

Welcome to

# The State of Manufacturing<sup>®</sup>



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## Methodology

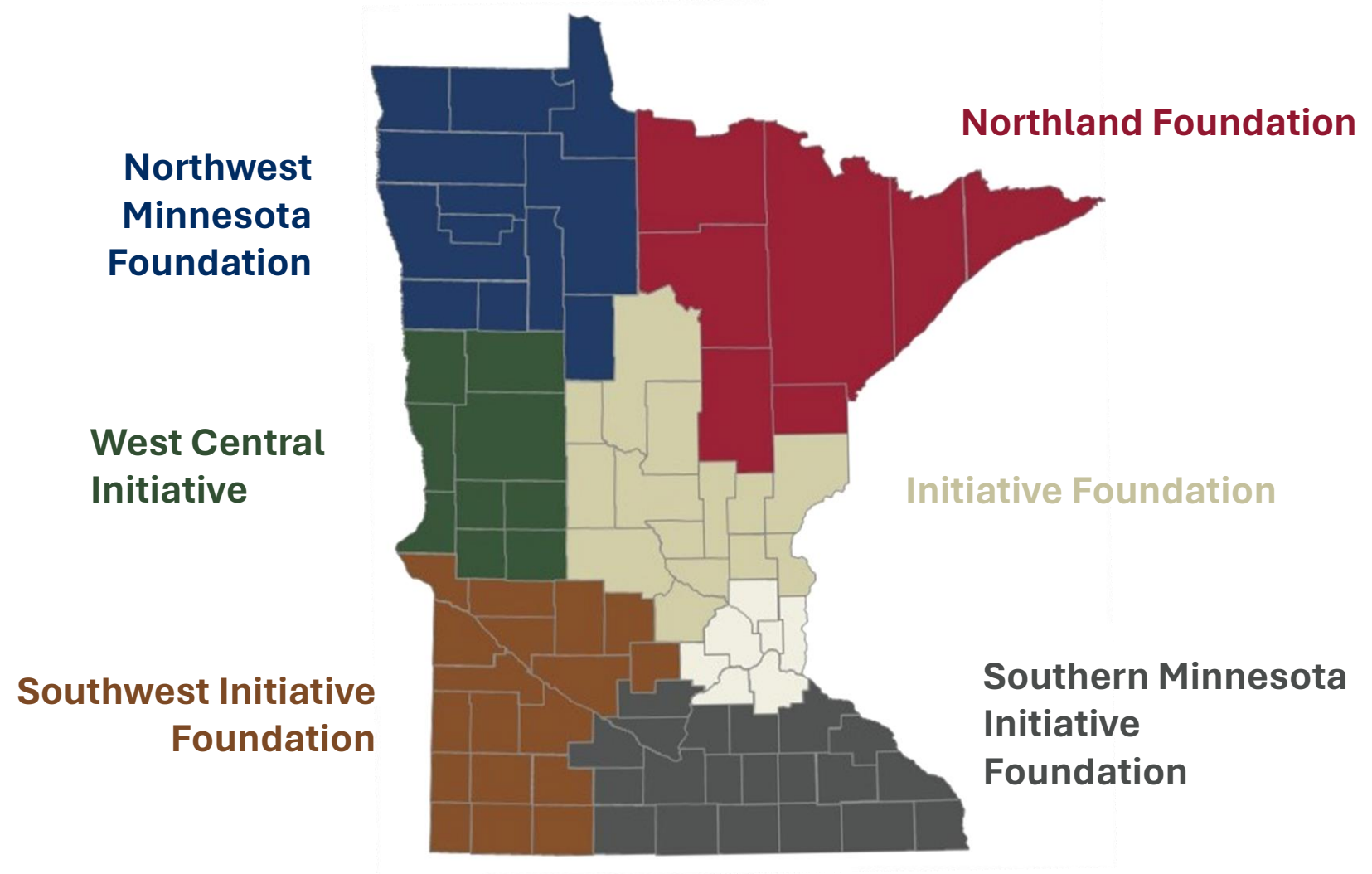
On behalf of Enterprise Minnesota, Meeting Street Insights is pleased to present the key findings from the **16<sup>th</sup> annual survey** of manufacturing executives in Minnesota.

The survey was conducted **August 21 through September 19, 2024**, 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 16 surveys.

# Minnesota Initiative Foundations

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



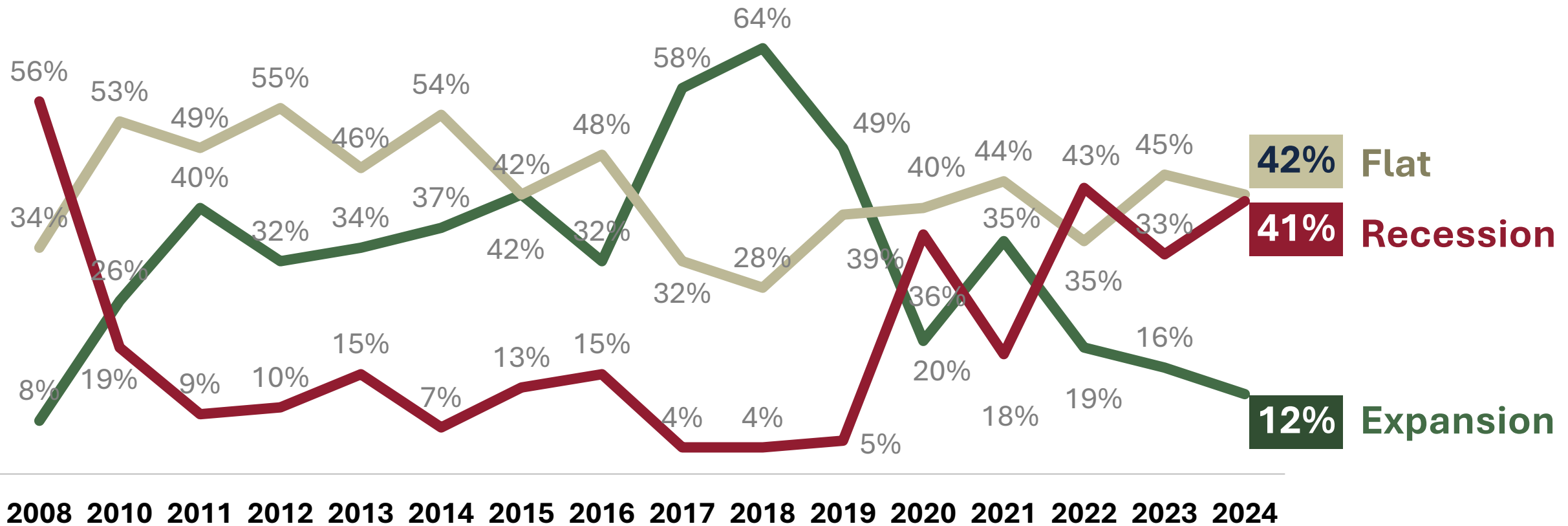


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## Key Fall 2024 Findings

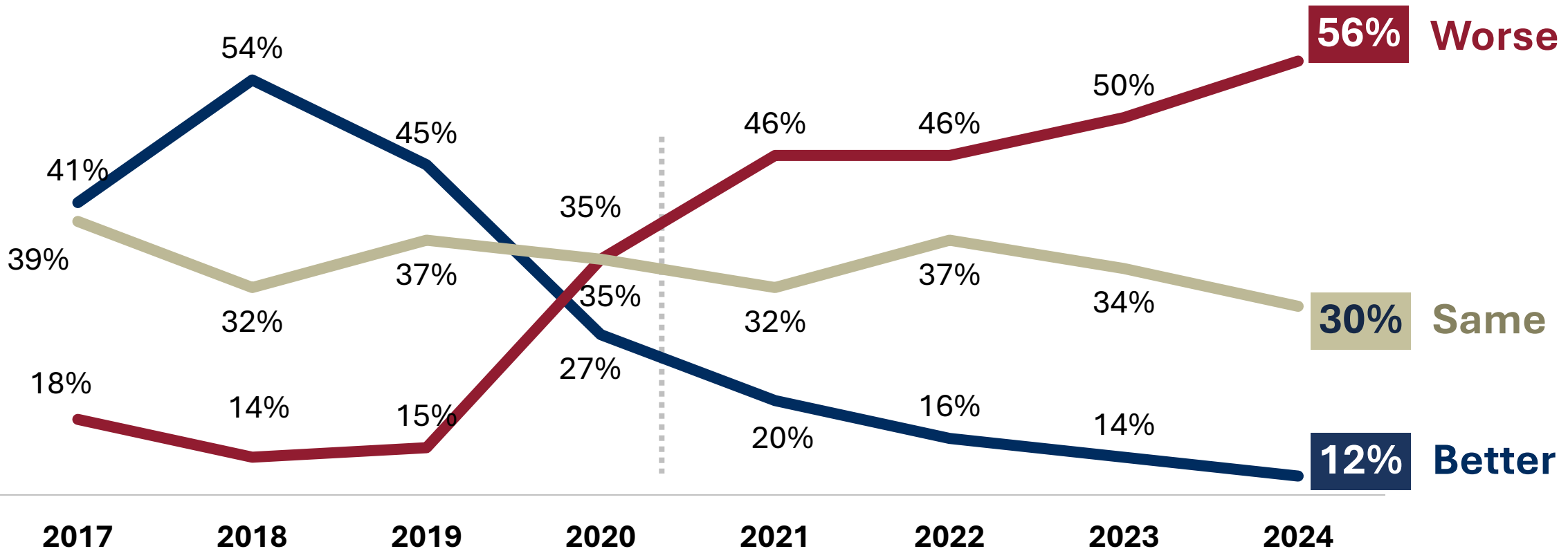
## Recessionary fears are on the rise – up eight points from a year ago.

“And, even though we only have a few months left in 2024, as you think about this year, 2024, as a whole, do you think this year will be one of economic expansion, a flat economy, or a recession?”



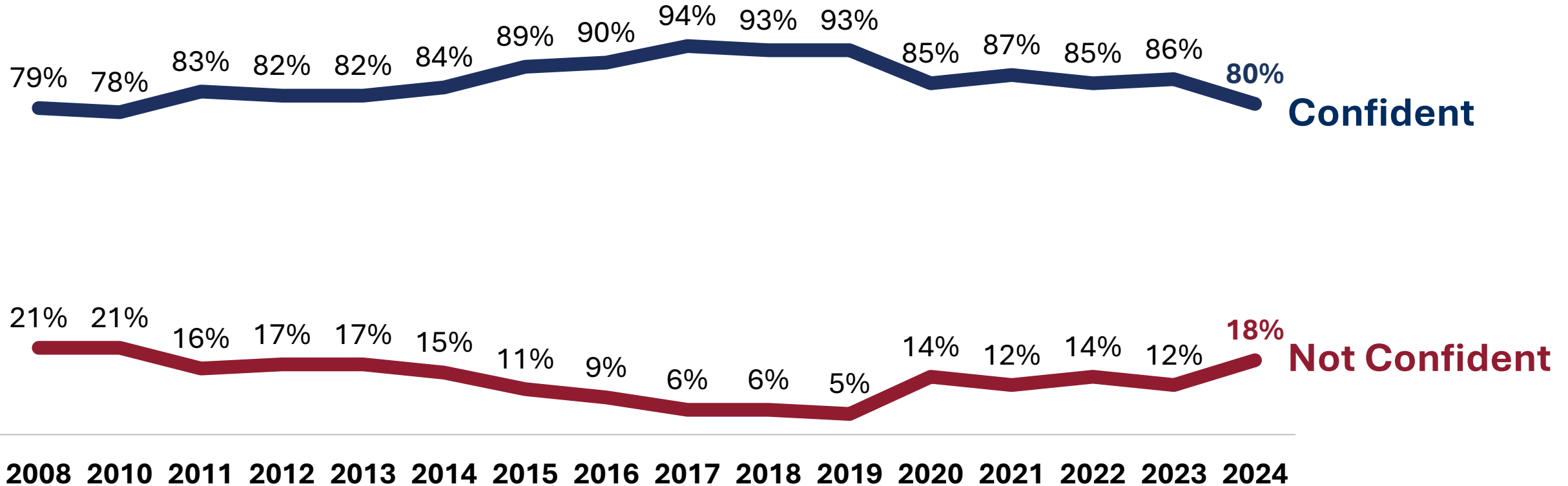
## The percentage who say the business climate in Minnesota has gotten worse is at its highest level yet.

“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?”



## We are also seeing manufacturer confidence dip to its lowest level since the Great Recession (2008 and 2010).

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





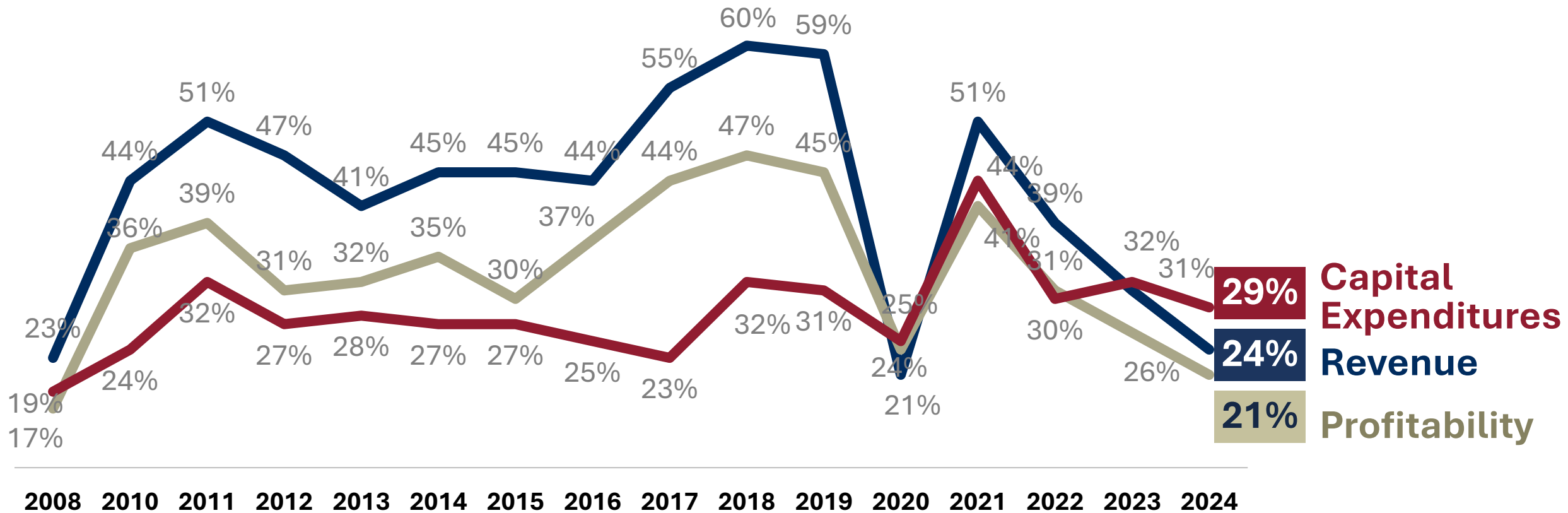
## Confidence has eroded even more among smaller manufacturers.

% Confident In Company's Future

	2019	2020	2021	2022	2023	2024
Metro companies	93%	87%	89%	85%	89%	82%
Greater Minnesota companies	93%	82%	85%	83%	81%	79%
<b>Less than \$1 million in revenue</b>	<b>93%</b>	<b>78%</b>	<b>81%</b>	<b>75%</b>	<b>75%</b>	<b>71%</b>
\$1-5 million in revenue	91%	88%	87%	89%	88%	81%
Over \$5 million in revenue	95%	90%	95%	96%	99%	92%
<b>50 or fewer employees</b>	<b>93%</b>	<b>83%</b>	<b>84%</b>	<b>83%</b>	<b>84%</b>	<b>78%</b>
Over 50 employees	94%	89%	97%	92%	95%	94%

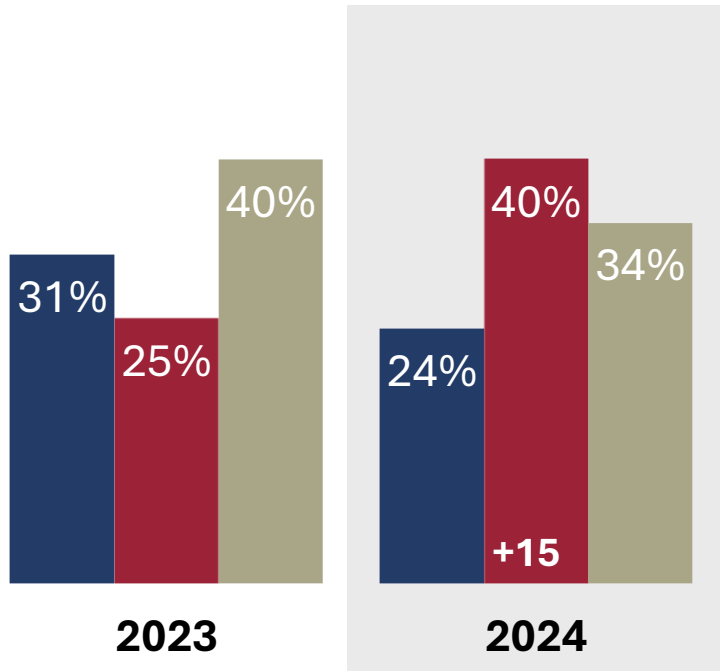
## Increase projections for gross revenues and profitability are down.

Percent of Manufacturers Expecting Increases in 2024 for...

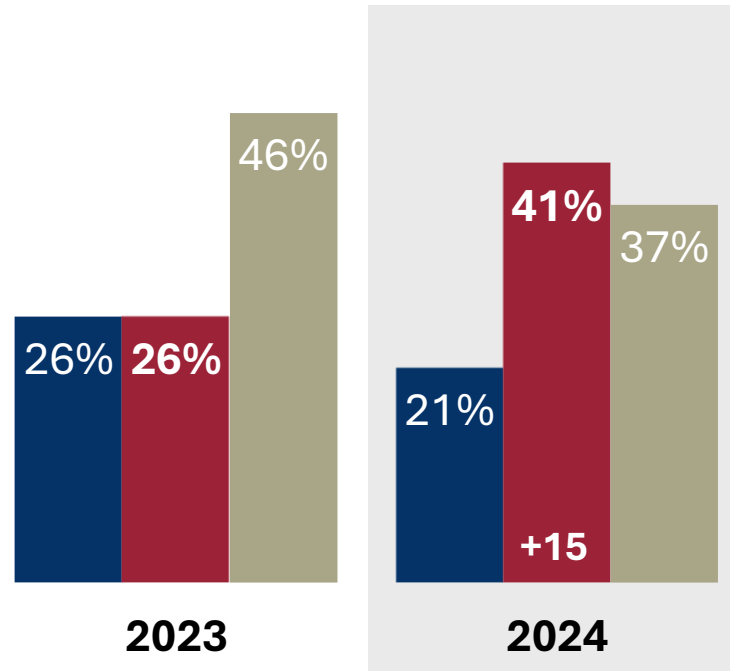


Even more telling is the fact that expected decreases in gross revenues and profitability are much higher this year than last.

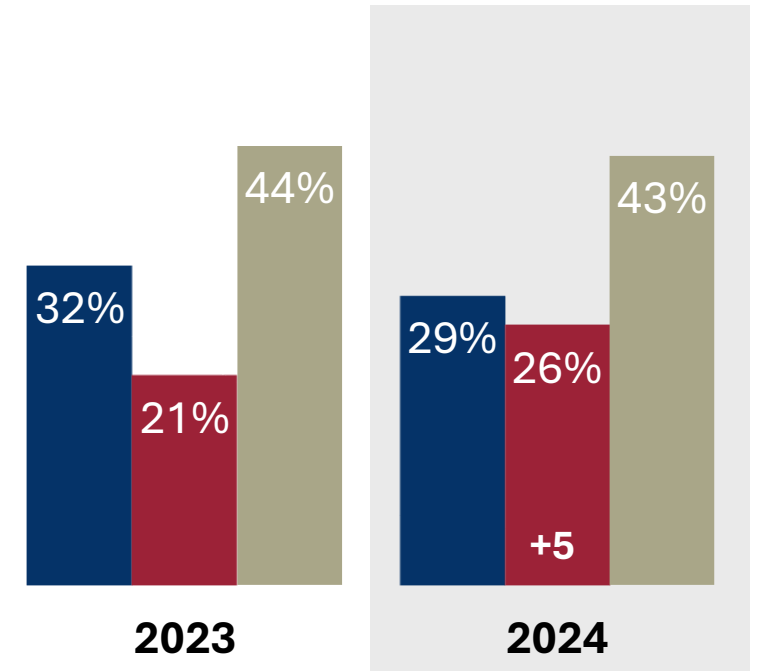
### Gross Revenues



### Profitability



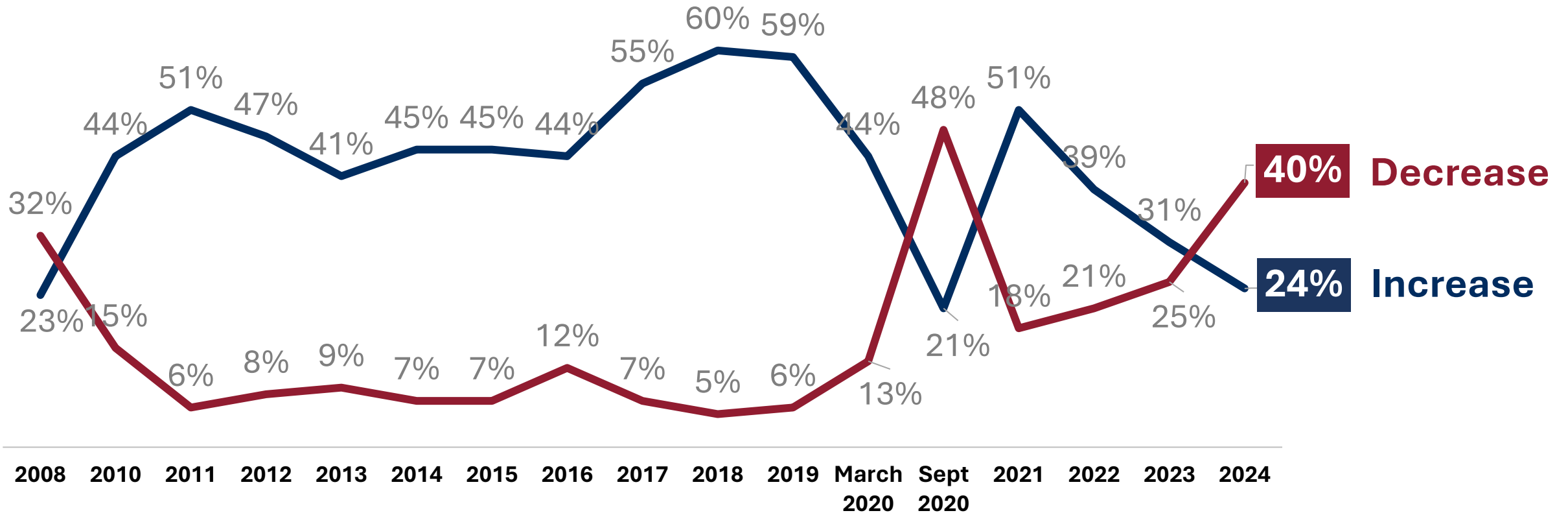
### Capital Expenditures



■ Increase   ■ Decrease   ■ Stay the Same

**There have only been two other times when expected decreases in gross revenues ran higher than expected increases: the Great Recession of 2008 and the six months into the COVID-19 pandemic.**

Gross Revenue Projections Since 2008



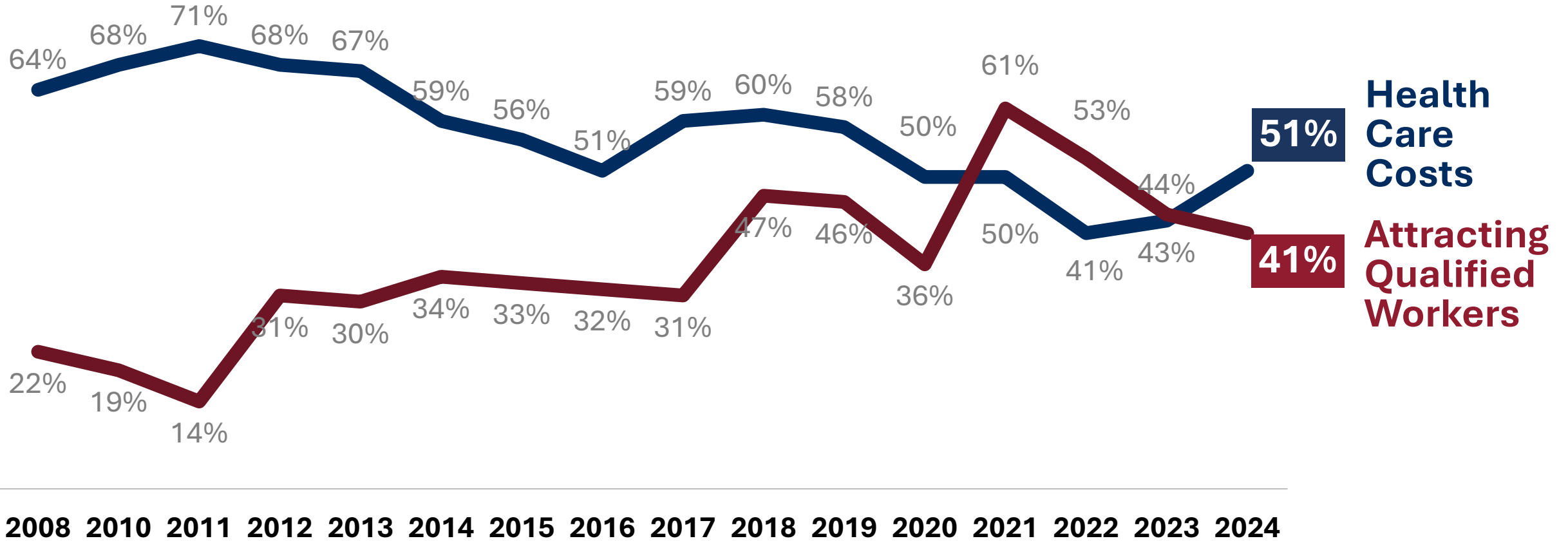
## Inflation and health care costs have surged in concern this year.

Concerns Ranked by % Concern (8-10) (Highlighted issues have changed 5%+ since 2023)

	2023	2024	Changed Since 2023
Attracting qualified workers	44%	41%	-3
<b>The costs of health care coverage</b>	43%	51%	<b>+8</b>
<b>Overall Inflation</b>	38%	53%	<b>+15</b>
Costs of employee salaries and benefits	36%	38%	+2
Retaining qualified workers	35%	34%	-1
Developing future leaders	29%	28%	-1

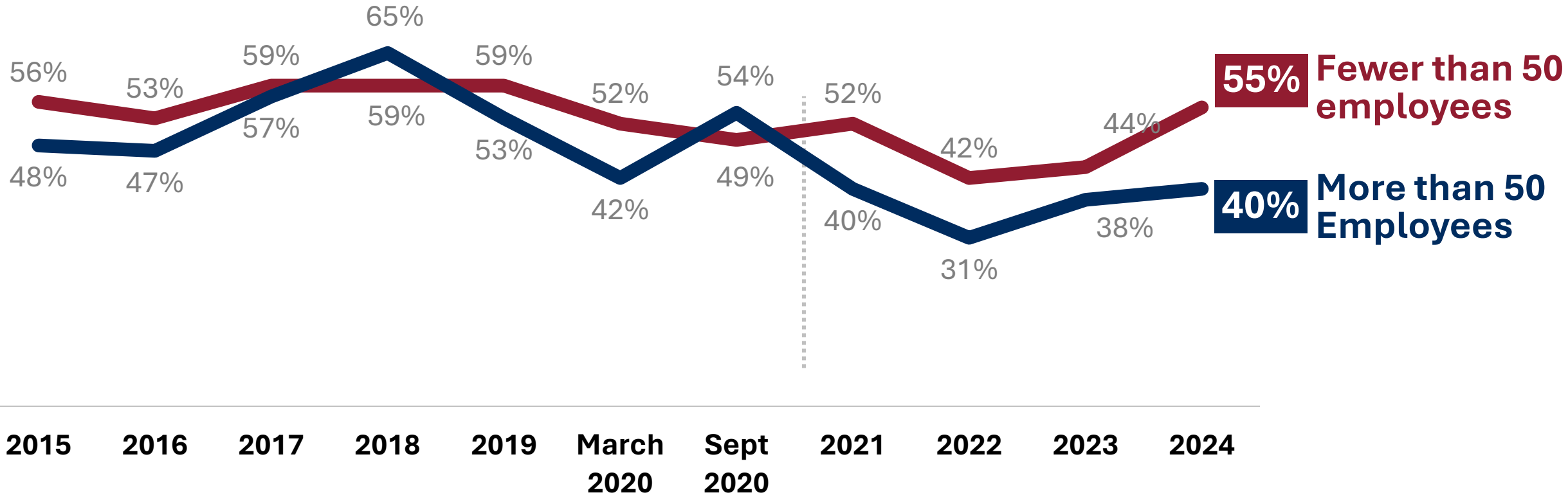
## Attracting qualified workers has dropped for the third consecutive year, while health care cost concerns rise again.

% Concerned (8-10) Over Time



# Concerns about health care costs have climbed this year with smaller companies, but they've been on the rise for all since 2022.

Health Care Costs - % Concerned (8-10)



## Top Three Concerns by Foundation (% 8-10 Concern)

### Northwest Minnesota Foundation

Overall Inflation (80%)  
Costs of Health Care (74%)  
Attracting Workers (47%)

### West Central Initiative

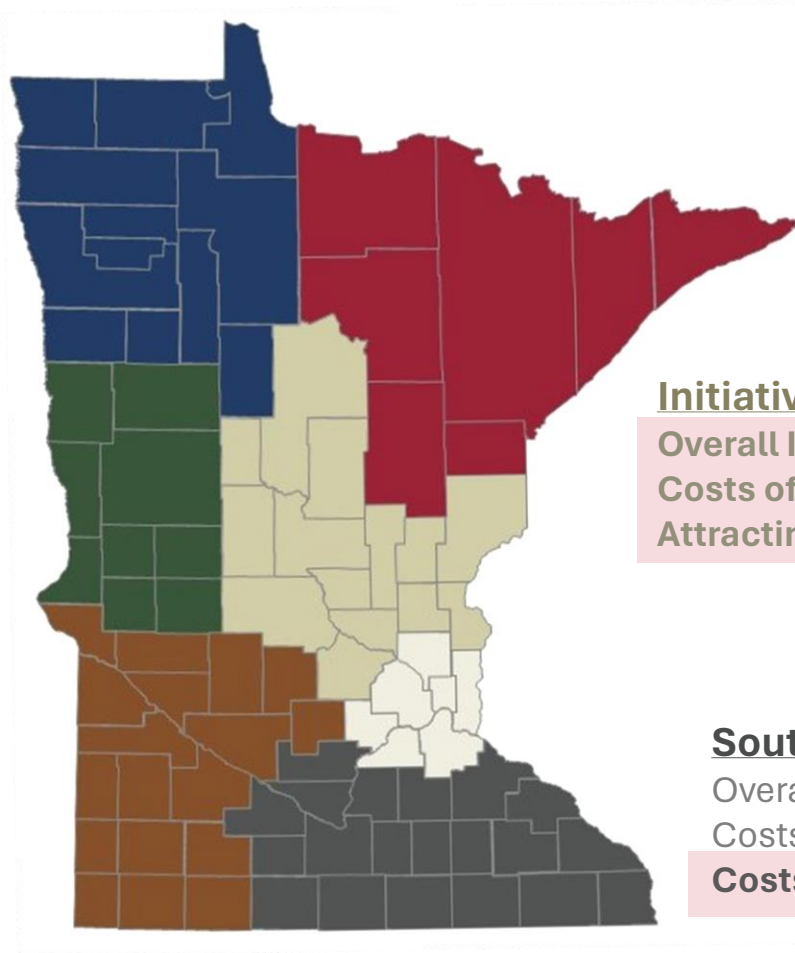
Costs of Health Care (56%)  
Retaining Workers (52%)  
Attracting Workers (49%)

### Southwest Initiative Foundation

Costs of Health Care (58%)  
Overall Inflation (56%)  
Costs of Salaries (56%)

### Twin Cities

Overall Inflation (60%)  
Costs of Health Care (56%)  
Attracting Workers (48%)



### Northland Foundation

Costs of Health Care (47%)  
Retaining Workers (45%)  
Overall Inflation (44%)

### Initiative Foundation

Overall Inflation (67%)  
Costs of Health Care (62%)  
Attracting Workers (56%)

### Southern Minnesota Initiative Foundation

Overall Inflation (57%)  
Costs of Health Care (49%)  
Costs of Salaries (49%)

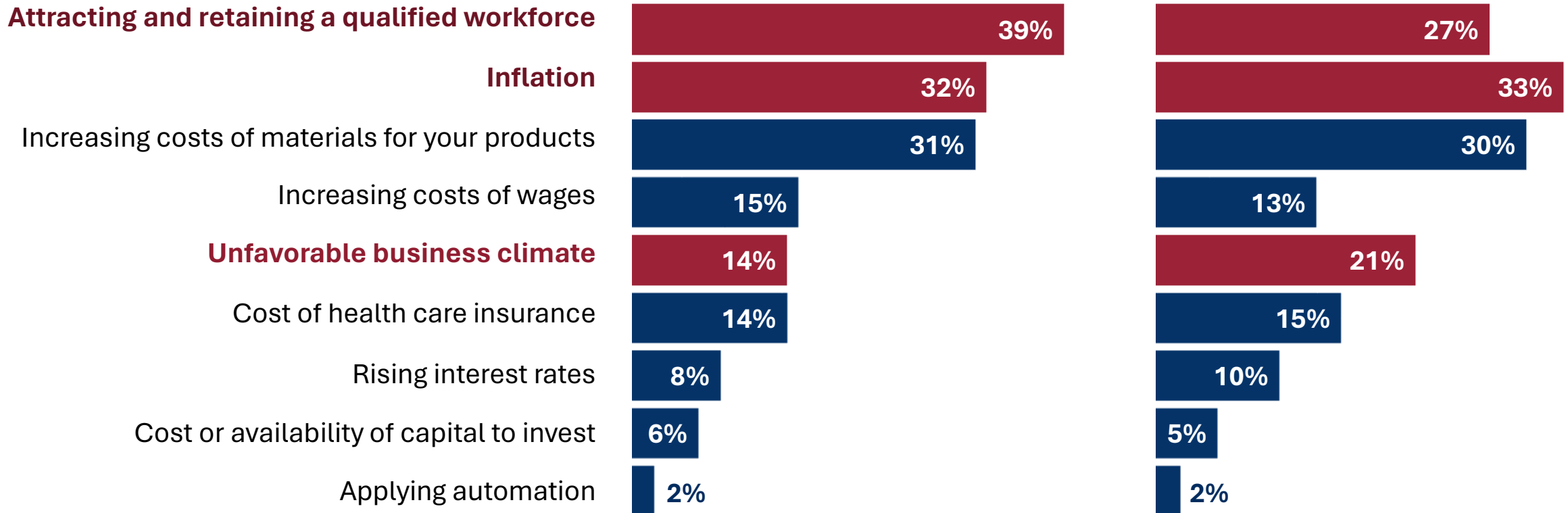


# Workforce and inflation are seen as the biggest challenges to growth, with unfavorable business climate seeing the biggest jump up this year.

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

**2023**

**2024**



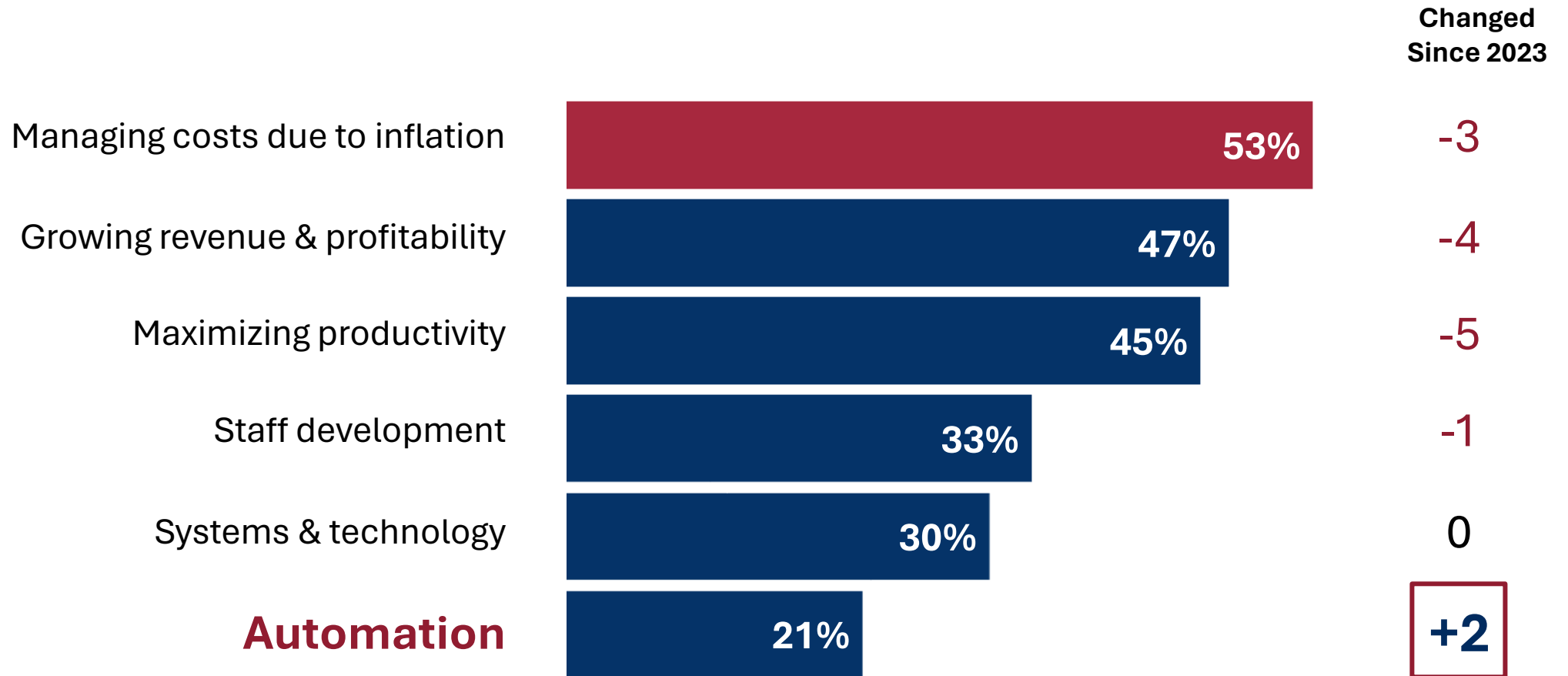
## Inflation is a more shared concern, while increasing costs of materials impacts smaller companies more and workforce impacts larger ones more.

“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
<b>Inflation</b>	<b>40%</b>	<b>28%</b>	<b>30%</b>	<b>32%</b>	<b>36%</b>
<b>Increasing costs of materials for your products</b>	<b>43%</b>	<b>24%</b>	<b>15%</b>	<b>32%</b>	<b>19%</b>
<b>Attracting &amp; retaining a qualified workforce</b>	<b>18%</b>	<b>25%</b>	<b>45%</b>	<b>23%</b>	<b>49%</b>
Unfavorable business climate	19%	23%	26%	21%	26%
Cost of health care insurance	11%	24%	11%	17%	7%
Increasing costs of wages	9%	19%	13%	13%	15%
Rising interest rates	8%	12%	9%	11%	4%
Cost or availability of capital to invest	5%	6%	2%	6%	0%
Applying automation	1%	1%	4%	2%	2%

# Automation is the one area where manufacturers tell us they expect to see an increased investment for this year.

“For the entire year of 2024, do you expect an increased investment in any of the following areas?”



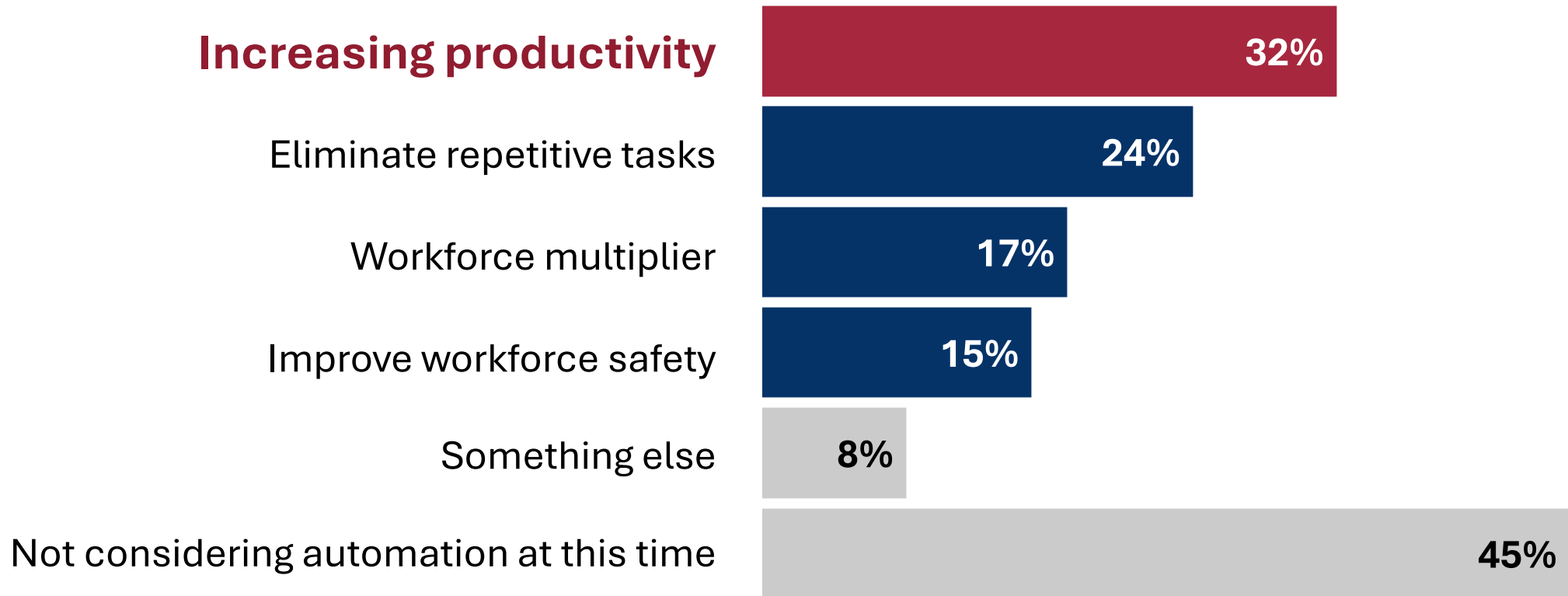
## Higher revenue manufacturers are focused on more areas of investment than smaller revenue companies.

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	50%	57%	55%
Growing revenue & profitability	39%	51%	52%
Maximizing productivity	33%	51%	52%
Staff development	22%	38%	43%
Systems & technology	20%	30%	46%
Automation	11%	22%	35%

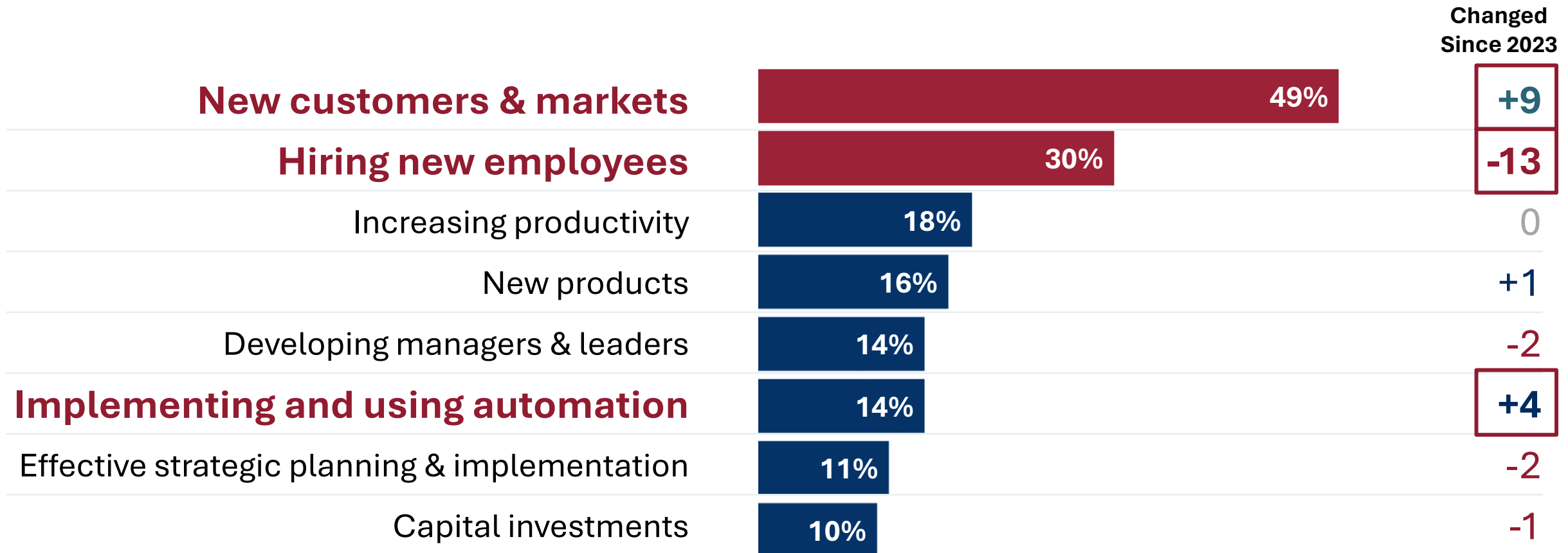
## Increasing productivity is where executives think automation can help.

“As you look for applications in your business that can be automated, what are some of the reasons you are exploring or considering exploring automation?”



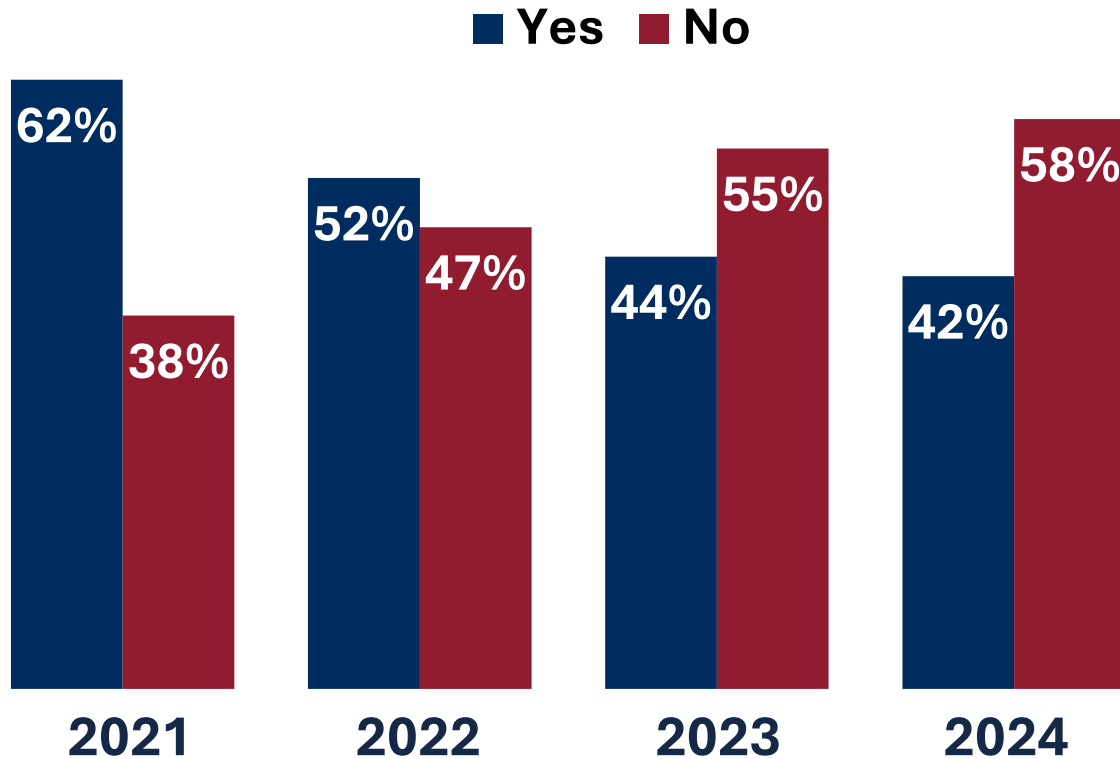
## New customers and markets is seen as the most important driver of growth.

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

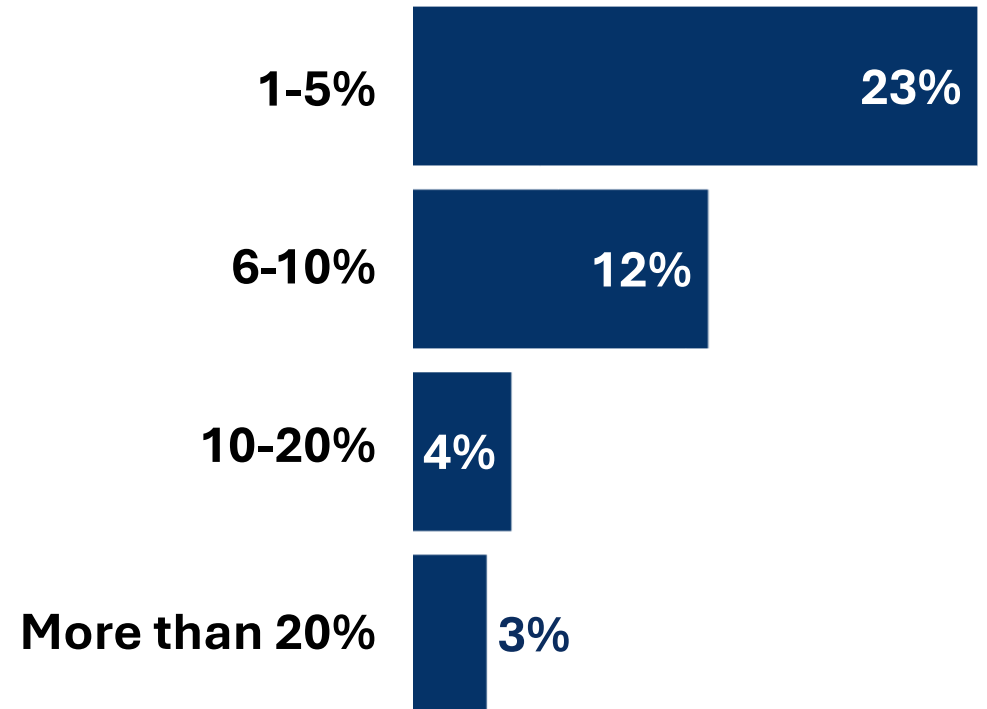


## Fewer manufacturers are hiring – the lowest percentage we’ve seen in our polling. And, those who are hiring aren’t hiring many.

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

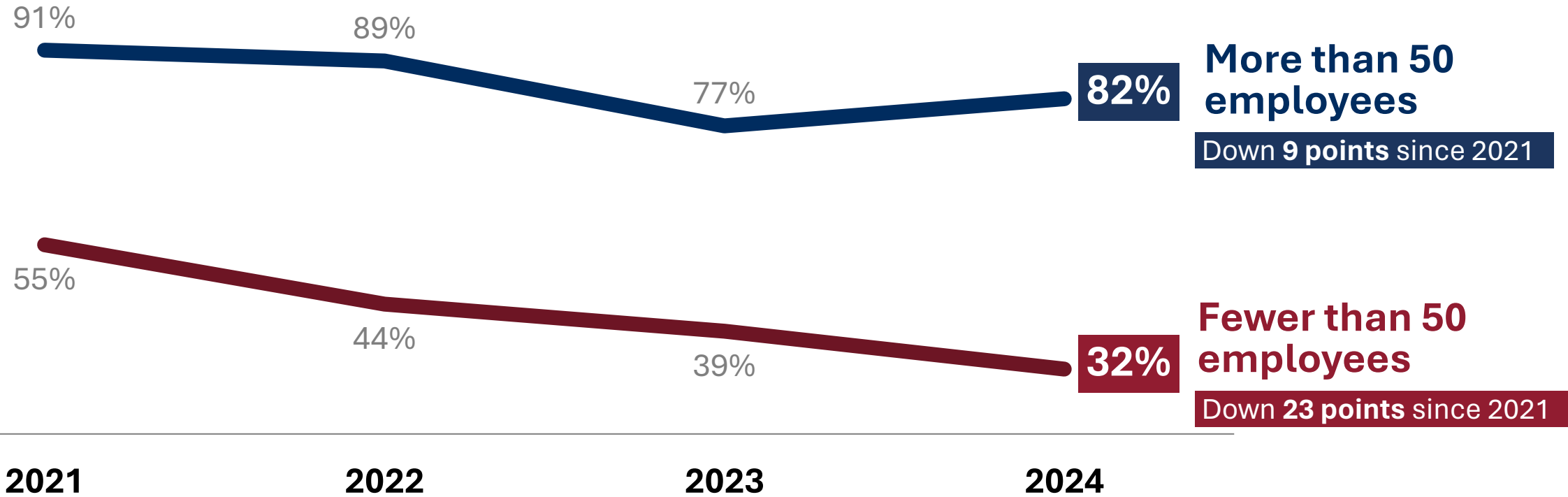


“And what percentage of positions are currently open?”



# Smaller manufacturers, in particular, aren't hiring these days.

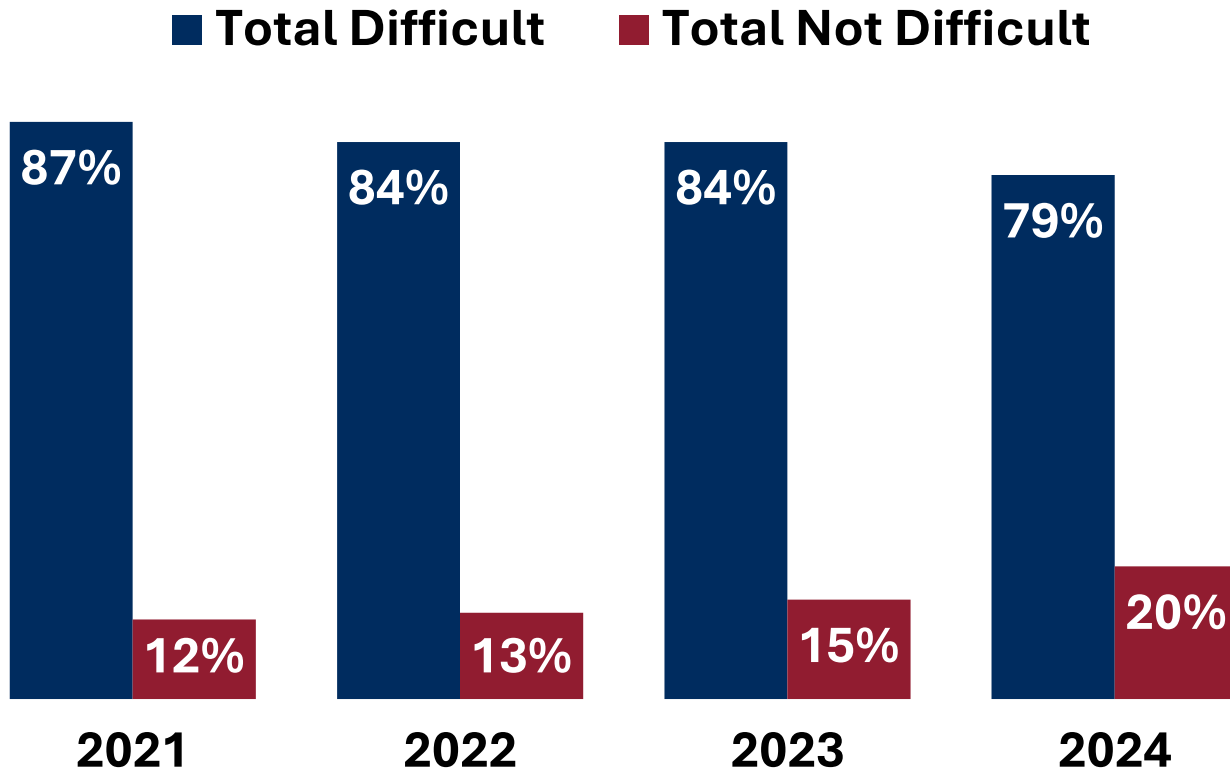
% Hiring by Employer Size





## The percentage who say it's very difficult to find workers is declining.

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



	% Very Difficult
2021	55%
2022	48%
2023	41%
<b>2024</b>	<b>39%</b>

## Nearly three-fourths of larger manufacturers say they are hiring and finding it hard to find the workers they need.

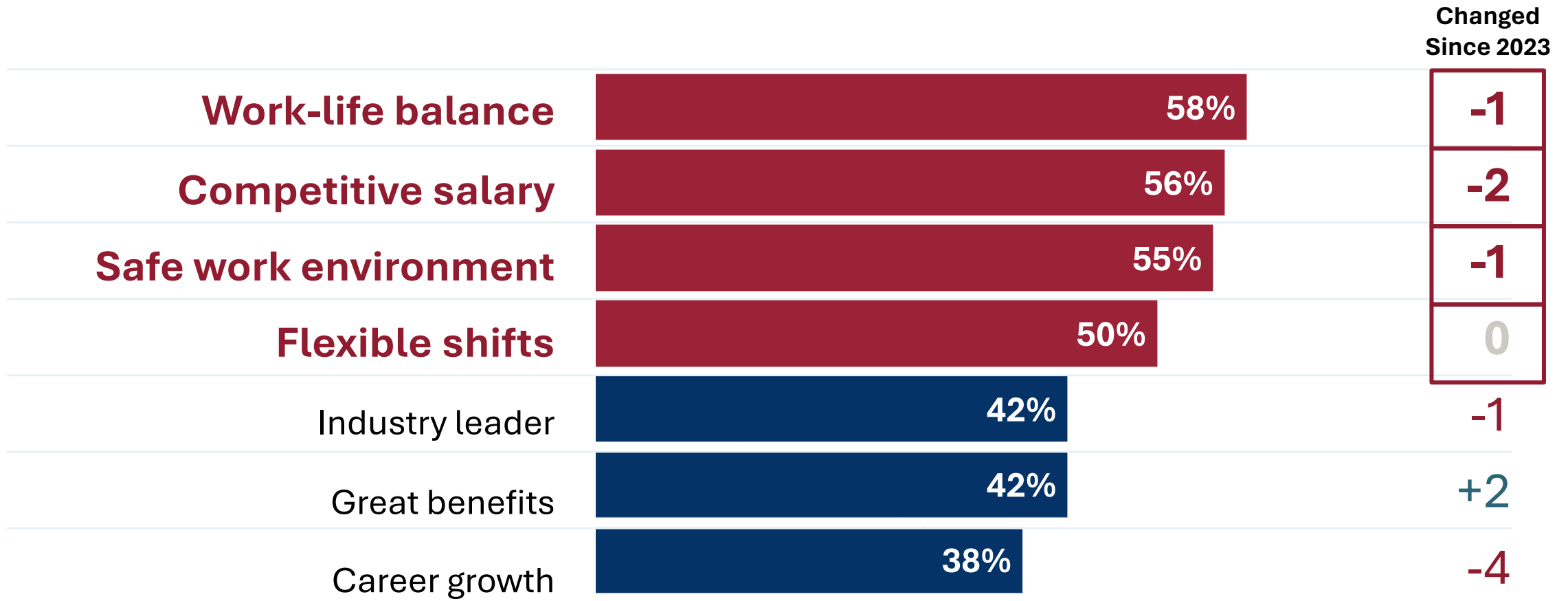
% Hiring & % Difficult Attracting Qualified Candidates

	Hiring	Difficult	
Metro companies	36%	76%	
Greater Minnesota companies	44%	84%	
Less than \$1 million in revenue	24%	81%	
\$1-5 million in revenue	41%	69%	
Over \$5 million in revenue	64%	89%	
<b>50 or fewer employees</b>	32%	78%	<b>→ 30%</b>
<b>Over 50 employees</b>	82%	87%	<b>→ 72%</b>

**% Who Are Hiring AND Find It Difficult:**

## There are four areas where most manufacturers want to be known...

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



## We have seen a gradual decline in competitive salary.

What Your Company Wants to Be Known For – Over Time

	2021	2022	2023	2024
Work-life balance	58%	56%	59%	58%
<b>Competitive salary</b>	<b>61%</b>	<b>62%</b>	<b>58%</b>	<b>56%</b>
Safe work environment	57%	62%	56%	55%
Flexible shifts	47%	47%	50%	50%
Industry leader	42%	43%	43%	42%
Great benefits	45%	43%	40%	42%
Career growth	45%	38%	42%	38%

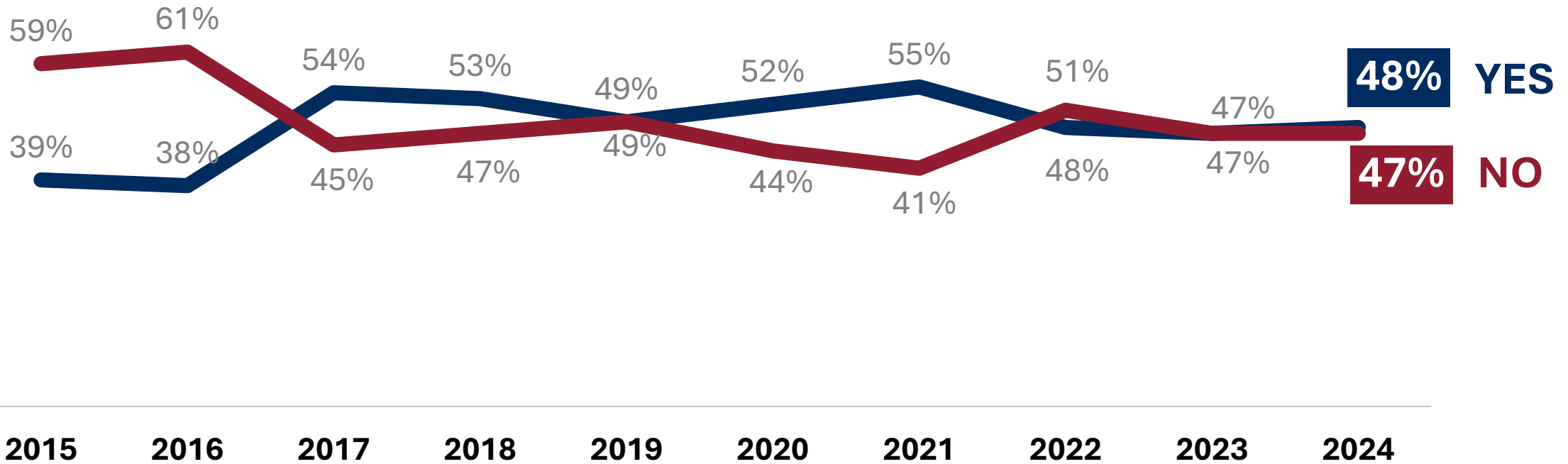
**Smaller manufacturers are more focused on work-life balance, competitive salaries, and a safe work environment. Larger companies are more of an “all of the above” type deal.**

What Your Company Wants to Be Known For – By Employer Size (50%+ Items Highlighted)

	<b>50 or Fewer Employees</b>	<b>Over 50 Employees</b>
<b>Work-life balance</b>	<b>59%</b>	<b>58%</b>
<b>Competitive salary</b>	<b>54%</b>	<b>64%</b>
<b>Safe work environment</b>	<b>52%</b>	<b>70%</b>
<b>Flexible shifts</b>	<b>49%</b>	<b>56%</b>
<b>Industry leader</b>	<b>38%</b>	<b>61%</b>
<b>Great benefits</b>	<b>39%</b>	<b>56%</b>
<b>Career growth</b>	<b>34%</b>	<b>53%</b>

# About half of manufacturers have a formal strategic plan, about half don't.

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



## Larger companies overwhelmingly do, smaller companies are likely not to.

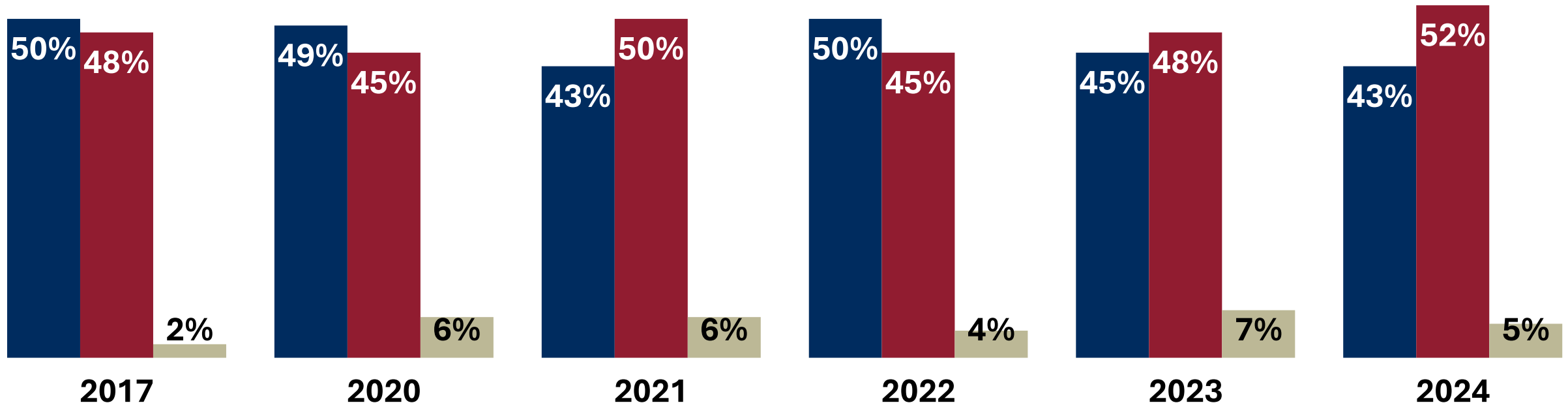
Formal Strategic Plan by Key Groups

	Yes	No
<b>Less than \$1 million in revenue</b>	<b>33%</b>	66%
\$1-5 million in revenue	52%	45%
<b>Over \$5 million in revenue</b>	<b>69%</b>	24%
<b>50 or fewer employees</b>	<b>44%</b>	53%
<b>Over 50 employees</b>	<b>73%</b>	21%

## The percentage of manufacturers who have a succession plan has stalled out the last two years and sits in the low to mid-40s.

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

■ Yes ■ No ■ Don't Know





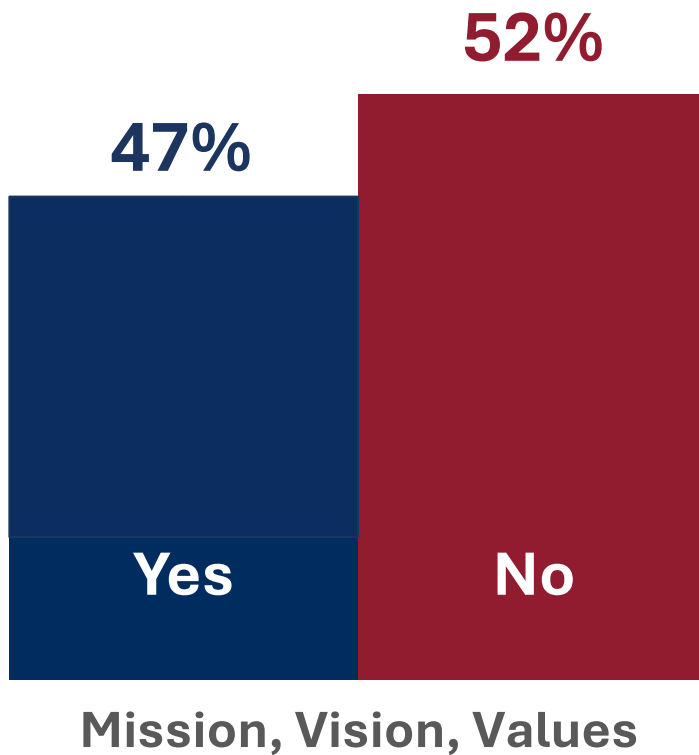
**Similar to formal strategic plans, succession plans are more frequent among larger-sized manufacturers than the smaller companies.**

Succession Plan by Key Groups

	Yes	No
<b>Less than \$1 million in revenue</b>	<b>33%</b>	65%
\$1-5 million in revenue	42%	54%
<b>Over \$5 million in revenue</b>	<b>60%</b>	<b>32%</b>
<b>50 or fewer employees</b>	<b>37%</b>	<b>59%</b>
<b>Over 50 employees</b>	<b>70%</b>	<b>20%</b>

## Manufacturers are divided on having a formal Mission, Vision, and Values.

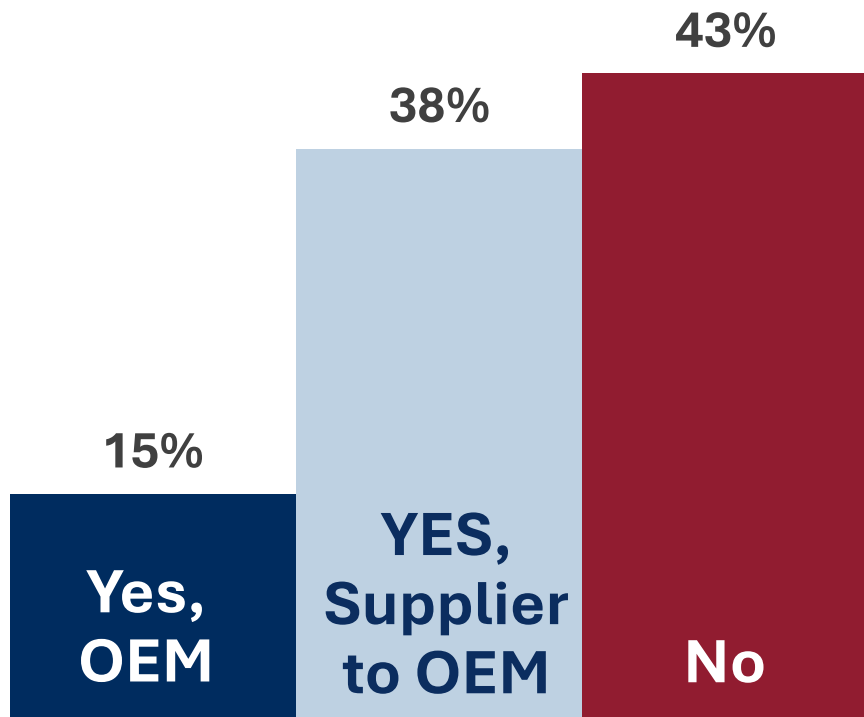
Does your organization have a formal, published “Mission, Vision, and Values?”



	Yes	No
Metro companies	51%	47%
Greater Minnesota companies	42%	57%
Less than \$1 million in revenue	32%	68%
\$1-5 million in revenue	44%	53%
Over \$5 million in revenue	74%	26%
50 or fewer employees	41%	58%
Over 50 employees	77%	21%

**About one in seven say they are an OEM.  
Over half are either an OEM or a supplier to OEMs.**

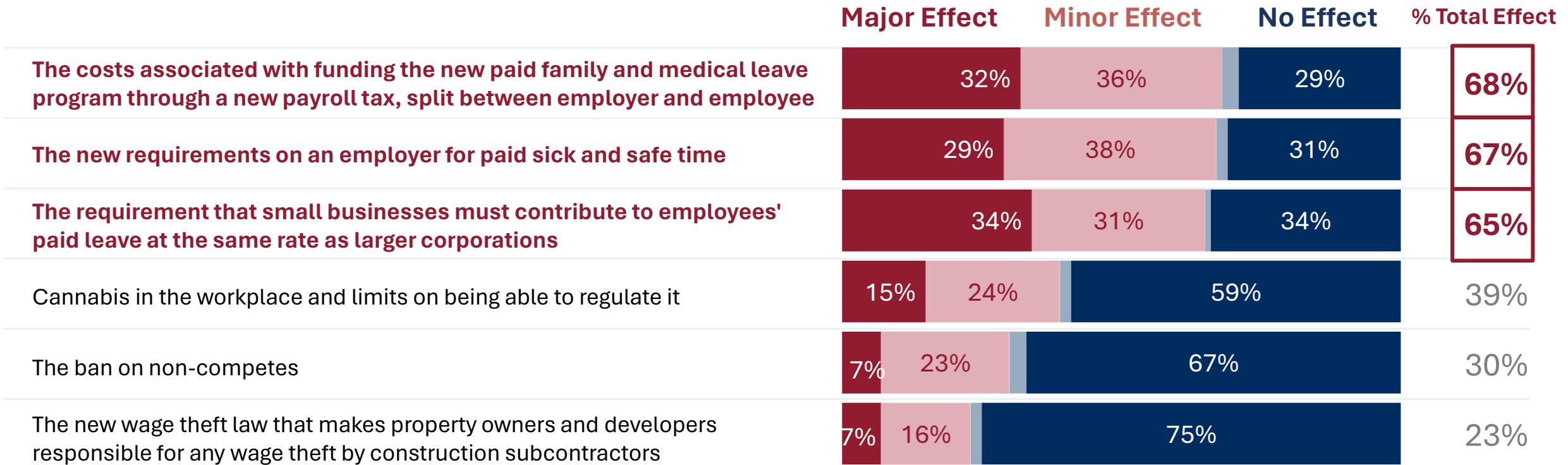
“Thinking about your business, are you an OEM or a supplier to OEMs?”



	OEM	OEM Supplier	No
<b>Metro Companies</b>	13%	38%	44%
<b>Greater Minnesota Companies</b>	17%	38%	42%
<b>Less than \$1 million in revenue</b>	11%	26%	61%
<b>\$1-5 million in revenue</b>	18%	41%	37%
<b>Over \$5 million in revenue</b>	16%	55%	27%
<b>50 or fewer employees</b>	15%	35%	47%
<b>Over 50 employees</b>	13%	55%	25%

## There are three legislative actions that at least two-thirds of manufacturers say will have an effect on their business.

“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. How much did this development affect your business? Would you say it had a major effect, minor effect, or no effect on your business?”



## All types of manufacturers are being impacted by these new laws.

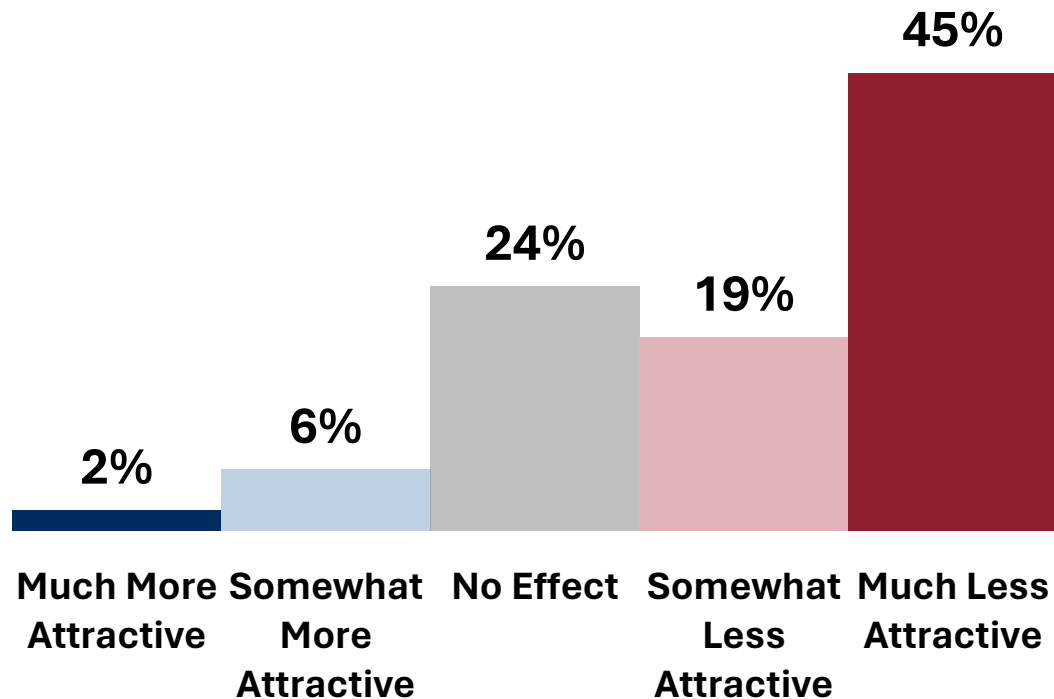
Total Affected by Company Revenue and Size (50%+ Items Highlighted)

	Less than \$1 Million Revenue	Between \$1-\$5 Million Revenue	Over \$5 Million Revenue	50 or Fewer Employees	Over 50 Employees
<b>Costs associated with funding family and medical leave</b>	<b>59%</b>	<b>73%</b>	<b>78%</b>	<b>68%</b>	<b>74%</b>
<b>Paid sick and safe time</b>	<b>61%</b>	<b>74%</b>	<b>71%</b>	<b>67%</b>	<b>76%</b>
<b>Lack of small business exemption for paid leave</b>	<b>63%</b>	<b>69%</b>	<b>64%</b>	<b>68%</b>	<b>57%</b>
Cannabis in the workplace	28%	41%	<b>54%</b>	37%	48%
The ban on non-competes	20%	30%	44%	26%	47%
Wage theft	20%	21%	31%	19%	37%

## Three-fourths say the legislature's actions have 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?”

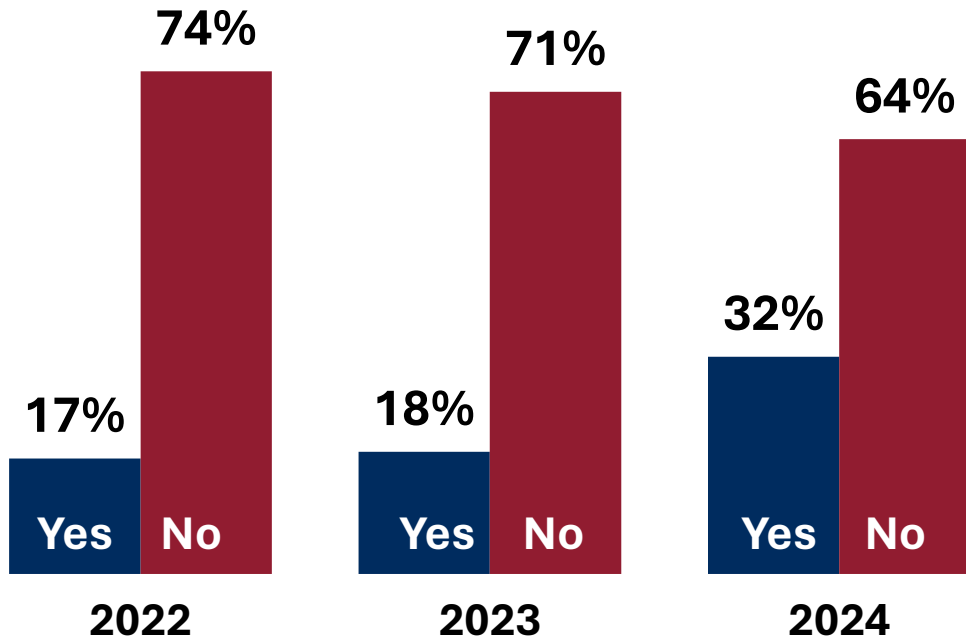
**65%** Less Attractive



	Total Less Attractive
Metro Companies	63%
Greater Minnesota companies	67%
Less than \$1 million in revenue	63%
\$1-5 million in revenue	68%
Over \$5 million in revenue	68%
50 or fewer employees	66%
Over 50 employees	62%

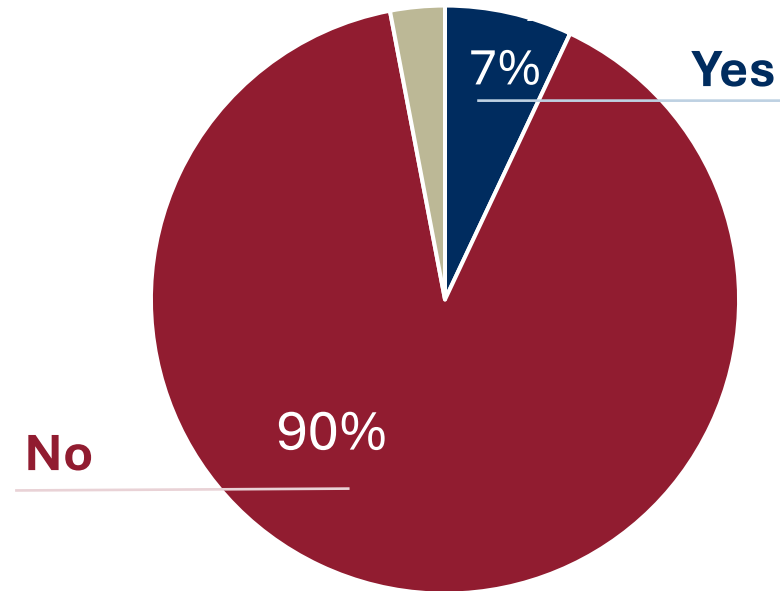
## More are pursuing a formal quality system than we've seen in the past.

“Thinking about formal quality and business management systems, such as ISO, is your company pursuing a formal quality system?”



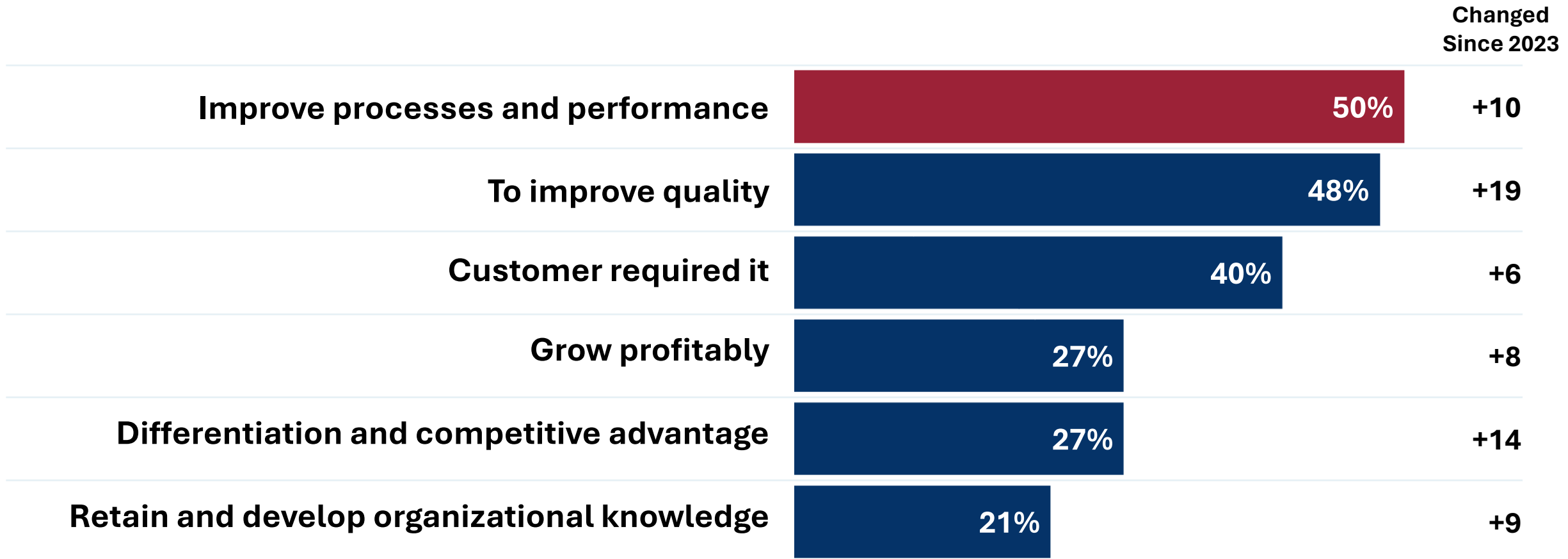
“And, does your company have any plan in the future to pursue a formal quality and business management system, such as ISO”

(Among Those Who Are Not ISO-Certified)



**The top three reasons for doing so are to improve processes and performance, improve quality, and satisfy customer requirements.**

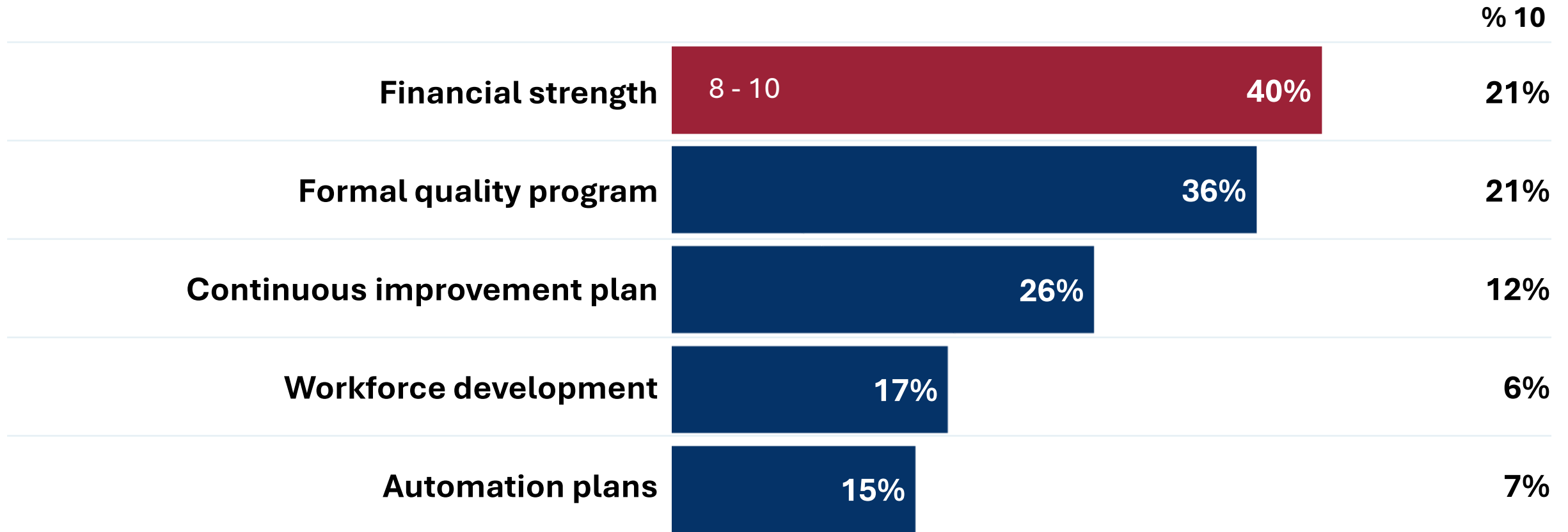
“Below are some of the reasons manufacturers have given us for why they have implemented a formal quality and business management system. Do any of these reasons apply to you?”





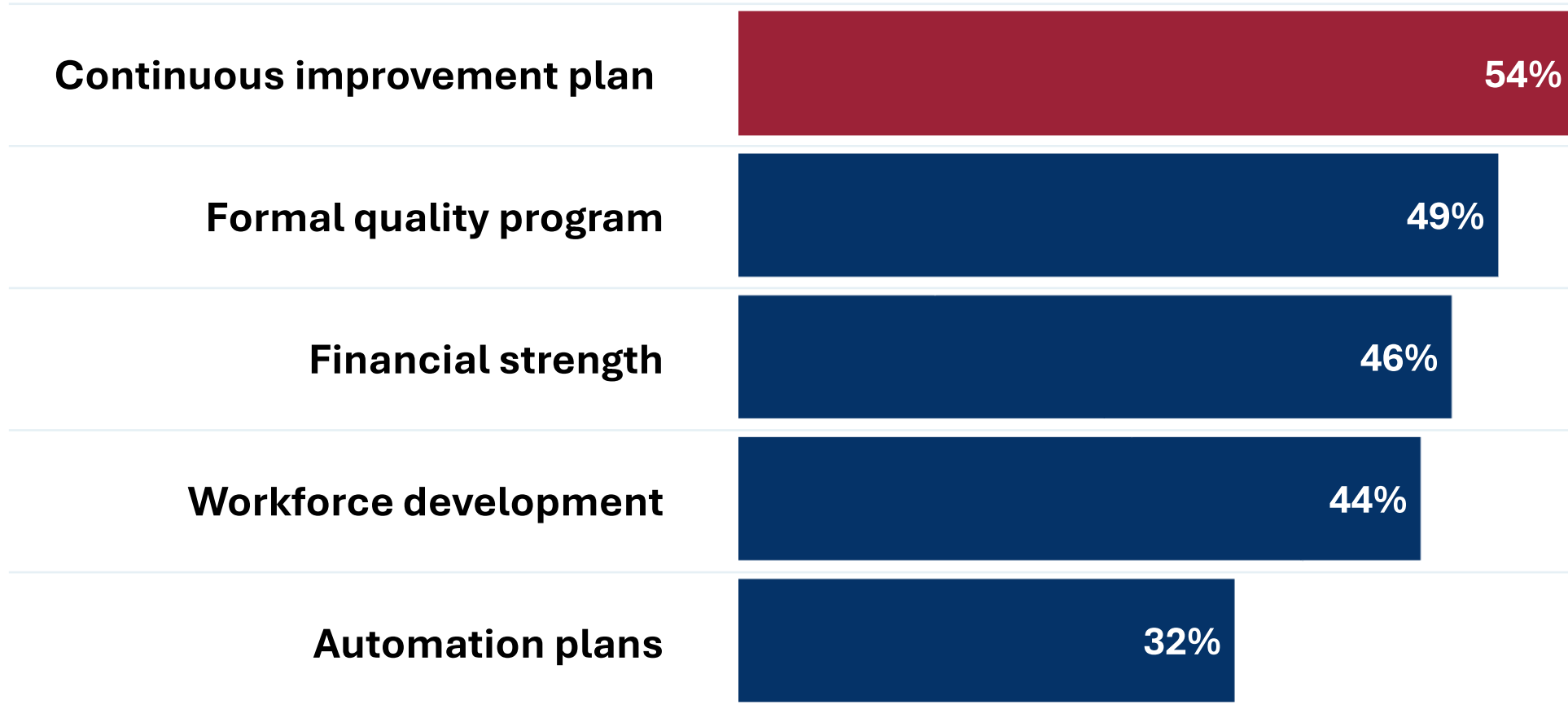
## Manufacturers say financial strength and a formal quality program are the most important criteria when looking for suppliers.

“When you look for suppliers, what criteria are you looking for from them? Please rate the importance of the following criteria on a scale from 1 to 10, where one means that it is NOT AT ALL IMPORTANT to you in a supplier and where ten means it is VERY IMPORTANT to you in a supplier.”



## Most suppliers say they have a continuous improvement plan.

“Which of the following criteria do you currently have in place, if any?” ASKED AMONG SUPPLIERS



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## The Bottom Line

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## Economic Concerns:

Recession fears have surged among manufacturers, marking only the third time in our study's history that they have surpassed 40%.

Confidence has also dipped, reaching its lowest level since the Great Recession, particularly among smaller companies.

The percentage who saw Minnesota's business climate has worsened is the highest on record.

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## Key Challenges:

Workforce challenges persist, but the focus has shifted slightly.

Inflation and health care costs have emerged as the top concerns, particularly among smaller manufacturers.

Attracting qualified workers is still critical, but it's declining slightly as a priority this year.

Unfavorable business climate has also seen as more of a challenge that could negatively impact growth.

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## Legislative Impact:

Manufacturers express considerable concern about the impact recent legislation will have on their business.

Key issues of concern are the costs and new requirements associated with paid family and medical leave and paid sick time.

Two-thirds of manufacturers say these changes have made Minnesota a less attractive place to do business.

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## Strategic Outlook:

Strategic planning remains on hold for many, with only half of manufacturers maintaining a formal plan.

Succession planning is limited, particularly among smaller companies.

Mission, vision, and values statements are also lacking, with only about half of manufacturers reporting they have them in place.