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MINNPOST

Layoffs at General Mills and lessons from Minnesota's Fortune 500 companies

By [Louis D. Johnston](#) | 05/23/12



General Mills, one of

Courtesy of General Mills

General Mills, with headquarters in Golden Valley, announced layoffs on Tuesday.

Minnesota's first Fortune 500 companies, **announced Tuesday** that it is eliminating 850 jobs, with about half of the losses in the Twin Cities.

The cuts are related to struggles in the U.S. food industry, and General Mills says it is restructuring to "accelerate administrative efficiencies across the company." But the news raises bigger questions about the state of Minnesota's Fortune 500 companies and whether we should be alarmed.

A look back at Minnesota's Fortune 500 companies helps put the layoffs in a larger context. This history reveals that companies come and go -- and offers some lessons on public policy.

The Fortune 500 ranks by revenue the 500 largest U.S.-based, publically traded companies. Fortune magazine has published the list since 1955, and all of the data are available on its **website**.

Early years

Seven Minnesota companies appeared on the initial Fortune 500 in 1955. I've included each company's national rank in the Fortune 500 and their rank in Minnesota. For example, General Mills was No. 56 on the 1955 national list and the largest publically traded company in Minnesota.

Name	Rank - National	Rank - Minnesota	Revenue (millions of dollars)	Revenue (millions of 2011 dollars)
General Mills	56	1	487.6	4,100.0
Pillsbury	90	2	336.0	2,825.3
Hormel Foods	92	3	331.8	2,790.0
3M	131	4	230.9	1,941.5
Honeywell	132	5	229.4	1,928.9
Minneapolis-Moline	353	6	77.4	650.8
Minnesota & Ontario Paper	379	7	70.1	589.4

Source: Fortune 500

In the table above, notice that all seven companies were manufacturers, with all but Honeywell connected to natural-resource processing. Four of the seven were tied to agriculture, with three food processors (General Mills, Pillsbury, Hormel) and an agricultural implement manufacturer (Minneapolis-Moline). Two companies were headquartered outside the Twin Cities: Hormel (in Austin) and Minnesota & Ontario Paper (in International Falls).

The year 1983 is half the distance to 2012, so let's take a look at the Fortune 500 that year. Here are the Minnesota-based companies:

Name	Rank - National	Rank - Minnesota	Revenue (millions of dollars)	Revenue (millions of 2011 dollars)
3M	44	1	6,601.0	14,900.0
Honeywell	59	2	5,490.4	12,393.1
General Mills	63	3	5,312.1	11,990.7
Control Data	80	4	4,292.0	9,688.0
Land O'Lakes	100	5	3,770.1	8,510.0

Name	Rank - National	Rank - Minnesota	Revenue (millions of dollars)	Revenue (millions of 2011 dollars)
Pillsbury	115	6	3,385.1	7,641.0
Farmers Union Central Exchange (CHS)	234	7	1,470.6	3,319.5
Hormel Foods	239	8	1,426.6	3,220.2
International Multifoods	268	9	1,147.7	2,590.6
Ecolab	379	10	670.3	1,513.0
Deluxe	427	11	549.5	1,240.3
American Hoist & Derrick	467	12	464.2	1,047.8

Source: Fortune 500

Again, all of these are primarily manufacturing companies, but there are four important differences from 1955. First, food processors such as General Mills and Pillsbury diversified their operations, adding restaurant chains and other non-manufacturing divisions.



Second, manufacturing is no longer dependent on natural resource processing. For instance, by 1983 3M had a large portfolio of products that had nothing to do with its original base in sandpaper and other types of abrasives. Similarly, Control Data and Honeywell were computer manufacturers, Ecolab produced cleaning products and Deluxe was one of the largest check printers.

Third, the companies grew much larger. The last column of each table shows company revenues in 2011 dollars. The largest company in 1983, 3M, earned three times more revenue in inflation-adjusted terms than the largest company in 1955 (General Mills).

Fourth, only one company, Hormel, was not headquartered in the metro area. Corporate growth was centered in the Twin Cities.

Now look at today. There are 19 Minnesota-based companies in the Fortune 500:

Name	Rank - National	Rank - Minnesota	Revenue
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(millions of dollars)

UnitedHealth Group	22	1	101,862.0
Target	38	2	69,865.0
Best Buy	53	3	50,272.0
SuperValu	75	4	37,534.0
CHS	78	5	36,915.0
3M	102	6	29,611.0
USBancorp	132	7	21,339.0
Medtronic	164	8	15,933.0
General Mills	181	9	14,880.2
Land O'Lakes	210	10	12,849.3
Xcel Energy	246	11	10,654.8
Ameriprise Financial	248	12	10,621.0
C.H.Robinson	259	13	10,336.0
Mosaic	268	14	9,937.8
Hormel Foods	327	15	7,895.1
Thrivent Financial	332	16	7,842.8
Ecolab	365	17	6,798.5
St. Jude Medical	437	18	5,611.7
Nash-Finch	498	19	4,807.2

Source: Fortune 500

There is a wide variety of industries that were absent in earlier years: retailing (Target, Best Buy), health care (UnitedHealth Group), financial services (US Bancorp, Ameriprise Financial), logistics and distribution (SuperValu, C.H. Robinson) and medical devices (Medtronic, St. Jude Medical).

3M, General Mills, and Hormel were on the list in 1955 and 1983, and they're still there. They are not the same companies they were back then: 3M continues to move into new areas, General Mills absorbed Pillsbury, and Hormel now has turkey processing (through Jenny-O) in addition to its

traditional strength in beef and pork products.

The trend to bigger and bigger companies also continued. UnitedHealth's \$102 billion revenue was seven times bigger, in constant dollars, than 3M's 1983 revenue.

A virtuous circle

Minnesota's per capita income was below the national average in 1955, at the national average in 1983 and above the national average in 2012. (See my [Feb. 9 post](#) for more details.) The growth of Fortune 500 companies in Minnesota and the rise in Minnesota's per capita income worked together in a virtuous circle that benefited both.

The first part of the circle is the effect of corporate growth on economic growth. The evolution of large companies in Minnesota from natural resource processing in 1955 to diversified manufacturing in 1983 to a broad range of industries in 2012 promoted economic growth directly by creating large numbers of high-wage jobs throughout the state.

The second half of the circle is the feedback from economic growth to corporate growth. Control Data is gone. But the human capital and knowledge that Control Data employed – the heart of economic growth -- didn't disappear when the company died. Instead, these resources were now available to fuel the growth of companies such as Medtronic and Target.

All of this means that we should put news such as layoffs at General Mills in a larger context. Established companies adapt or sometimes go away, and new firms come on the scene. It makes little sense to put in place public policies that focus on keeping particular businesses intact. Rather, we should create an environment in which people have the knowledge, skills and access to capital so that they can move among jobs or create new businesses.

Who knows what kinds of companies will be on the Fortune 500 in 2040?

ABOUT THE AUTHOR:



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