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‘Made in Minnesota’

A new version of Minnesota’s astonishingly successful GAP program will help manufacturers continue to drive the state’s economy, especially in challenging times.

BY MARY LAHR SCHIER

It takes only 10 seconds to machine a board that will strengthen and beautify the floor of a custom-built home or a cozy apartment for decades. But getting that board engineered to exact specifications and ready for delivery is a much more complicated process. Just ask Kyle Anderson, co-owner and operations manager at The Tongue & Groove Store, a Duluth-based manufacturer and retailer of kiln dried wood for floors, walls, ceilings, and trim.

Founded in 2009 just as the Great Recession hit, the company employs 20 people working in 37,000 square feet of manufacturing space along with a retail store. Anderson had 12 years of experience in wood manufacturing when he started The Tongue & Groove Store with his wife, Ann, who manages sales and customer service. The company specializes in custom products, from unique wood ceilings and built-to-match historic trim pieces or railings to floors and trims for multifamily housing units. Each job is designed individually and custom made but fabricated according to strict

protocols in order to maintain the quality that The Tongue & Groove Store is known for.

“We have to have a process that’s one-size-fits-all, even though the products are so variable,” Kyle Anderson says.

To make that process more efficient, the Andersons turned to Enterprise Minnesota in 2019 for help with strategic planning and value-stream mapping, a lean manufacturing system for analyzing material and information flows. The company was able to afford the services because of the Growth Accel-

GAP, now Made in Minnesota, has helped nearly 500 Minnesota manufacturers create and retain more than 12,000 jobs and increase or retain company sales of over \$1.46 billion.

eration Program (GAP), which offered dollar-for-dollar matching grants up to \$25,000 for manufacturers to improve their business practices. Since 2008, the state investment has helped nearly 500 Minnesota manufacturers like The Tongue & Groove Store create and retain more than 12,000 jobs and increase or retain company sales of over \$1.46 billion. The Minnesota Legislature may consider a similar program, now called Made in Minnesota, during the 2025 session.

For Anderson, the expert assistance provided by Enterprise Minnesota helped him make decisions on whether to expand the footprint of the manufacturing operation, ways to improve workflow, and how materials, defects, and reworked items were handled to reduce waste.

“At the time, we were deciding if we needed more floor space or if there was

another way to improve our process,” Anderson says.

The company worked with Greg Hunsaker, a business growth consultant with Enterprise Minnesota who specializes in lean manufacturing, to examine the company’s processes from the time a customer calls for information to the moment it gets paid. Called value-stream mapping, it showed that

stream mapping, Anderson did decide to invest in a plant expansion. While the training improved operations, it also reinforced that the company was on the right track to growth.

“As much as I think I’m doing all the right things, if you’re not improving, you’re not putting your business in its best long-term position,” Anderson says.

The improvements have paid off as the



Kyle and Ann Anderson, owners of The Tongue & Groove Store in Duluth, leveraged GAP funds for help with strategic planning, value-stream mapping, and lean processes.

processes were not being done the same way by all workers, which was increasing waste. Hunsaker recommended the company create standards for every part of its processes, with thorough guides to show how to do each step, who should be doing it, and how long it should take. Working with Anderson and his team, programs were developed to train and cross-train employees in key areas, such as running the rip saw or staining wood. “They wanted to have everyone up to speed,” Hunsaker says.

“The project helped us develop a more formalized process for doing the work,” Anderson says. “It helped our team understand why we were doing things the way we do.” After completing the value-

company has faced inflationary pressures and a downturn in the construction business over the past few years. Unlike most suppliers to builders and contractors, The Tongue & Groove Store has been able to maintain its revenue and profitability without huge price increases. “A lot of people we know have seen down numbers,” Anderson says. “We’re up — not in every stream, but in enough.”

The company has gained a reputation as a supplier that has been able to hold prices steady in a difficult economy by focusing on controlling its own costs — information developed through the strategic planning process. “We’ve been combating inflation at every level we can,” Anderson says. “The work we did

with Enterprise Minnesota made us better at managing those costs.”

Manufacturing: An economic driver

State Rep. Jon Koznick (R-Lakeville) has seen the power of manufacturing firms like The Tongue & Groove Store in his district, which is home to the Airlake Industrial Park, one of the largest industrial parks in the state. “I’ve toured a lot of different businesses and recognize the number of jobs that small- and mid-sized manufacturers bring to Minnesota,” Koznick says, “and these are good jobs that help people provide for their families and drive local economies across the state.”

Koznick’s belief in the power of

legislators of both parties because it is one of the few state programs with numbers to back its effectiveness. According to Shelton, manufacturers estimate an average return of \$25 for every \$1 of state investment. “We’re hoping there will be an appetite for this kind of investment this year. It’s bipartisan and it’s evidence-based,” she says. “The program has been a hand-up for manufacturers. It’s skin in the game for the company and for the state. They have to have a business plan to be eligible, and we measure the results.”

Koznick hopes to convince his fellow legislators of the vital importance of manufacturing in the state. “Often these companies are located off the main drag in a community, so unless you work there, you

them — jobs in trucking firms, accounting offices, law firms, and others,” says Bob Kill, president and CEO of Enterprise Minnesota. “Service jobs just don’t have that kind of multiplier effect.”

Why don’t Minnesotans hear more about manufacturing given what a crucial economic driver it is? Shelton says it’s because manufacturers are “not about showboating, they are humble, hard-working people.” Other factors include the relatively small

In the past year, Minnesota has lost nearly 4,198 manufacturing jobs.

size of individual businesses as well as the diversity of location and industry among manufacturers in the state. Less than 3% of Minnesota manufacturers have more than 250 employees, and more than half have 10 or fewer.

They are also spread out among many industries. While Michigan is known for autos and Wisconsin manufacturers focus on agriculture, Minnesota’s manufacturing sector creates products and parts for dozens of industries, including agriculture, medical devices, food processing, wood and timber products, biotechnology, and recreation, to name just a few.

“I can go to Thief River Falls and find three companies that are really important suppliers to Marvin Windows or Polaris,” Kill says. “The same is true all over the state. These manufacturers are core to the supply chains of the 3Ms, the Toros, the General Mills — all the major companies in the state.”

‘You made that?’

Products made in Minnesota are often in unexpected places. That blade on your lawn mower — it was almost certainly made by Whirltronics, Inc., a Buffalo-based metal fabricator that provides blades to all of the top mower brands. On the Midway at the Minnesota State Fair, it’s possible the carriage of the ride you’re on was made at Carstens Industries in Melrose, a maker of boat hulls and other fiberglass products as well as Tilt-A-Whirl cars. If your child is wearing an ultra-thin metal retainer, it may have been manufactured at Dean 3Digital in Fosston, a maker of specialized dental parts. That bag of nuts you grabbed from a cardboard display case at your favorite



Enterprise Minnesota’s Lynn Shelton testified on behalf of GAP in 2023 alongside State Rep. Jon Koznick (R-Lakeville).

manufacturing led him to sign on as chief author of a legislative proposal to fund the Made in Minnesota program (formerly called GAP) during the 2026-27 biennium. As proposed, the bill would provide \$4 million over two years to manufacturers with 250 employees or fewer to buy down the cost of vital business-building services provided by Enterprise Minnesota, such as lean manufacturing training, leadership and talent development, strategic planning, and ISO certification.

“The program allows companies to invest in their workers in ways they might not otherwise be able to,” says Lynn Shelton, vice president of marketing and organizational development for Enterprise Minnesota. GAP has enjoyed support from

don’t know the amount of economic impact they bring to a community,” Koznick says.

Minnesota is home to 8,625 manufacturers, about half of which are located outside of the seven-county metro area. With about 326,000 employees, these companies provide 11% of the jobs in the state, but 14% of the wages paid. Manufacturing workers make on average \$72,000 a year, well above the state median full-time salary of \$52,500. In many communities, manufacturing positions are the best jobs in town. But what these companies offer goes well beyond salaries and benefits. Manufacturing companies supply more than a million direct and indirect jobs in Minnesota.

“For every job in manufacturing, there are two to three other jobs connected to

grocery store was likely packed by a robot on equipment designed and manufactured by Delkor Systems in Minneapolis.

Mike Jensen, president of Gauthier Industries in Rochester, loves to take local officials on tours of the company's 100,000-square-foot plant. The metal fabrication company makes parts for everything from golf carts to combines to large compressor housings. In addition to fabrication, the company does screen printing, laser cutting, powder coating, and assembly for more than 200 clients. On almost every tour someone will say, "I've seen those before. I didn't know you made them," Jensen says.

"It's a real eye-opener for them," Jensen says.

Despite recessions, COVID, and other challenges, Gauthier has thrived by doing strategic planning, seeking out new customers, and investing in its workforce. Jensen belongs to one of Enterprise Minnesota's Peer Councils, where he shares problems and advice with other CEOs. Gauthier also has sent 10 of its managers

and supervisors through the Leadership Essentials course from Enterprise Minnesota, partly thanks to GAP funding (now Made in Minnesota). The multi-part program helps front line managers understand their social and leadership styles and builds their skills in managing employees in a positive way, embracing accountability, and handling conflicts effectively. Services like this not only improve individual employees' skills but they help the company retain top-notch employees, Jensen says.

"The service gets rave reviews," Jensen says. "The employees come back and thank us for letting them take time out of their daily jobs to do this kind of learning. It really makes a difference in how they work."

A time-tested approach for challenging times

Despite its positive impact on the state's economy, the manufacturing sector is struggling due to inflation, excessive regulation, new mandates, and downturns in some sectors of the economy. In the past year, the state has lost nearly 4,198

manufacturing jobs, Kill says. Agriculture giant John Deere, for example, saw profits decline 42% in the past year, leading to cuts in payroll and production. In the annual State of Manufacturing® survey Enterprise Minnesota conducts, 56% of respondents rated the state's economy worse than it was five years ago. Cost pressures from higher interest rates, insurance premiums, and health care costs threaten the profitability of many companies — and the communities they support.

"These manufacturing jobs are critical to communities," Kill says. The importance of manufacturing jobs to communities is one reason more than a dozen high schools in the state have built wings devoted to teaching students the skills needed for manufacturing jobs. Starting with Alexandria schools in 2014, local manufacturers have teamed with school districts to provide and update equipment for high-tech shop wings that prepare students for working in modern manufactur-

The Made in Minnesota program would revive a proven approach to helping strengthen a significant part of the state's economy.

ing plants where robots and other automation are becoming more common.

The Made in Minnesota program would revive a proven approach to helping strengthen a significant part of the state's economy, Shelton says. Because it is jointly funded by the state and the manufacturers who use Enterprise Minnesota's services and administered by an organization with a long record of success, it's able to offer a return on investment in terms of economic growth, job creation, and retention across communities in all regions of Minnesota.

For a small but vital manufacturing company, like the one Kyle Anderson co-owns, funding assistance for improvement services was "a chance to take advantage of expert-level thinking" that set the company up for continued success.

Says Koznick: "Given our current budget situation, this is the type of program we should be funding. It's time-tested; it has matching dollars. I'm optimistic that we'll have strong bipartisan support, and I'm proud to support Made in Minnesota manufacturing." ■



Mike Jensen, president, Gauthier Industries