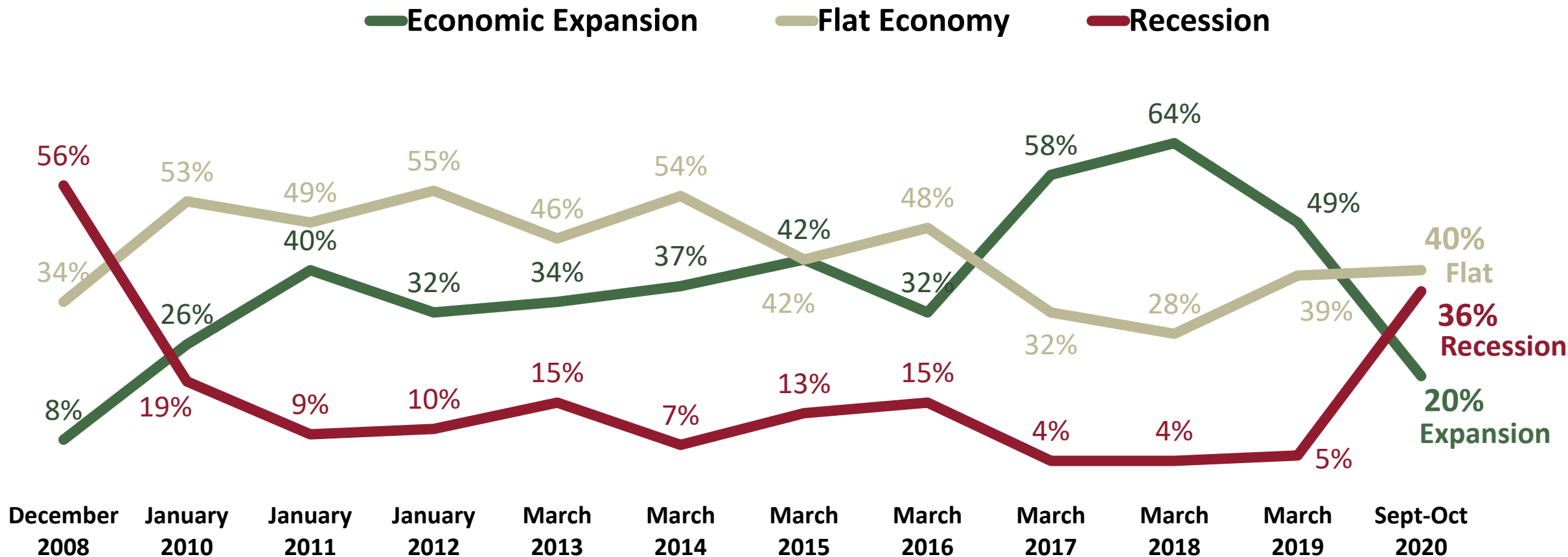
# Manufacturers who are not financially confident have tripled since 2019.

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



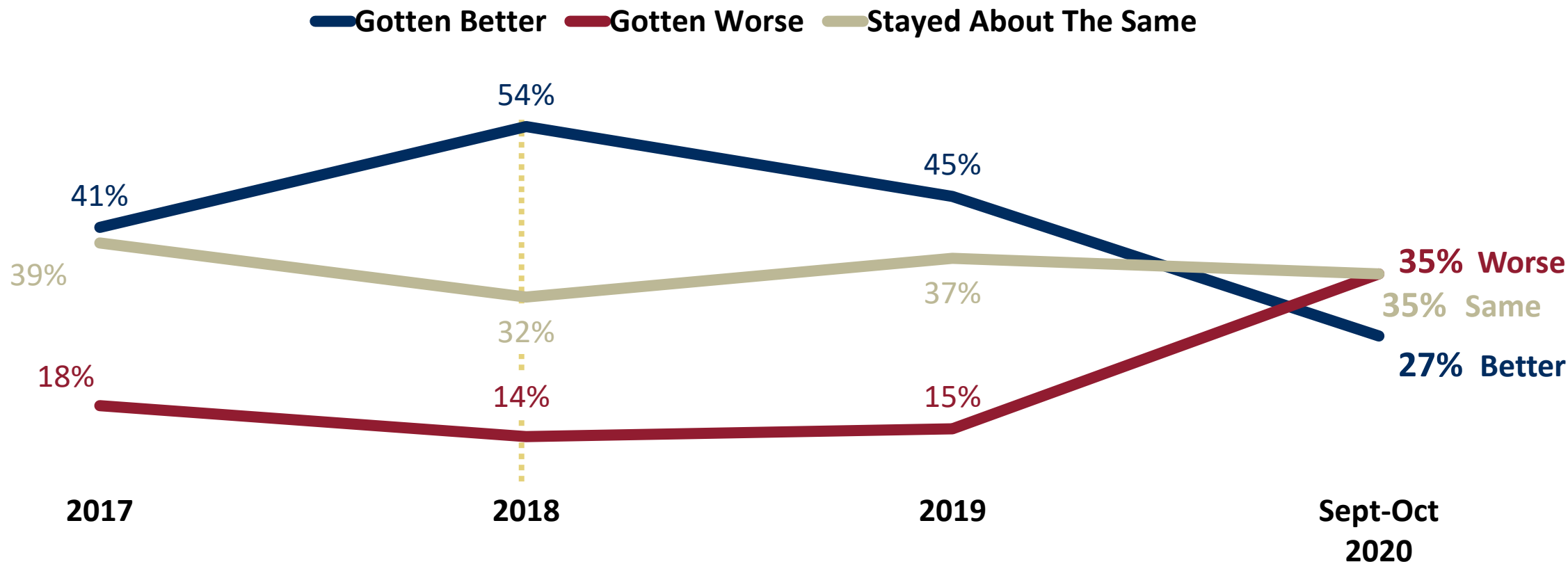
# Recessionary fears are at their highest level since 2008.

“Thinking about the upcoming year, in 2020, do you anticipate economic expansion, a flat economy, or a recession?”



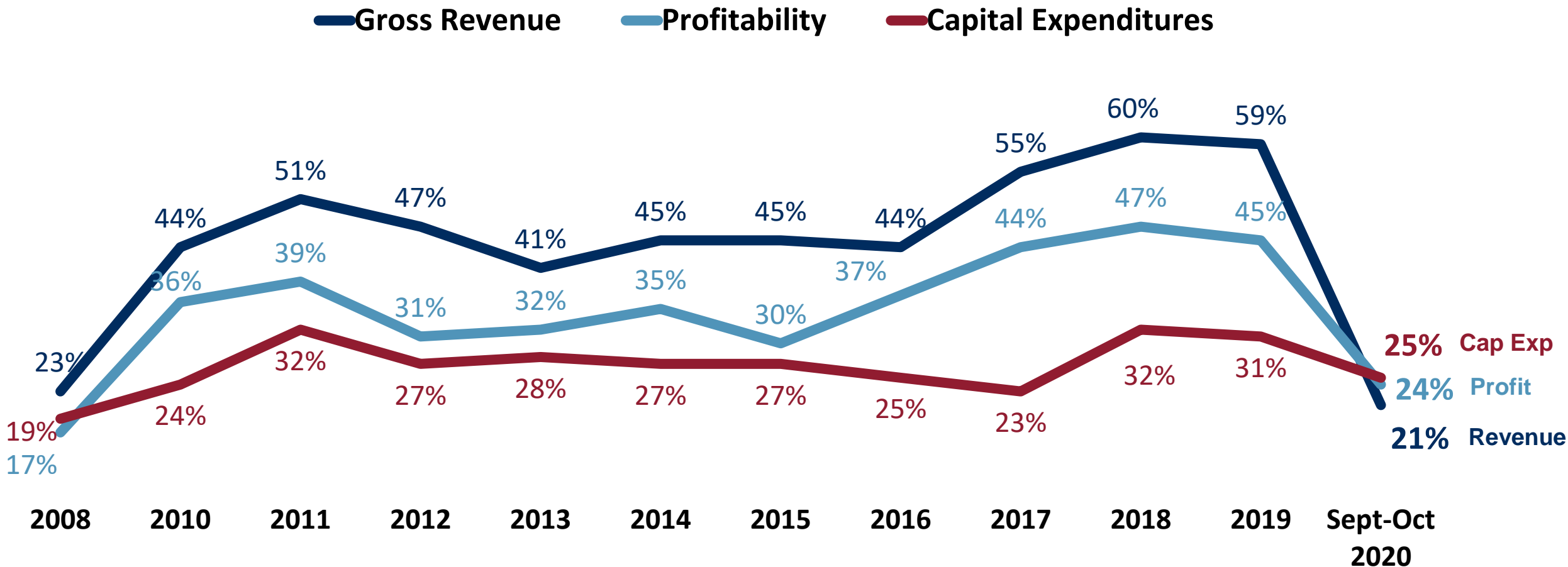
# The percentage of manufacturers who now think Minnesota's business climate has gotten better is half of what it was in 2018.

“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?”



# We also see a significant downward trend in key 2020 business metrics.

Percent of Manufacturers Expecting Increases in 2020 for...



# Business projections have changed rather dramatically over the past year and a half, reaching new lows in some cases.

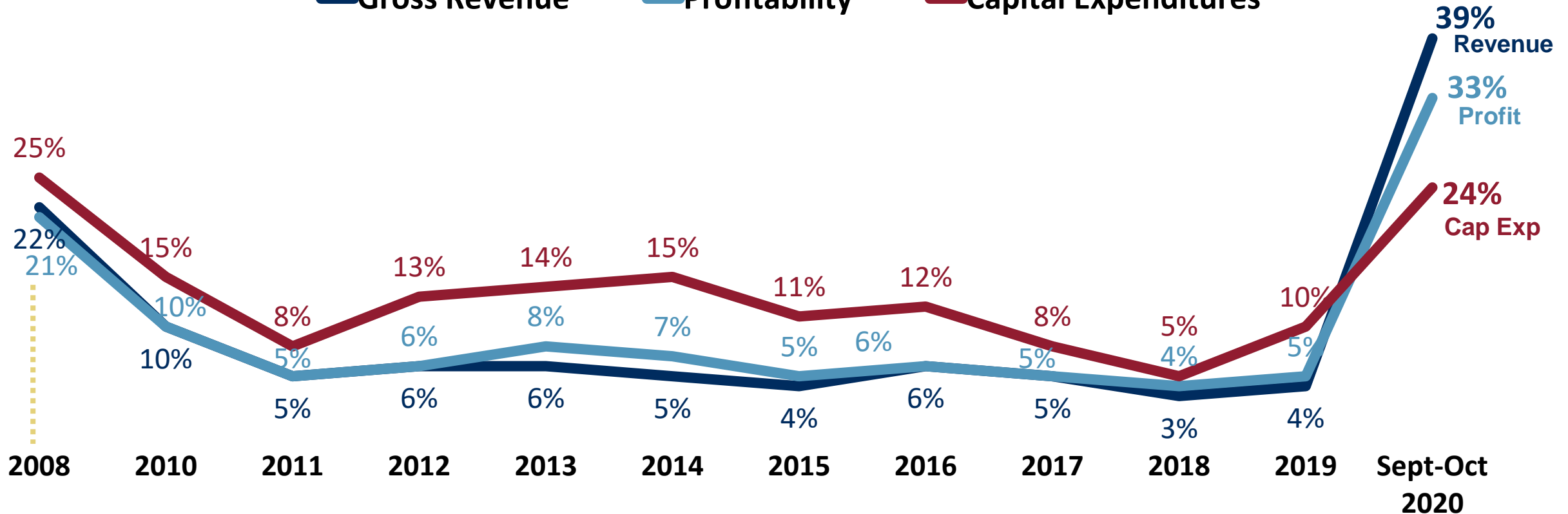
“And, as you look to 2020, do you project your company’s gross revenue/profitability/capital expenditures to increase or decrease compared to 2019, or will it probably stay the same?”

	March 2019	Sept-Oct 2020	Lowest Point Dec 2008
Increase in Gross Revenue	59%	→ 21%	23%
Decrease in Gross Revenue	6%	→ 48%	32%
Increase in Profitability	45%	→ 24%	17%
Decrease in Profitability	9%	→ 41%	34%
Increase in Capital Expenditures	31%	→ 25%	19%
Decrease in Capital Expenditures	15%	→ 33%	37%

# The number of manufacturers who are expecting significant decreases in revenue and profitability is higher now than in 2008.

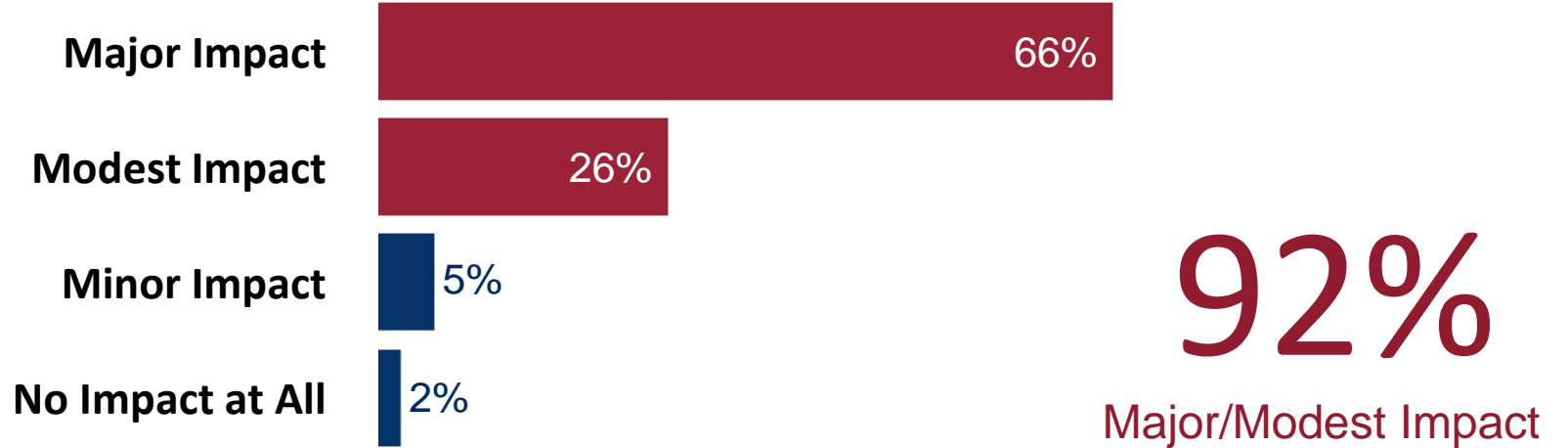
Percent of Manufacturers Expecting Decreases by More than 10% in 2020 for...

— Gross Revenue    — Profitability    — Capital Expenditures

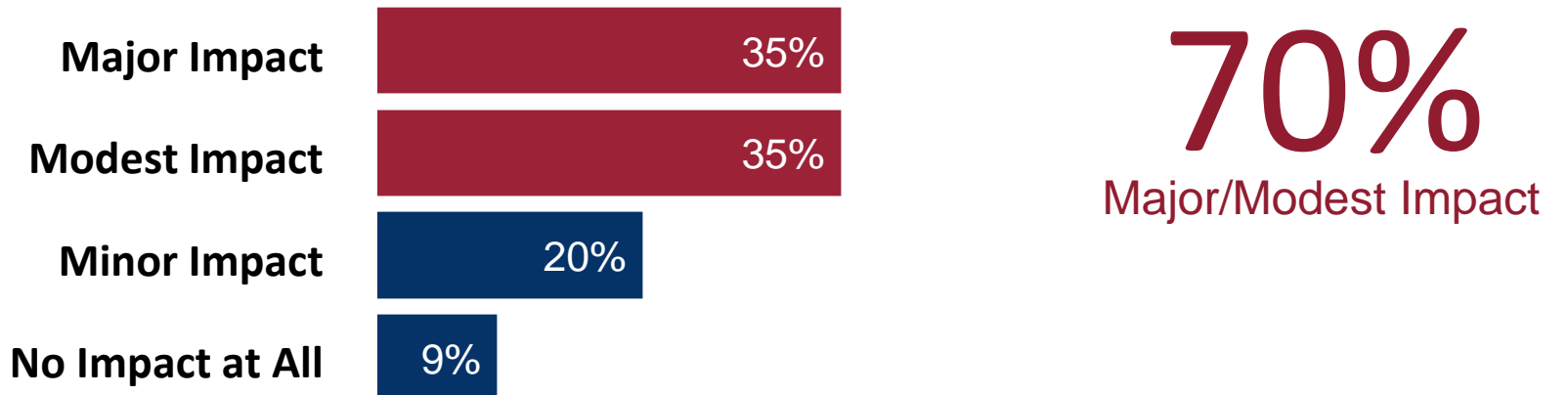


# Executives clearly believe that COVID-19 has had a significant impact on the state's economy and manufacturers' businesses.

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



“Overall, what impact would you say the COVID-19 outbreak has had on your business, if any at all?”





# Smaller manufacturers are more directly impacted by COVID-19.

## State's Economy/Business Climate

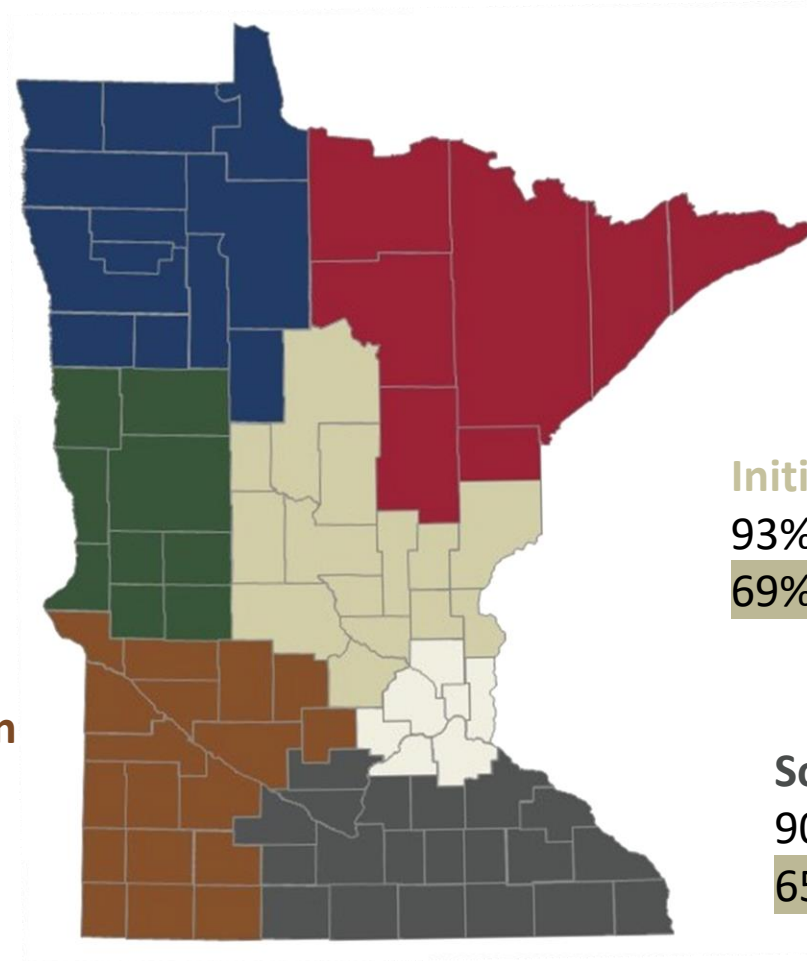
## Your Business

	Major	Major/Modest	Major	Major/Modest
Metro Companies	65%	93%	39%	73%
Greater Minnesota Companies	68%	92%	31%	66%
Less than \$1 million in revenue	70%	91%	42%	74%
\$1-5 million in revenue	60%	95%	37%	67%
Over \$5 million in revenue	68%	93%	23%	69%
50 or fewer employees	68%	93%	39%	72%
Over 50 employees	58%	90%	20%	63%



# The impact is a little lower with those in the western half of the state.

Percentage of Manufacturers Reporting COVID Has Had Major/Modest Impact on the State's Economy & Their Business



## Northwest Minnesota Foundation

80% Impact on Economy

60% Impact on Company

## Northland Foundation

93% Impact on Economy

84% Impact on Company

## West Central Initiative

93% Impact on Economy

62% Impact on Company

## Initiative Foundation

93% Impact on Economy

69% Impact on Company

## Southwest Initiative Foundation

93% Impact on Economy

60% Impact on Company

## Southern Minnesota Initiative Foundation

90% Impact on Economy

65% Impact on Company

# Health care costs continue to be the most pressing concern, but there has been a significant rise in economic and global uncertainty.

Concerns Ranked by % Concern (8-10)

		Change Since 2019
The costs of health care coverage	50%	-8
Economic and global uncertainty	39%	+23
Attracting qualified workers	36%	-10
Retaining qualified workers	36%	-1
Cyber security	30%	N/A
Developing Future Leaders	28%	+5
Federal Government Programs Resulting from Pandemic	27%	N/A
State Government Programs Resulting from Pandemic	26%	N/A
Costs of Employee Salaries and Benefits	24%	-5
Getting Your Products to Market	15%	+5

# Health care costs are at their lowest concern level yet, while economic uncertainty and developing leaders are their highest on record.

Trend Concerns Ranked by % Concern (8-10)

	2008	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	Sept-Oct 2020
<b>Health Care Costs</b>	64%	68%	71%	68%	67%	59%	56%	51%	59%	60%	58%	<b>50%</b>
<b>Attracting Workers</b>	22%	19%	14%	31%	30%	34%	33%	32%	31%	47%	46%	<b>36%</b>
<b>Economic Uncertainty</b>	-	-	-	-	-	31%	29%	29%	17%	20%	16%	<b>39%</b>
<b>Developing Leaders</b>	-	-	-	-	-	-	13%	12%	26%	25%	23%	<b>28%</b>

# Workforce issues rank higher in the western half of the state.

Top Five Concerns by Manufacturers in Initiative Foundation Regions (% 8-10 Concern)

## Northwest Minnesota Foundation

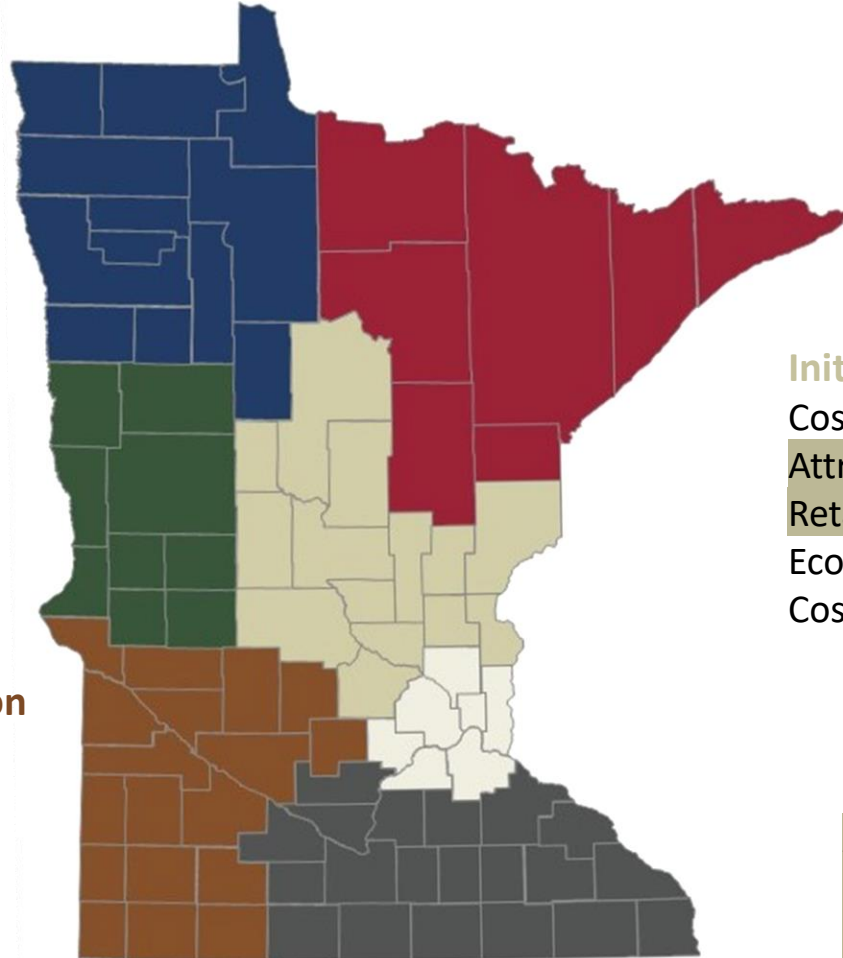
- Costs of Healthcare (67%)
- Attracting Workers (47%)
- Retaining Workers (40%)
- Developing Leaders (40%)
- Cyber Security (40%)

## West Central Initiative

- Costs of Healthcare (62%)
- Attracting Workers (57%)
- Retaining Workers (36%)
- Developing Leaders (33%)
- Economic Uncertainty (30%)

## Southwest Initiative Foundation

- Costs of Healthcare (55%)
- Attracting Workers (48%)
- Retaining Workers (43%)
- Developing Leaders (38%)
- Economic Uncertainty (32%)



## Northland Foundation

- Attracting Workers (41%)
- Economic Uncertainty (40%)
- Costs of Healthcare (39%)
- State Gov Programs (30%)
- Developing Leaders (27%)

## Initiative Foundation

- Costs of Healthcare (56%)
- Attracting Workers (44%)
- Retaining Workers (41%)
- Economic Uncertainty (37%)
- Costs of Salaries (31%)

## Southern Minnesota Initiative Foundation

- Costs of Healthcare (56%)
- Economic Uncertainty (54%)
- Attracting Workers (33%)
- Retaining Workers (32%)
- Developing Leaders (32%)

# Unfavorable business climate is now seen as the biggest growth challenge.

“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	Sept-Oct 2020
<b>Unfavorable business climate</b>	48%	43%	40%	38%	18%	19%	<b>33%</b>
<b>Attracting and retaining a qualified workforce</b>	21%	29%	26%	34%	49%	48%	<b>32%</b>
<b>Cost of health care insurance</b>	31%	41%	34%	36%	36%	30%	<b>26%</b>
<b>Increasing costs of energy and materials for your products</b>	29%	20%	15%	18%	34%	28%	<b>20%</b>
<b>Getting operations up and running / back to normal</b>	Not Asked	Not Asked	Not Asked	Not Asked	Not Asked	Not Asked	<b>19%</b>
<b>Lack of clear direction forward</b>	Not Asked	Not Asked	Not Asked	Not Asked	Not Asked	Not Asked	<b>9%</b>
<b>Regulations</b>	Not Asked	Not Asked	Not Asked	Not Asked	Not Asked	3%	<b>2%</b>

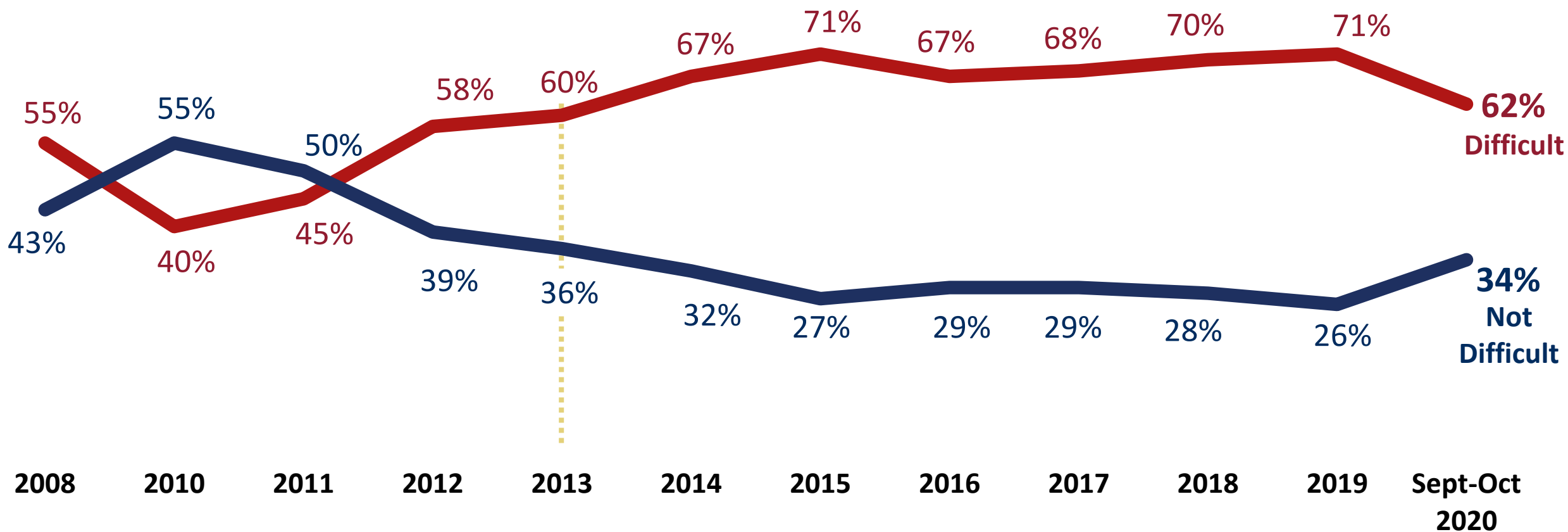
# Workforce challenges are a bigger deal for larger companies.

“What would you say are the one or two biggest challenges your company is facing that might negatively impact future growth?” (Red 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
Unfavorable business climate	35%	31%	36%	33%	36%
Attracting and retaining a qualified workforce	21%	31%	50%	26%	55%
Cost of health care insurance	20%	25%	40%	25%	31%
Increasing costs of energy and materials for your products	24%	27%	9%	23%	5%
Getting operations up and running	26%	14%	12%	20%	12%
Lack of clear direction forward	10%	9%	7%	10%	5%
Regulations	2%	2%	0%	2%	0%
Coronavirus	0%	0%	1%	1%	0%

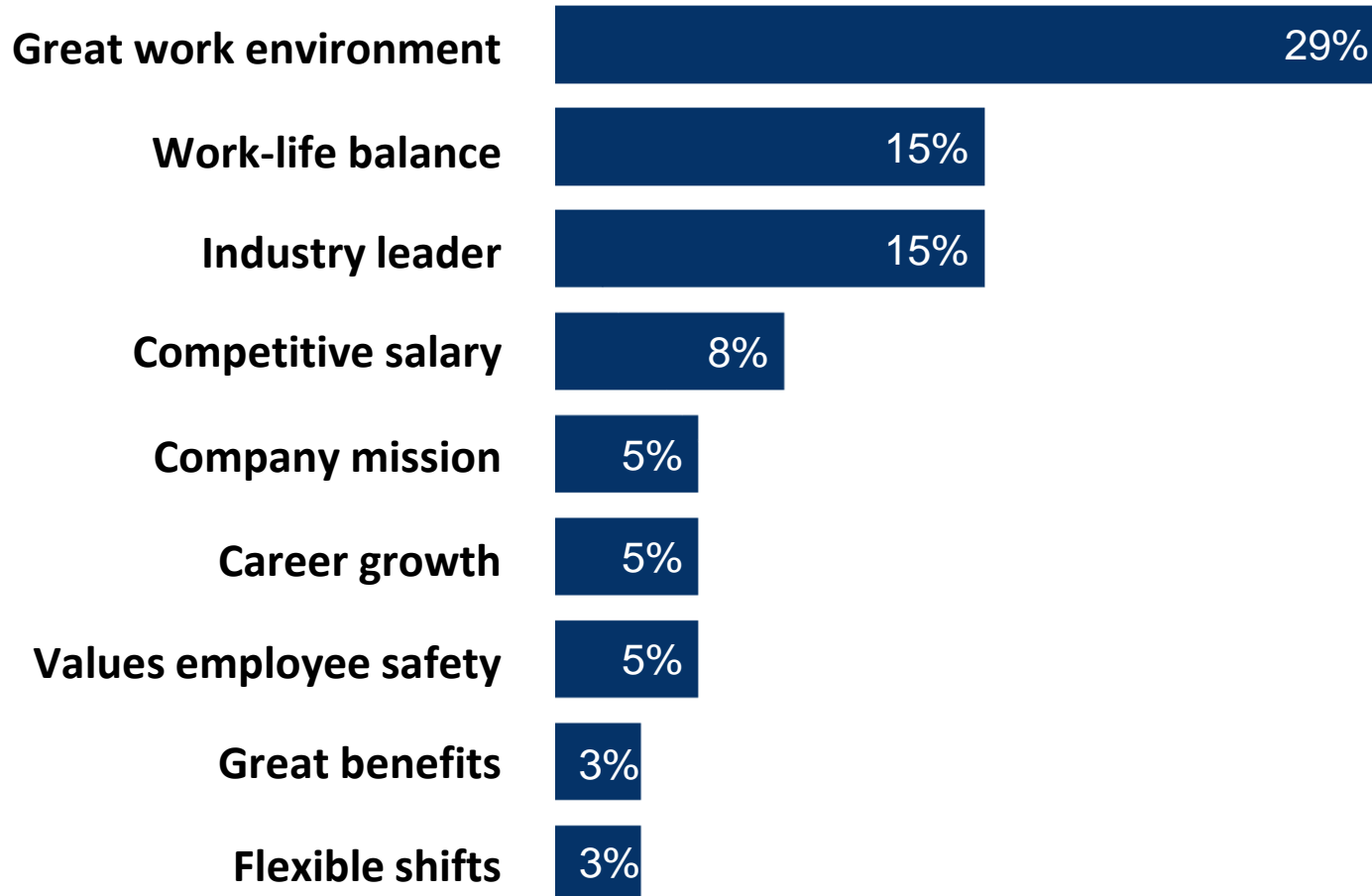
# Even in a pandemic, manufacturers say it's difficult to find qualified workers.

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



# 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?”





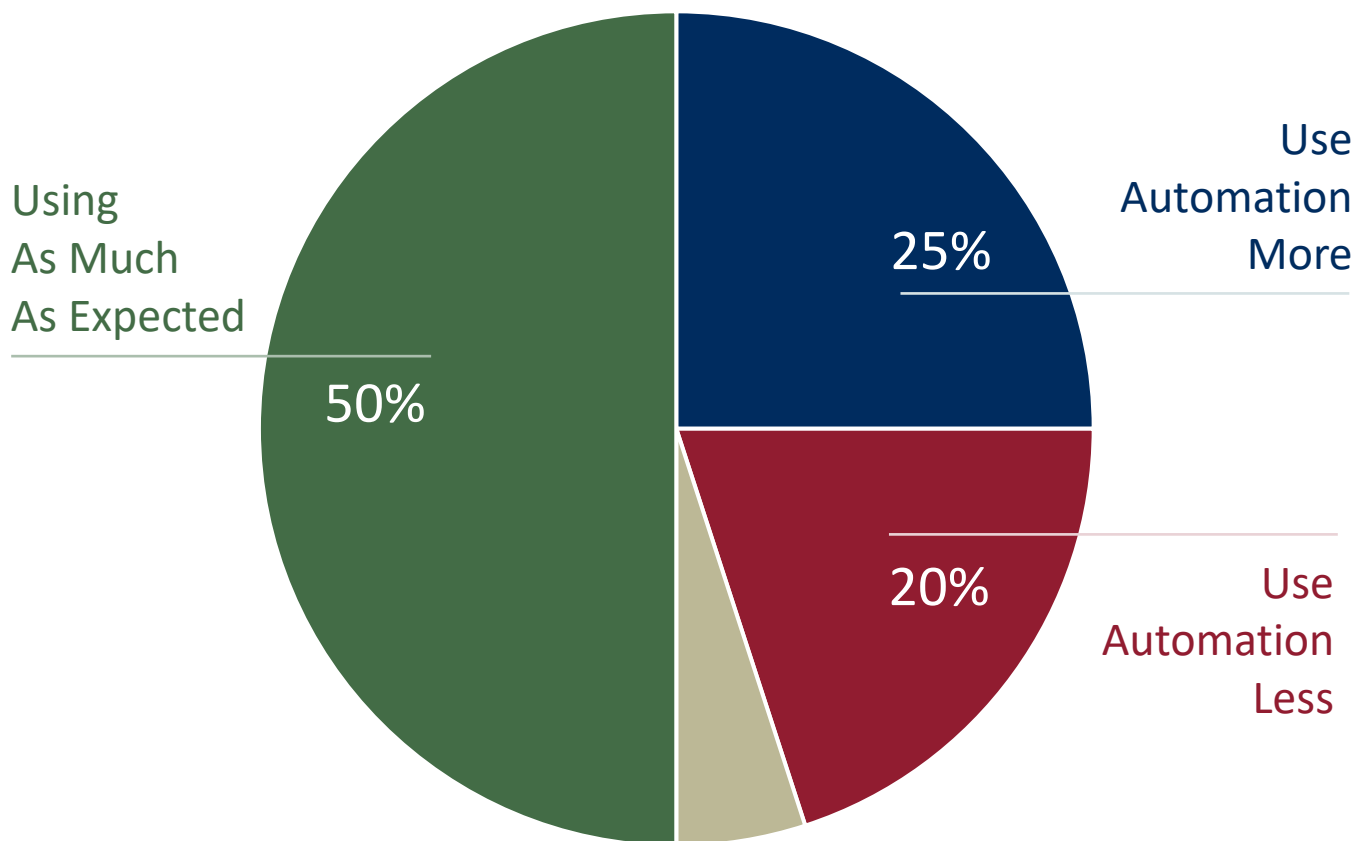
# Finding new customers and new markets is more important today.

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

	2018	2019	Sept-Oct 2020
<b>New Customers</b>	61%	53%	<b>59%</b>
<b>Maximizing Productivity</b>	38%	49%	<b>27%</b>
<b>New Products</b>	35%	27%	<b>24%</b>
<b>Better Strategic Planning &amp; Implementation</b>	27%	20%	<b>16%</b>
<b>Developing Company Managers &amp; Leaders</b>	22%	18%	<b>15%</b>
<b>Government Regulations</b>	Not Asked	Not Asked	<b>2%</b>
<b>Retaining Employees</b>	Not Asked	Not Asked	<b>1%</b>
<b>Economy/Economic Concerns</b>	Not Asked	Not Asked	<b>1%</b>

# Nearly half of those using automation more say it's because of the pandemic.

“Is your company using automation more or less than you expected at the beginning of this year, before the COVID-19 outbreak?”



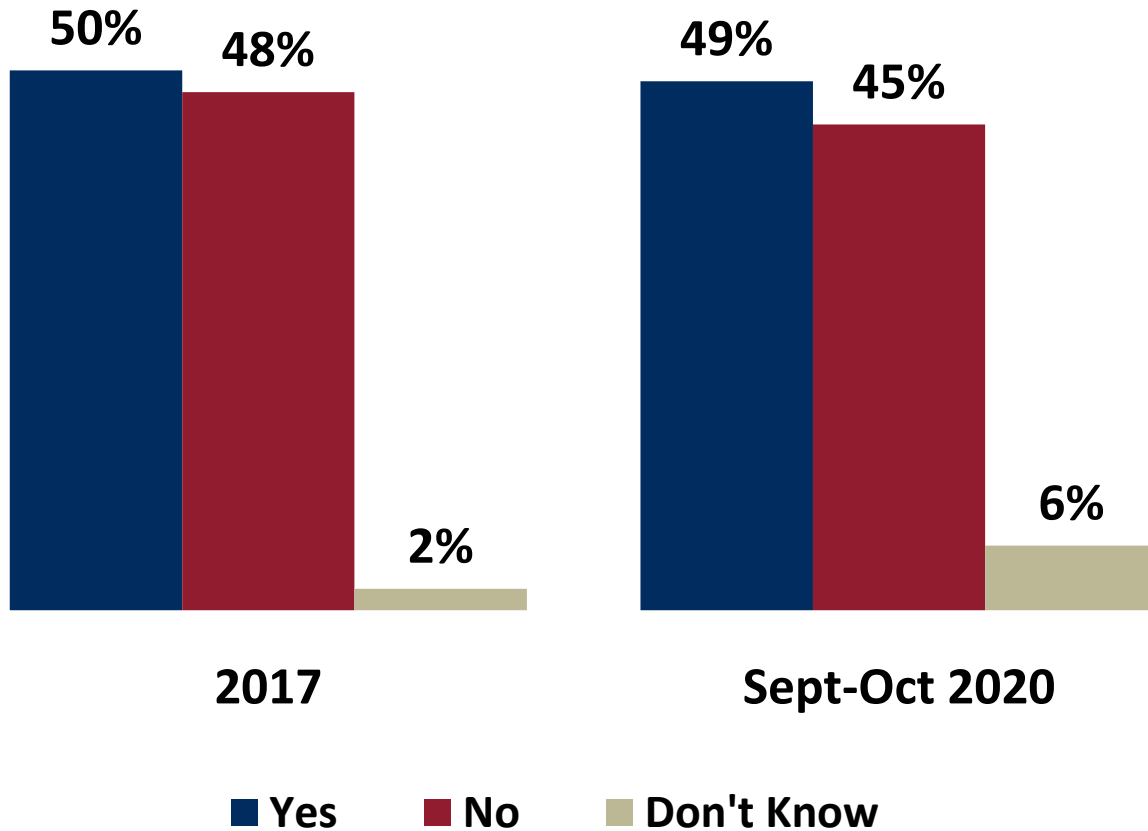
“Would you say your company's automation use changes are a result of the global pandemic or are they not related?”

47% Yes  
53% No

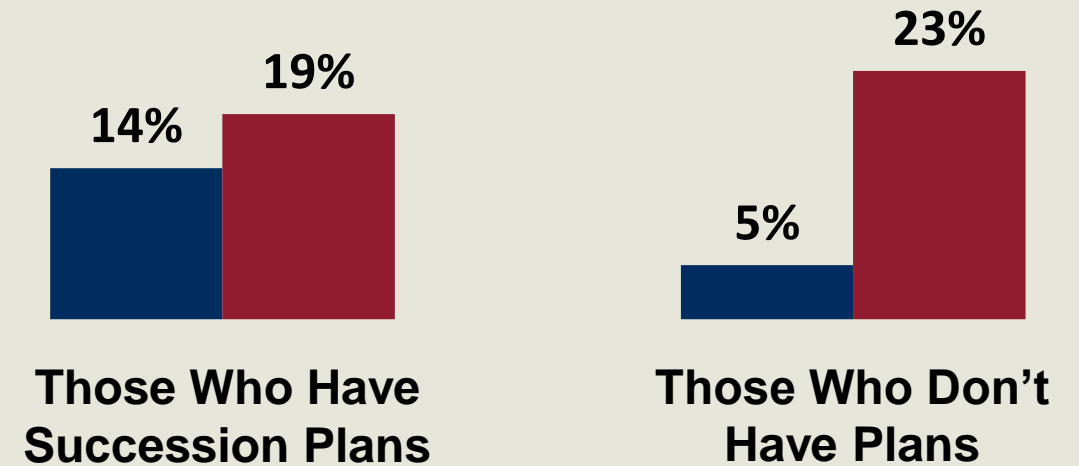
25% Yes  
75% No

# The percentage of manufacturers who have a succession plan is holding steady, but COVID-19 is causing some to delay planning.

“Does your company have a succession plan?”

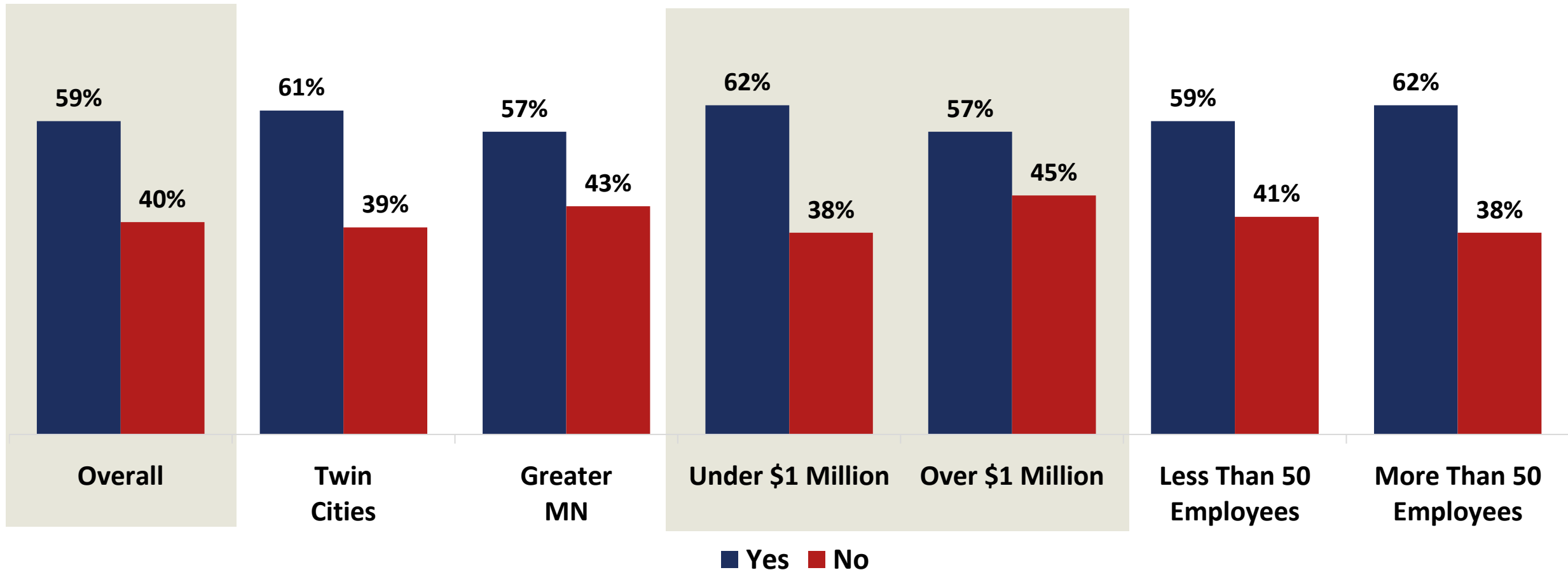


“How has the impact of COVID-19 and the global pandemic affected your succession plan? Has it accelerated the planning, delayed the planning, or something else?”



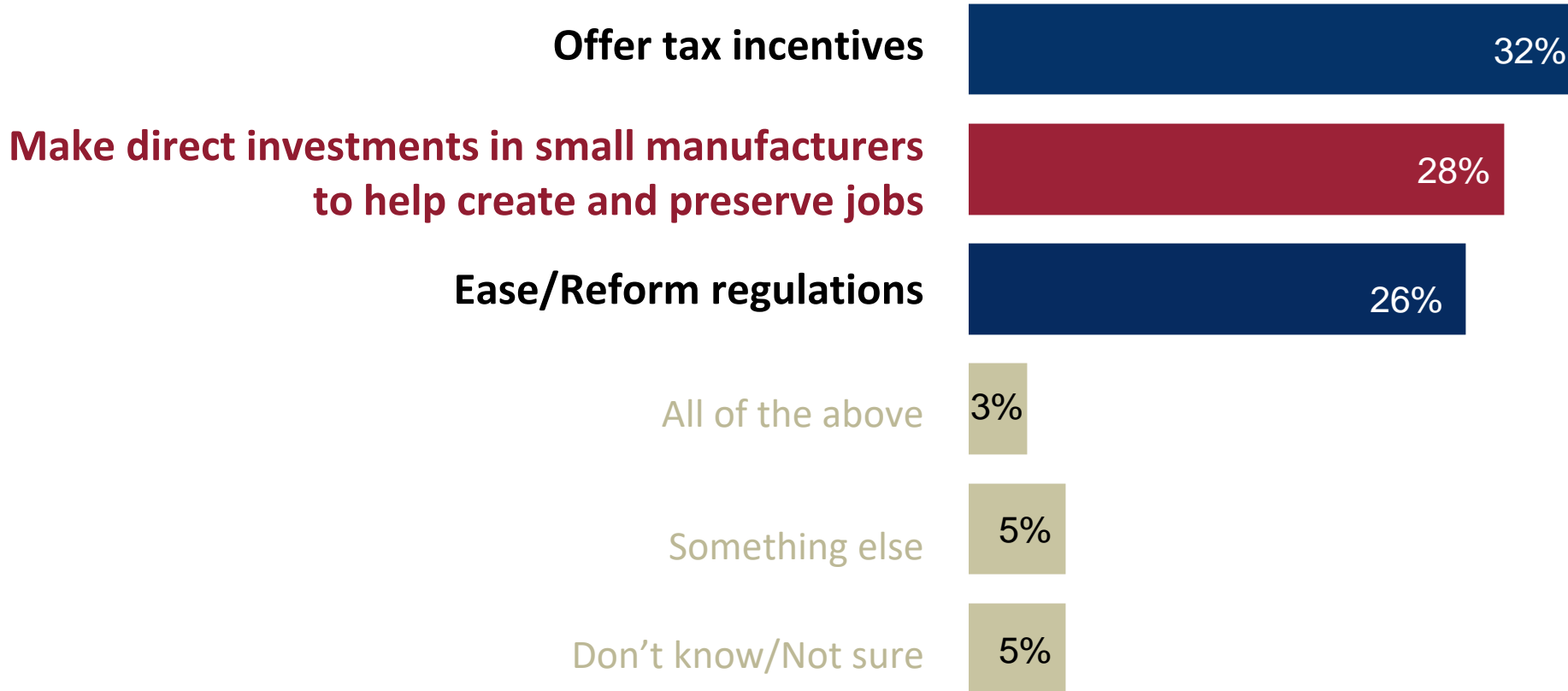
# Manufacturers say COVID-19 has impacted their original plan for 2020.

“Thinking about your company's strategic plan for growth, has the impact of COVID-19 and the global pandemic changed your original plan for 2020 for growth or recovery?”



# Manufacturers want state leaders to offer tax incentives, make direct investments, and ease regulations to help businesses out.

“On another topic, which of the following should the Governor and State Legislature do to support small businesses and manufacturing?”



# Manufacturers of all types find broad agreement on what leaders should do.

“On another topic, which of the following should the Governor and State Legislature do to support small businesses and manufacturing?”

	Twin Cities	Greater MN	Revenue Under \$1 Million	Between \$1-5 Million	Revenue \$5 Million +	Less than 50 Employees	More than 50 Employees
Offer tax incentives	31%	34%	32%	29%	31%	33%	27%
Make direct investments to manufacturers	31%	25%	31%	25%	27%	28%	29%
Ease/Reform regulations	26%	26%	25%	28%	28%	26%	25%

## The Bottom Line

- **The long shadow of the COVID-19 economy has triggered the greatest plunge in optimism among manufacturers since the Great Recession of 2008, the first year we conducted the State of Manufacturing. The number of companies expecting increased revenues in 2020 has never been lower and the number of executives who fear recession increased by seven-fold. Confidence in the business climate is half what it was in 2018.**
- **About two-thirds of manufacturers say COVID-19 has impacted their original plans for growth in 2020.**

- **Economic and global uncertainty has become a top concern of manufacturers.**
- **The demand for qualified workers remains high, most dramatically among larger companies.**
- **Manufacturers are looking for state leaders to help through tax incentives and direct investments in small companies.**
- **As manufacturers increasingly rely on the internet to replace in-person sales and communication, cyber security has become increasingly important.**



Full results can be viewed at [enterpriseminnesota.org](http://enterpriseminnesota.org)

The 2020 State of Manufacturing® survey was sponsored by:



# Manufacturing Panel

## Panel Moderator

- **Tom Whelan, *Retired President* – Nemer Fieger**

## Panelists

- **E.J. Daigle, *Dean of Robotics & Manufacturing* – Dunwoody College of Technology**
- **Dave Dickirson, *General Manager* – Plastech Corporation**
- **Bob Kill, *President & CEO* – Enterprise Minnesota**
- **Jason LaValley, *CEO* – LaValley Industries**

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