

# West Michigan Entrepreneurial Market Analysis

The Muskegon Innovation Hub at Grand Valley State University

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*Prepared by*

Public Sector Consultants  
[www.publicsectorconsultants.com](http://www.publicsectorconsultants.com)

*Prepared for*

West Michigan Shoreline Regional Development Commission  
[www.wmsrdc.org](http://www.wmsrdc.org)

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## Executive Summary

The West Michigan Shoreline Regional Development Commission (WMSRDC) received funding from the U.S. Economic Development Administration (EDA) to partner with the Muskegon Innovation Hub at Grand Valley State University (The Hub) to develop an entrepreneurial market analysis. Public Sector Consultants (PSC) conducted this analysis in spring 2021, collecting data from regional entrepreneurial service organizations (ESOs),<sup>1</sup> new and existing entrepreneurs, and public and private data sources. The analysis focused on the needs of local entrepreneurs and key trends in the local and regional economy. Results inform how to best enhance entrepreneurial support and business acceleration services, and identify existing and potential sectors to target those services. The analysis also included an assessment of the impact of the novel coronavirus (COVID-19) on the economy and entrepreneurs.

## Entrepreneurial Services Inventory

Entrepreneurs who participated in the survey, focus groups, and interviews provided key insights into the region's entrepreneurial support efforts, which are listed below.

- The most important factors in starting and maintaining a business were developing an online presence, marketing and sales, and receiving mentoring/coaching.
- The two most critical support and training needs are marketing and social media and accounting and taxes.
- Most participants indicated the ESOs are very helpful providing technical support, while others expressed challenges with navigating the myriad of resources and training courses.
- Many entrepreneurs who self-identified as Black, Indigenous, and People of Color (BIPOCs) expressed concerns with the lack of diversity in ESOs, challenges with accessing capital, and lack of trust in ESOs.
- The economic impact of the COVID-19 pandemic has negatively affected income for about half of the entrepreneurs engaged, while also creating opportunities to meet new needs.

## Economic Sectors

The study area for the economic sectors analysis included the counties of Kent, Lake, Mason, Muskegon, Newaygo, Oceana, and Ottawa. For most indicators, PSC analyzed the collective and separated Kent County due primarily to its large size. Key economic sector trends identified for the region include:

- The region's population growth rate is positive and exceeds the state rate; the region's population is also becoming more diverse.
- While business revenue is down 20 to 40 percent for small businesses in the region, business application data indicates an increase in business startup activity tied to the pandemic.

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<sup>1</sup> For purposes of this study, the term Entrepreneurial Support Organization is used to describe organizations providing any support to entrepreneurs, business startups, or acceleration services. Some of these organizations may also provide related business-support activities to established entities not always considered to be entrepreneurial focused.

- Pre-pandemic employment growth was positive for the region and exceeded the state’s growth rate but declined 6 percent in 2020 compared to 2019.
- The region’s industry is concentrated within manufacturing and agriculture, with manufacturing jobs growing 47 percent over the decade prior to the pandemic, while agriculture has seen an 11 percent decline in jobs during that same period.

## **Recommendations**

Based on stakeholder engagement, data collection, and research efforts, PSC has identified the following practices and policies to enhance the services provided to West Michigan entrepreneurs:

- Help existing businesses survive the pandemic while simultaneously encouraging new entrepreneurs.
- Leverage industry clusters aligned with economic development priorities to maximize their entrepreneurial potential.
- Support small businesses that are focused on serving the local community by advancing industry-specific incubator services that support the unique needs of various sectors.
- Prioritize efforts to increase representation of BIPOC leaders in the entrepreneurial ecosystem.
- Identify opportunities to support “solopreneurs” including through networking events and business directories.
- Leverage lending institutions, philanthropy, and other sources of funding to address challenges with access to capital.
- Adjust assessment and evaluation measures as new strategies and programs are adopted.

## Introduction

To inform the Muskegon Innovation Hub at Grand Valley State University's market analysis, PSC gathered information on the current entrepreneurial ecosystem in West Michigan by researching and interviewing regional ESOs, connecting with entrepreneurs in the area through focus groups and a survey, exploring existing literature on incubator best practices, and reviewing current economic and market data. PSC combed these findings for common themes and innovative ideas to create recommendations for The Hub that will enhance its services and success as an entrepreneurial service organization.

PSC's comprehensive entrepreneurial market analysis for the West Michigan Shoreline Regional Development Commission focused on three key components:

- **Entrepreneurial Services Inventory:** Cataloguing and inventorying local and regional business and economic development agencies that are supporting entrepreneurs
- **Entrepreneur Needs Assessment:** Surveying and interviewing local entrepreneurs to understand their needs, including in the context of COVID-19
- **Economic Sectors Analysis:** Compiling and assessing demographic, business, industry, and workforce trends to understand the changing economy and impact of COVID-19

PSC analyzed information from each of the three key areas to develop recommendations for both WMSRDC and The Hub to enhance the support of entrepreneurial activity in the region.

## Entrepreneurial Support Services

In support of the entrepreneurial market analysis, PSC reviewed the entrepreneurial business support network operating in West Michigan to better understand the regional entrepreneurial ecosystem and the services made available to entrepreneurs and small businesses. While The Hub plays a critical role in regional entrepreneurship, a robust ecosystem requires the assets and resources of many organizations to support the demand for services. WMSRDC, The Hub, and PSC identified 12 ESOs to review, and this report includes a summary of each organization and the results of interviews with the organizations, given below.

## Entrepreneurial Support Organization Overviews

### Food Forward FARM

The Food Forward FARM (Food, Agriculture, Research and Manufacturing) accelerator was developed as a joint initiative between the West Michigan Food Processing Association (WMFPA), the Community Foundation for Muskegon County, and Muskegon Community College to serve as an incubator for test manufacturing for entrepreneurial and existing businesses in the food processing sector (WMFPA n.d.), specifically in the areas of creating value-added, healthy, and sustainable food products.

Services provided by the FARM focus on six key areas:

- **Access to infrastructure:** Assisting clients with accessing infrastructure needs including access to space, water, wastewater, and refrigeration

- **Education:** Providing clients with business development training related to food production, including labeling and nutritional requirements
- **Healthy Food:** Encouraging and supporting the development of value-added healthy food products
- **Incubation and Acceleration:** Providing small businesses with support to increase their talent base and incorporate Industry 4.0<sup>2</sup> standards into their production processes
- **Logistics:** Assisting clients with determining logistical and distribution needs
- **Sustainable Practices:** Supporting the development of environmentally sustainable growing and production practices, including encouraging locally sourced farm products

## Grand Rapids Opportunity for Women

Grand Rapids Opportunity for Women (GROW) is an entrepreneurial support organization and registered Community Development Financial Institution (CDFI) offering training, small business counseling, educational resources, and networking opportunities to small-business owners in the Lakeshore area including Kent, Muskegon, and Ottawa Counties. GROW is a certified Women’s Business Center (one of three in the state) in partnership with the U.S. Small Business Administration (GROW n.d.a). GROW provides the following services:

- **Business lending:** Providing several small-business loans up to \$250,000 with interest rates between 5 percent and 10 percent, including microloans, capital loans, rapid loans, participation loans, and the Michigan Good Food Fund (GROW n.d.b)
- **Business training:** Supporting entrepreneurs through free introductory orientations, webinars hosted by industry experts, and on-demand trainings that are prerecorded to allow for more convenient viewing and participation options (GROW n.d.c)
- **Counseling and mentoring:** Connecting clients with GROW business development officers and other volunteer counselors for free one-on-one consultations that can be scheduled during business hours on management topics such as marketing, finance, and human resources (GROW n.d.d)

In addition to their regularly provided services, GROW also offers support for businesses impacted by COVID-19 by helping navigate existing programs such as the Muskegon County Recovery Loan, Payroll Protection Program Forgiveness, Economic Injury and Disaster Loan, and business planning support during the pandemic (GROW n.d.e).

## Kitchen 242

Kitchen 242 is a rentable commercial kitchen facility located at the Muskegon Farmers Market in downtown Muskegon. It provides a space for entrepreneurs, organizations, and community members to access food products, tools, equipment, and other resources related to food preparation, food safety, nutrition, eating and cooking (Kitchen 242 n.d.a).

In addition to a commercial kitchen space, Kitchen 242 offers culinary classes and group events such as holiday baking and birthday parties, Michigan Cottage Food Law workshops, and assistance with opening small food businesses (Kitchen 242 n.d.b). Entrepreneurs seeking assistance are directed to the Michigan

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<sup>2</sup> Industry 4.0 is the fourth industrial revolution, characterized by advances in manufacturing through greater connectivity and communication via cyber-physical systems, the Internet of Things, and the Internet of Systems (Forbes 2018.).

State University Product Center, which helps entrepreneurs develop and commercialize food products and businesses by providing the following services:

- Assistance with starting a home-based or commercial food business
- Business counseling
- Recipe commercialization
- Product testing
- Food safety plan development
- Label and nutrition design
- Feasibility and marketing studies (Kitchen 242 n.d.c)

## Lakeshore Advantage

Lakeshore Advantage is a nonprofit economic development organization providing services and resources to businesses in Allegan and Ottawa Counties (Lakeshore Advantage n.d.a). SURGE is Lakeshore Advantage's resource for entrepreneurs and other small businesses. SURGE members have access to several resources, programs, and benefits, including:

- **Business Accelerator Fund:** Providing for technology-based startups that can help fund marketing, prototype advancement, patent costs, product testing and validation, and technology consulting
- **Investor Readiness:** Connecting clients with mentoring and coaching support to assist entrepreneurs in creating pitch presentations and practicing investor interviews
- **Entrepreneurial Service Network (ESN):** Providing access to over 30 local business service providers who offer discounts on a variety of services, including graphic design, finance and accounting, marketing, website development, human resources, and product development, among others
- **Google Cloud Platform for Startups Program:** Assisting startups to expand use of Google Cloud by providing \$3,000 in Google Cloud platform and Firebase credits for 12 months
- **Michigan West Coast Chamber of Commerce Membership:** Providing significantly discounted membership rate for three years—member benefits include the networking, access to potential customers and mentors, opportunity to promote business, and discounted rates to events
- **Proof of Concept Pilot Program:** Validate and improving their technologies by matching startups with potential customers who test products and share insights and feedback
- **UNION Platform:** Providing a virtual space for members to connect and communicate with each other through discussion boards, access online tools and resources, and attend virtual events and workshops

In addition, SURGE members are able to attend virtual and in-person workshops and participate in networking events and one-on-one mentorship opportunities (Lakeshore Advantage n.d.b).

## Lakeshore Fab Lab

The Lakeshore Fab Lab (short for fabrication lab) is managed by Muskegon Community College and provides a space for students, entrepreneurs, inventors, local businesses, and other community members in the Muskegon area to design and create products using their specialty equipment. The Lakeshore Fab Lab has equipment like 3-D printing, robotics, digital scanning, laser etcher, routing table, metal milling,

vinyl printer and other machines for members to use after taking a certification class. In addition to equipment, the Lakeshore Fab Lab provides members access to the global Fab Lab network, entrepreneur store, various trainings through the Rooks|Sarnicola Entrepreneur Institute, and their e-learning workshops (Lakeshore Fab Lab n.d.).

### **Muskegon Angels**

Muskegon Angels is a private investment group working to create and retain jobs in Muskegon County through investment in entrepreneurs, startups and small businesses. In addition to providing capital, the group also offers mentorship and networking opportunities to its clients. Muskegon Angels targets businesses working in advanced manufacturing, food processing, and technology, and funds several businesses each year (Muskegon Angels n.d.).

### **Muskegon Inventors Network**

The Muskegon Inventors Network is a regional nonprofit organization providing networking and support for inventors, marketers, and other entrepreneurs. Its office is located in the Muskegon Innovation Hub and membership to the network costs \$50 per year.

The Muskegon Inventors Network hosts a monthly networking event where members can engage with one another to share ideas and resources, as well as to brainstorm new products. These events also feature a guest speaker, typically a local or regional entrepreneur or inventor who has a special and relevant skill set in topics like marketing, product development, and other areas of expertise (Muskegon Inventors Network n.d.).

### **Muskegon Lakeshore Chamber of Commerce**

The Muskegon Lakeshore Chamber of Commerce operates a membership program helping businesses in the Muskegon Lakeshore area grow through a variety of member benefits. These include discounts on supplies at various businesses, marketing tools, and workers' compensation plans. Memberships also provide business owners with a plethora of networking opportunities with other local business owners through a directory, referrals, Facebook group, and events (Muskegon Lakeshore Chamber of Commerce 2021).

#### Business Resource Team

Under the umbrella of the Chamber, the Business Resource Team (BRT) is a business collaborative consisting of local, regional and state-level organizations that provide education and counseling for business growth and development in the West Michigan region. The BRT maintains a resource document that lists organizations by type of support (e.g., counseling, finance, education, training, location assistance, etc.), provides their website address, and lists the services they provide. In addition, they help connect small-business owners and entrepreneurs with the appropriate BRT partner company depending on the type of service or assistance needed. The BRT can be contacted by reaching out to Greater Muskegon Economic Development or the Muskegon Lakeshore Chamber of Commerce (BRT 2017).

## The Right Place

The Right Place is an economic development organization promoting economic growth, wealth creation, and operational efficiency to businesses. Their initiatives focus on productivity, innovation, retention, expansion and employment (The Right Place n.d.a). The Right Place serves a six-county territory comprised of Ionia, Kent, Lake, Montcalm, Newaygo, and Oceana Counties.

The Right Place provides assistance to local businesses through manufacturing training, small-business grant programs, financing and incentives, industry councils, talent initiatives, and county-based resource lists. Additionally, it offers specific resources and assistance for COVID-19 impacts, including guides to help businesses restart operations and acquire or produce personal protective equipment (The Right Place n.d.b).

## SCORE Muskegon

SCORE is a national network comprised of volunteer business mentors that offer small business services and resources to new and established business owners. A recognized resource of the U.S. Small Business Administration, SCORE provides mentoring, webinars and courses, online resources, and hosts local events (Muskegon SCORE n.d.a).

The Muskegon SCORE chapter offers the following services to Muskegon, Mason, Newaygo, Oceana, and northern Ottawa Counties:

- **Business mentoring:** Connecting business owners and entrepreneurs with a mentor who can help grow sales and earnings, identify and solve problems, develop business and marketing plans, integrate online and in-person business strategies, and provide access to resources (Muskegon SCORE n.d.b)
- **Workshops:** Offering in-person and online trainings, and workshop topics are organized by business stage, topic, format, entrepreneur type, industry, and language (Muskegon SCORE n.d.c)
- **Online resources:** Maintaining an online library of free resources, including documents, tools, and templates to help small-business owners start and grow their enterprise, as well as comprehensive guides on business models, general business resources, and starting a business (Muskegon SCORE n.d.d)

## Start Garden

Start Garden provides support and resources to entrepreneurs, start-ups, and small businesses in the greater Grand Rapids area through its business competitions, physical spaces, financial resources, networking, memberships, and other platforms. Specifically, Start Garden hosts the following:

- **Start Garden 100:** Hosting a competition in which 100 entrepreneurs are awarded \$1,000 grants to help flesh out business ideas, which they then present to a panel of judges, and the judges then award a minimum of ten competitors an additional \$20,000 to continue incubating their projects (Start Garden n.d.b)
- **Start Chart:** Maintaining an online directory and guide that helps entrepreneurs navigate regional support services and available resources, organized by business stage, assistance needs, space needed, and the appropriate providers and contact information (Start Garden n.d.c)
- **5x5 Night:** Hosting an open pitch competition where five presenters are given five minutes to pitch their ideas to a panel of judges to win a \$5,000 grant

- **Seamless:** Managing a consortium that works with startups that develop technologies and products related to office, home, medical, automotive, or retail
- **Collective Metrics:** Hosting a website connecting regional startups, investors, and service providers
- **TechShop:** Developing a makerspace in Grand Rapids that will provide a resource for entrepreneurs and community members to invent and create new products
- **GRABB 5:** Accelerating five minority-owned small businesses through a collaborative project with Grand Rapids Area Black Businesses (GRABB) and the City of Grand Rapids
- **Talent Pipeline:** Lowering the barriers to careers in technology for female and minority students starting in middle school and extending into job placement through a regional partnership (Start Garden n.d.d.)

### **The Starting Block**

The Starting Block is a nonprofit, economic development organization located in the Oceana County city of Hart, providing entrepreneurship and small business development support in the food industry. It provides an array of services for those interested in starting or growing a business, including:

- Access to fully equipped commercial kitchens for food processing and product development
- Access to its small dairy facility, which includes a vat pasteurizer for making dairy products
- Warehouse, storage, and office rentals
- Product development, including food production, recipe batching, packaging, and labeling
- Education on small business management, networking, and general business guidance
- Expert resources through the Michigan State University Product Center (The Starting Block, n.d.)

### **West Michigan Small Business Development Center**

The Michigan Small Business Development Center (SBDC) provides consulting, training, and research assistance to small businesses to help them launch, grow, and become successful. Specifically, the SBDC offers:

- **Business plan development:** Providing business plan development supports including downloadable business plan templates, sample completed business plans, and one-on-one consultations to review for completeness and feasibility
- **Market research:** Helping entrepreneurs and small business owners understand their audiences and industry competitors so they can effectively market their business
- **Capital assistance:** Identifying potential funding options and other capital resources such as loans, grants, and other financing options, as well as help preparing documents and analyzing financials
- **Business workshops:** Offering low-to-no-cost training sessions on a variety of business topics, including marketing plans, social media, and securing financing
- **Technology commercialization:** Aiding entrepreneurs in developing and commercializing technology through access to capital, access to resources, and strategic planning
- **Financial management:** Offering a one-on-one counseling process that improves and strengthens financial literacy for small-business owners and entrepreneurs
- **Export strategy:** Helping small businesses increase export sales by providing assistance with identifying new markets, providing business planning, conducting financial assessments, and connecting to resources, among others

- **Strategic planning:** Developing strategic plans for businesses to optimize performance and sound decision-making
- **Human resources and organizational development:** Providing assistance in human resources management to attract and maintain a workforce through compensation planning, culture and performance management, and leadership development (Michigan SBDC n.d.a)

The West Michigan Small Business Development Center is hosted by Seidman College of Business at Grand Valley State University and serves Allegan, Barry, Ionia, Kent, Lake, Mason, Mecosta, Montcalm, Muskegon, Newaygo, Oceana, Osceola, and Ottawa Counties (Michigan SBDC n.d.b.).

### **West Shore Community College Business Opportunity Center**

The Business Opportunity Center within West Shore Community College acts as a resource center for entrepreneurs and those interested in starting a small business in West Michigan. Through their website, they host a resource library for information related to various topics such as starting a business, training opportunities, incubators, and accessing capital, among others. They make connections to ESOs in the region based on the support or help needed for the entrepreneur and also provide workforce and professional development training and classes. For students enrolled at West Shore Community College, they also offer job placement services and internships (West Shore Community College n.d).

## **Entrepreneurial Support Organization Interviews**

PSC conducted interviews with executive directors/key points of contact with a majority of the ESOs profiled above<sup>3</sup>. Interviewees were asked to provide information on their organization (summarized above), describe their current successes, identify opportunities for improvement and investment, and share information on community dynamics that impact their ability to operate successfully.

### **Current successes**

Almost all stakeholders described three key elements of success for the current entrepreneurial landscape: collaboration among entrepreneurial support organizations, the large number of available resources, and high levels of community interest and support. There are many entrepreneurial support organizations operating in Muskegon and across West Michigan, all of which provide various services, trainings, and other resources for small businesses and entrepreneurs. Through their collaboration and referrals to other entities, each ESO is able to assist its clients to ensure they receive personalized assistance from the appropriate resource. In addition, many stakeholders described excitement and interest at the community level around supporting small businesses and entrepreneurs, with high levels of engagement and support.

### **Opportunities for improvement**

Despite the region’s entrepreneurial support successes, stakeholders also identified areas for improvement. While many stakeholders felt that there are a large number of resources available to small businesses and entrepreneurs, many agreed that the entrepreneurs in their communities do not know that those resources exist, or how to access them. There is a lack of communication from business support organizations to individuals who are interested in or are currently starting a small business that prevents

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<sup>3</sup> Interviews were not conducted with the Muskegon Inventors Network and The Starting Block.

them from receiving the support they need. For many individuals, not knowing where to start or where to go to receive help can be a huge barrier to taking the first steps in starting a small business.

Several stakeholders also mentioned that the number of resources available are not necessarily equitable between communities. Entrepreneurs in rural areas in West Michigan do not have access to the same funding opportunities, trainings, physical spaces, and other services that their counterparts in urban areas do. Lack of broadband internet access and transportation to urban areas with greater resources exacerbate these issues in rural areas. In addition, BIPOC entrepreneurs and small-business owners are often underrepresented by business support organizations because of the lack of diversity within the organizations themselves and their efforts to reach BIPOC entrepreneurs.

## **Opportunities for investment**

Stakeholders identified a variety of different business sectors that they believed were ripe for investment and development in the region, including:

- Alternative energy
- Engineering
- Food and hospitality
- Food processing
- Healthcare
- Manufacturing
- Outdoor recreation
- Retail
- Technology
- Tourism

The variance in responses speaks to the wide potential that the region has to offer in terms of future business development and growth, but the large range of sectors also presents a challenge to ESOs to meet the needs of businesses and entrepreneurs.

## **Community dynamics**

Stakeholders were asked to identify and describe any current community dynamics that may be impacting the entrepreneurial landscape. Several stakeholders discussed diversity, equity, and inclusion (DEI) issues, sharing several reasons that many BIPOC entrepreneurs and small business owners may not be comfortable engaging with entrepreneurial support organizations, including lack of trust, not feeling represented by those working in the ESO, and language barriers for Hispanic entrepreneurs. Stakeholders felt that ESOs need to make significant efforts in breaking down barriers to reach these communities and gain trust in order to provide better services and support.

## **Entrepreneur Needs Assessment**

PSC gathered feedback from entrepreneurs through multiple channels, including an online survey, focus groups, and one-on-one interviews. Across all platforms, stakeholders were asked to provide feedback on entrepreneurial service organizations they have used and their current needs and hurdles as business owners, as well as provide suggestions for improving the West Michigan entrepreneurial landscape. The Hub and its peer organizations assisted PSC in recruiting focus group and interview participants and distributed the survey to their client lists. Additionally, PSC recruited participants through social media outlets that aligned with project goals.

# Online Survey

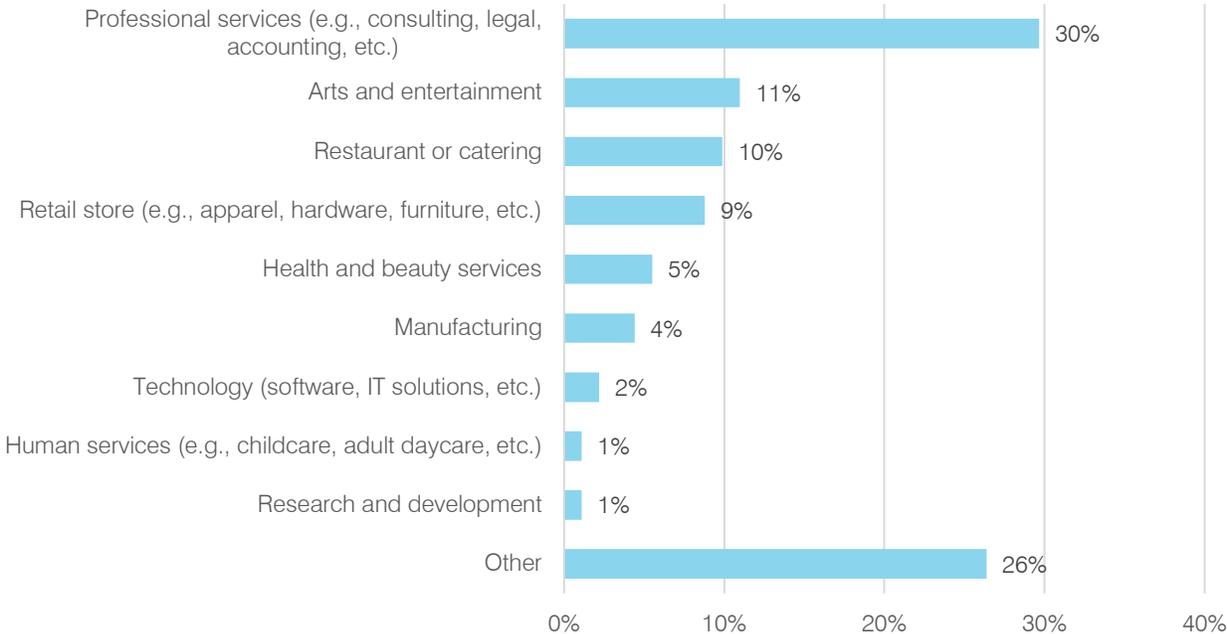
## Methodology

PSC distributed a survey to potential and current entrepreneurs in the region to better understand their needs, challenges they have experienced, and how to best support them moving forward. The survey, written by PSC in collaboration with The Hub, contained 14 questions (including multiple choice, open-ended, and Likert-scale response options) related to information about their business, the types of business support they have received, and areas of need. PSC distributed the survey using listservs, stakeholder contacts, and relevant social media pages. The survey was open to anyone to complete and completely voluntary. Because no survey question required a response, the number of responses varies for each question. A summary of the survey results is below.

## Types of Business Surveyed

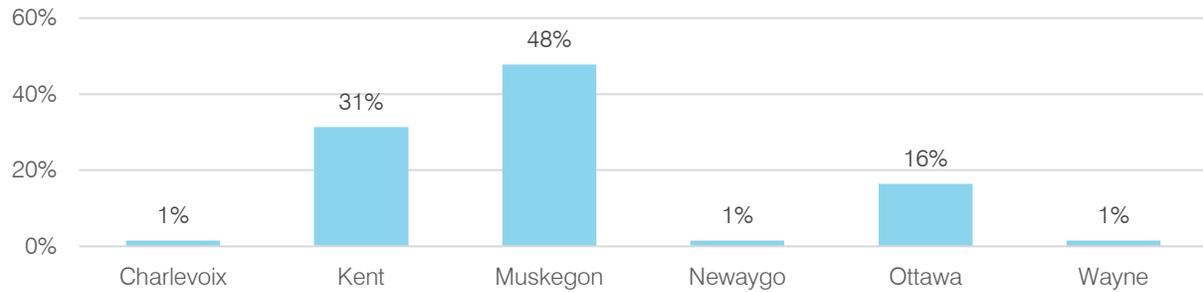
Survey respondents represented a variety of business types, with the largest percentage providing some type of professional service such as consulting, legal, accounting, etc. at 30 percent (Exhibit 1). 26 percent of respondents said they owned a different type of business than the options the survey provided, including wholesalers, product development and engineering, education, and real estate, among others. Almost half of the businesses represented in the survey are located in Muskegon County, with Kent (31 percent) and Ottawa (16 percent) following. (Exhibit 2).

**EXHIBIT 1. What type of business do you operate or hope to open?**



N = 92

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**EXHIBIT 2. What county is your business located in?**

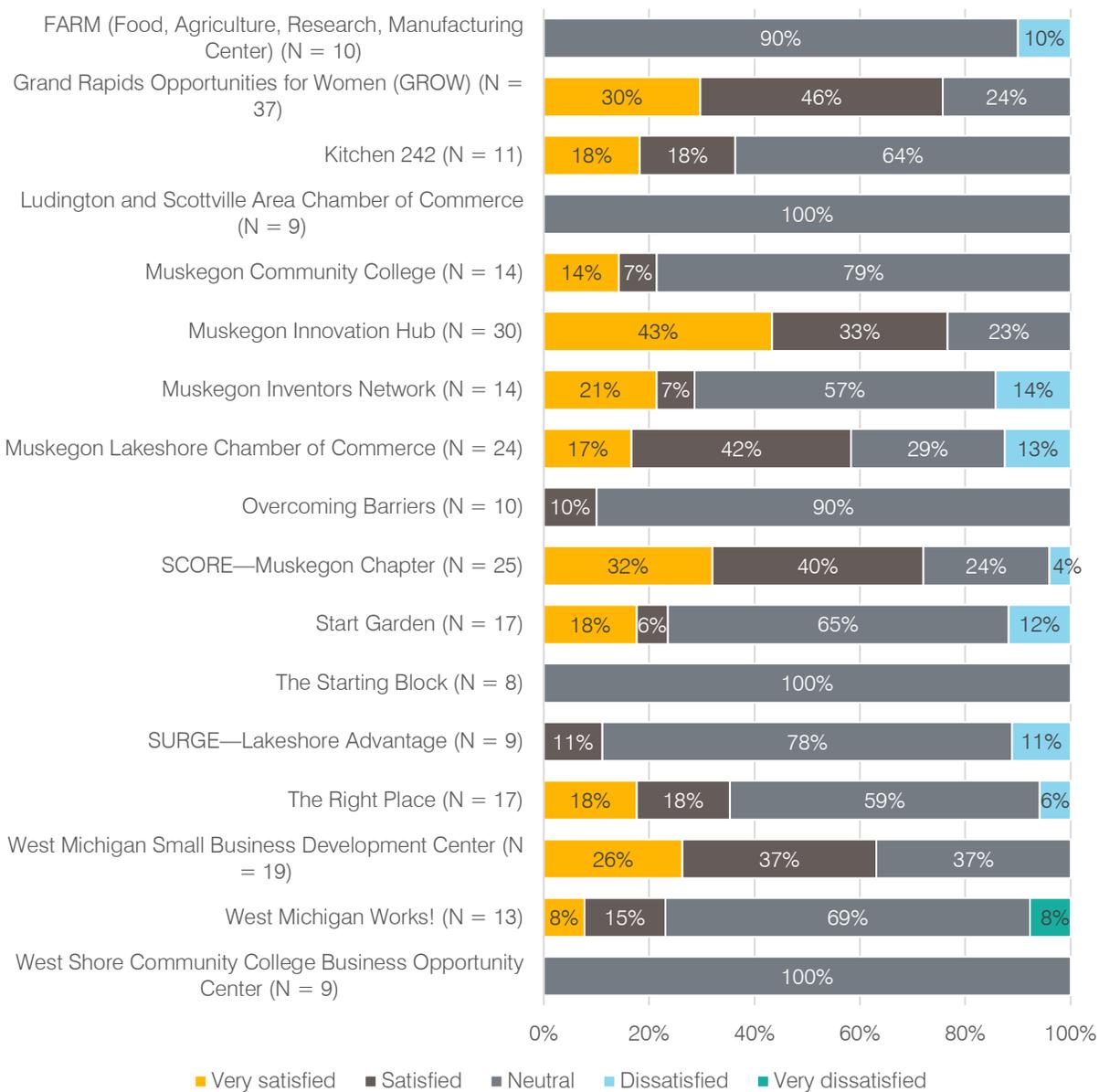
N = 67

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**Service Experience and Satisfaction**

Survey respondents were asked to identify which regional entrepreneurial support organizations they had received services from (if any) and their level of satisfaction with those services. Responses indicated that entrepreneurs were mostly like to have used the services of GROW (N=37), Muskegon Innovation Hub (30), and SCORE (25). Responses varied greatly among the different organizations presented; however, a large number of respondents had neutral satisfaction levels with the organizations with which they interacted. Very few respondents were dissatisfied with the services they received (between 0 and 14 percent), while satisfied responses ranged from 0 to 76 percent (Exhibit 3).

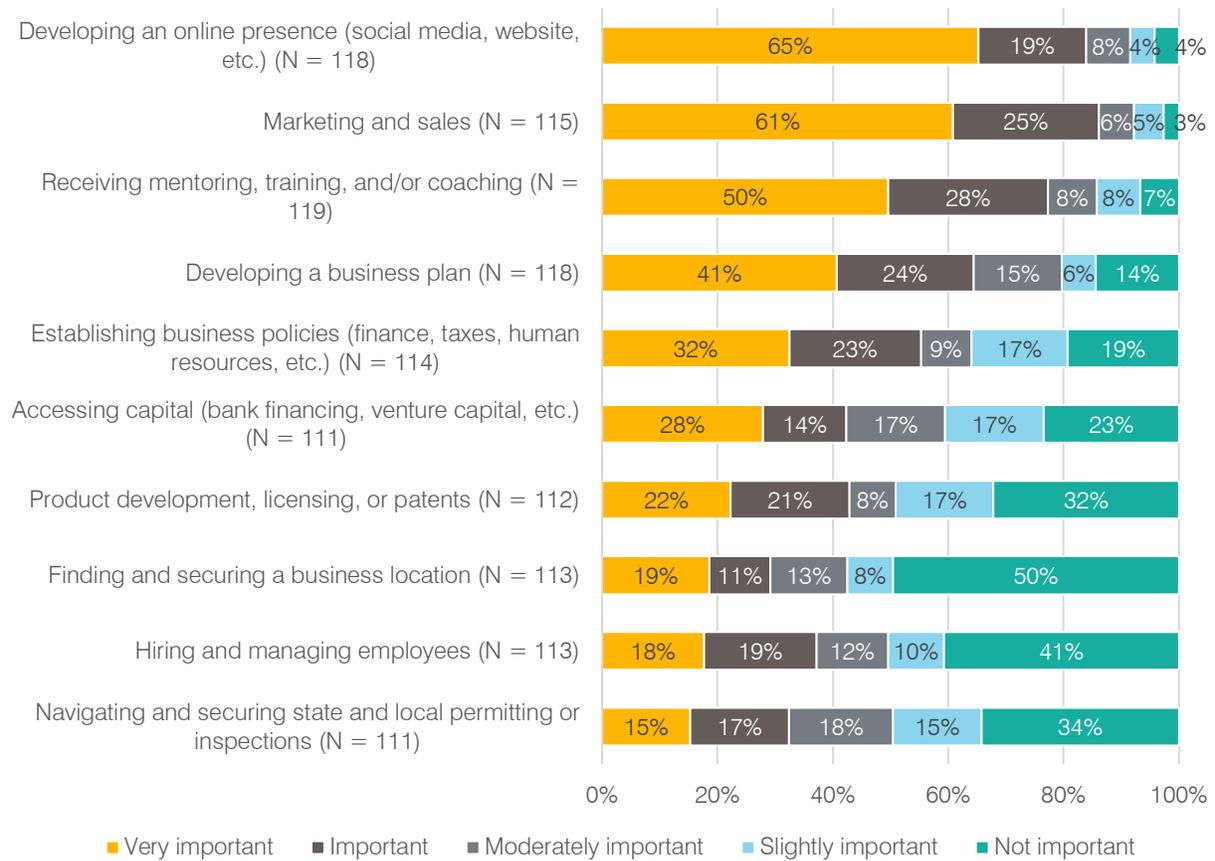
**EXHIBIT 3. Which of the following organizations have you received business-related support from and how satisfied were you with their support?**



### Important Factors for Starting and Maintaining a Business

Survey respondents shared what factors are and continue to be important in starting and maintaining their business, depending on where they are in the business process (i.e., prelaunch or started). Many survey respondents said that developing an online presence and marketing and sales are very important, while half said that receiving mentorship and support was very important (Exhibit 4). Half of respondents indicated that finding and securing a business location was not important at all.

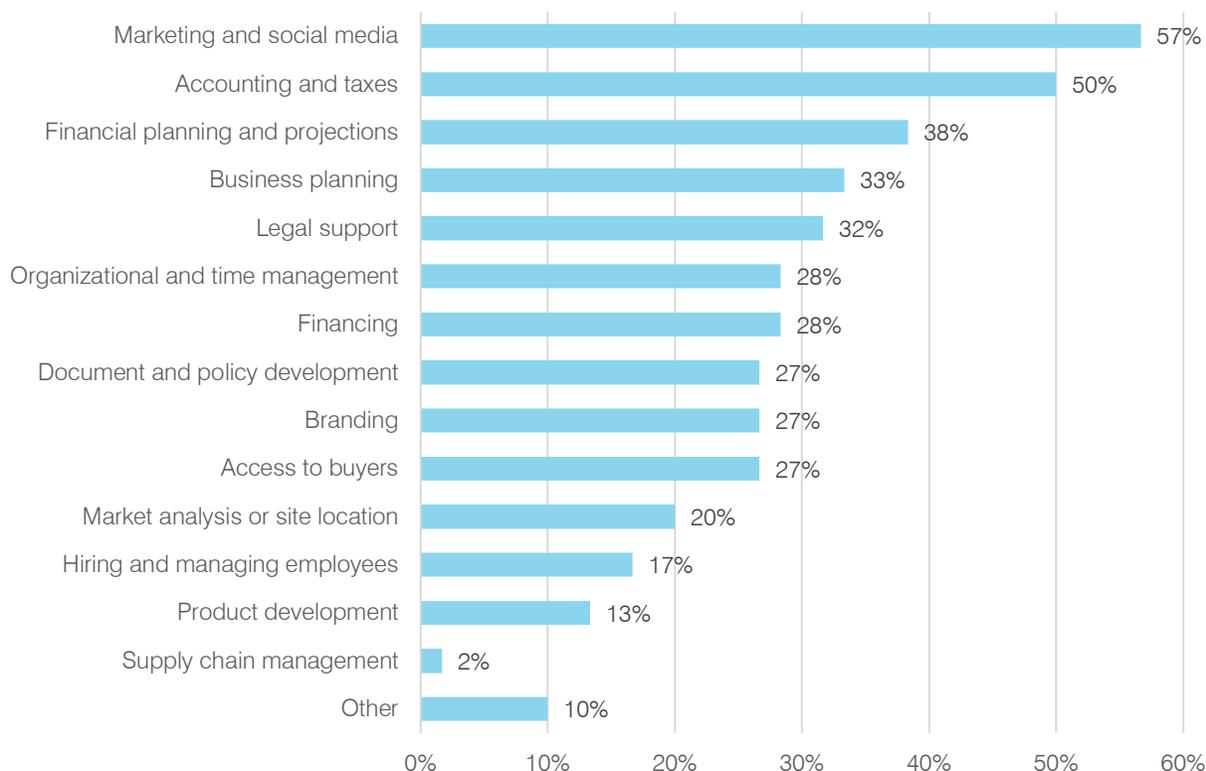
**EXHIBIT 4. Rate how important the following factors are/were in starting and/or maintaining your business**



**Areas of Need**

Finally, survey respondents shared the areas of business ownership for which they would like additional support. Again, marketing and social was cited as the largest area of need (57 percent) followed by accounting and tax assistance at 50 percent (Exhibit 5). 10 percent of respondents said they had other needs, including distribution or becoming a certified vendor for different business entities.

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**EXHIBIT 5. What areas of business support/training would you like more help with?**

N = 60

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## Focus Groups and Interviews

PSC interviewed a total of 13 entrepreneurs in three focus groups and three interviews. Participants were largely women (N=12), and represented a wide range of sectors, including:

- Business consulting
- Finance
- Food service
- Healthcare
- Manufacturing
- Retail
- Tourism
- Transportation

Three entrepreneurs reported that they are in the startup phase of their business, the remaining participants have operated their businesses from two to 17 years.

## Feedback on Entrepreneurial Services

Participants were asked whether they had used the services of an entrepreneurial support organization, and the extent to which they were helpful. A majority of participants reported using the services of the support organizations in the region including GROW (N=7), SCORE (5), The Hub (2), the SBA (1), and Kitchen 242 (1).

Participants reported relying on support organizations primarily for startup services, including creating business and marketing plans, contracts, and financial processes. Two businesses that had specific technical requirements (manufacturing and packaged food production) noted that the expertise provided by the ESOs was extremely helpful in navigating the requirements of product development. Most participants found the training and relationships useful for their business. Comments included:

“I worked with GROW six years ago when I was early in my business. I did a course for seven to eight weeks and it helped me learn how to set up my books, learn my business plan. But the most valuable thing was the connections I made with people in the course.”

—

“I often have questions about tax forms, or repeat questions I've asked before, and they're pretty quick to respond.”

**Regardless of the ESO used, many of the participants reported that the mentorship opportunities available were extremely valuable in developing or maintaining their business.**

“The Innovative Hub has been of great value to me. The acceptance from Kevin Ricco and the mentoring from Tom Harper has been top drawer.”

—

“I signed up for a mentor and he has been amazing. Just in general, my mentor is very supportive on a personal level, checking in with me and making sure I'm mentally strong with my business obligations. That's something I really treasure.”

—

“This is our third year and I've been working with GROW, they now have a branch in Muskegon, so I've been connected with my mentor there and with SCORE. They intermingle their resources sometimes, and it's invaluable.”

**Some noted that it would be helpful if the trainings were more in depth.**

“It's not an hour packed full of information I can apply, but I walk away with a handful of nuggets. I pay for the Abundance Party out of Nashville and the content I pay for tends to be of higher quality.”

—

“I've used SCORE and GROW, I did not find them to be helpful. Not because what they offer isn't good but I was in a different place when I started. I didn't need help with the early introductory stuff.”

**Early-stage entrepreneurs also expressed some frustration in navigating the various courses and startup requirements, including time and financial commitments.**

“I feel like I don't have money or time. Social media is super important but a 3-hour-long Zoom training?”

—

“As great as the development team has been, they lack the business acumen or they are not able to devote the necessary time to take this to the finish line.”

### **Important Factors for Starting and Maintaining a Business**

Participants were asked to identify hurdles they faced with starting or maintaining their business. They reported a wide range of issues, including access to capital, navigating social media, maximizing Web presence, and determining insurance needs. A few participants noted the importance of solidifying their focus.

“Biggest struggle at first was niching down into what I was doing. I launched as a consultant to nonprofits and then realized that the nonprofits couldn't pay me. It was more of a passion project and volunteering 100% of the time.”

**Navigating licensing and patent requirements was also difficult in the manufacturing sector.**

“After 4 years and a patent we learn that we can't license the ideas separately without applying for different patents to protect us. The[re is a] constant battle with the patent examiner and responding to their many comparisons that are not equivalent to our product.”

**Participants also noted that accessing capital was problematic, either because of a lack of financial history or confusion about what resources are available.**

“Especially finding the COVID resources. I've been hearing 'no' a lot lately despite all the resources and grants out there right now. That's a struggle. I need employees to expand, and it's been hard to finance that and find the financial means to hire them and make the business what I need to.”

### **Areas of need**

**PSC asked participants to identify their most pressing needs as well as those services and training programs that would have been helpful in their development. A common theme across participants was the need to understand that it is difficult to carry out the functions of a business entirely on their own.**

“I wear a lot of hats right now so getting more time and figuring out how to delegate.”

—

“One of the biggest lessons will be to surround themselves with people that are smarter than themselves and learn to lean on them. They also need to learn to take the “me” out of their program and replace it with “them.””

Participants reported a broad range of needs that highlight outreach opportunities for existing support organizations:

- Resources and networking opportunities directed towards “solopreneurs”
- Assistance in gaining certification as a federally recognized woman-owned small business (WOSB)
- Assistance in being approved as a state or federal contractor
- Moving from product development to manufacturing and distribution
- Software-specific training (e.g., QuickBooks, Canva, Facebook Ads)
- Identifying wholesale food opportunities
- Directory of business-to-business services in the region
- Time- and project-management skills
- Recruiting and retaining employees

### **Supporting under-represented entrepreneurs**

PSC scheduled a focus group specifically to gather feedback from under-represented entrepreneurs including women, BIPOCs, and veterans. However, each focus group was exclusively made up of people who identify as women. We also conducted interviews with two women of color who were recommended to us during stakeholder interviews. These discussions allowed us to obtain information on their specific experiences as entrepreneurs and how they feel their experiences are impacted as members of an under-represented group.

A number of key themes emerged in the discussion related to women entrepreneurs, including issues of confidence, acceptance and pay equity.

—  
“I get more questions than my male counterparts and I've been surprised at some of the things that are said or are not thought about when said. Even not being perceived as a provider of my household affects how people pay me.”

—  
“As a woman, I struggle dealing with men in business. Sometimes, when I'm the only woman in the room, I tend to feel like I'm talked over quite a bit—that I'm looked over a little more.”

—  
“My main competitor in GR is an all-male firm and when I'm competing with them, at first, we lost every time. They would say they made the selection with the right competent partner, but we would often come in to clean up their missteps. As much as we like to think things are level and fair, they aren't, and underrepresented populations have to prove their competence more and have it questioned more.”

Our discussions with BIPOC entrepreneurs also offered insight into unique circumstances related to entrepreneurialism. Participants noted that there is a lack of trust among the Black community of entrepreneurial service organizations, as well as a lack of knowledge of what is available. The participants noted that, although their businesses were not started to advance the Black community, their successes made them a trustworthy resource for other Black entrepreneurs. Both of the individuals interviewed

started businesses not related to business support, but ended up providing those resources to other members of their community, first in a grassroots capacity and then in more formal ways (Black Wall Street Muskegon and the Jump High Institute, for example).

Black participants also noted issues related to access to capital, confidence, and a lack of diversity in support organizations.

“Being a person of color, trying to obtain a loan is a challenge in and of itself.”

—

“People are nervous and say, ‘maybe I don’t have all my stuff together,’ and stop before they even start.”

—

“Have tons of resources, doors are opening up with more diversity . . . [but] it would be good to have more diversity in leadership positions.”

## Impacts of COVID-19

PSC asked both ESOs and entrepreneurs how the COVID-19 pandemic has impacted them. Each ESO interviewed reported that they are seeing an increase in the number of individuals who are starting businesses and accessing their services. This increase is consistent with data presented in the economic sectors section and research that indicate an increase in entrepreneurial activity as the result of an economic recession (Fairlie 2011). ESOs reported a number of catalysts for increased entrepreneurial activity, as reported to them by their clients, including:

- High rates of unemployment and layoffs
- Difficulty finding work
- Opportunity to meet a need
- Sense of urgency to make life changes

When PSC asked entrepreneurs how the pandemic had impacted their business, the responses were more mixed. About half of interviewees reported that the pandemic has significantly decreased their income, and at least one entrepreneur postponed launching their business as a result. An equal number of entrepreneurs reported that the pandemic had not decreased the sales, but had shifted capacity, requiring them to adjust and navigate their business in more virtual environments.

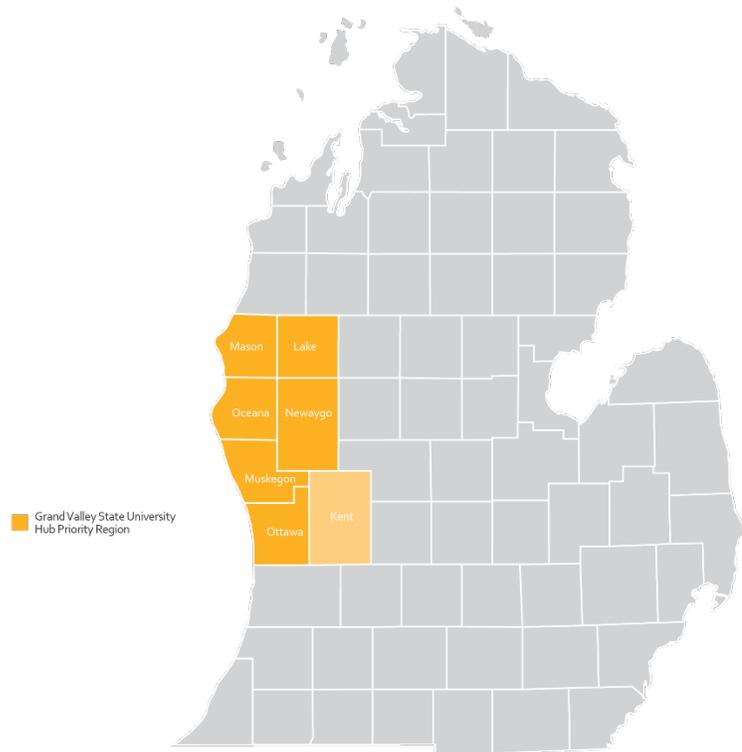
# Economic Sectors Analysis

## Introduction

PSC conducted a comprehensive economic sectors analysis to understand the key industries and market dynamics that influence demand for services at The Hub, as well as for other small business support and development entities. The analysis focuses on business, industry, and occupational data, but also includes general economic and demographic data to help understand broader trends within the region. Industry and occupational data provide an understanding of what is driving the local economy and employment and what growth opportunities might exist. In addition, the industry and occupational trends are compared to the focus industries of local and regional economic development groups for purposes of understanding how they align. Collectively, this information is designed to further inform The Hub in its efforts to optimally align services with the needs of entrepreneurs and other agencies.

## Geographic Scope

PSC analyzed the seven counties of Kent, Lake, Mason, Muskegon, Newaygo, Oceana, and Ottawa, since The Hub does provide services to businesses within all of these counties. However, Kent County data is typically reported separately. This is for two reasons: 1) because the county's large size skews multiple indicators, and 2) because of the separate business and entrepreneurial ecosystem focused within Grand Rapids. This approach results in the priority region defined as the six counties excluding Kent. While The Hub does serve Kent County-based clients, this approach more closely reflects their dominant service territory and is in closer alignment with the service area of WMSRDC.



## Terminology

This section of the report contains several terms that may not be familiar to all readers:

- **Location quotient (LQ):** LQ is a measure of concentration of an industry in a particular geographic area. For this analysis, LQ is the ratio of an industry's share of employment in a given geographic area relative to that industry's national share of employment. For example, if an industry's employment represents 2.0 percent of the region's total employment while the same industry represents 1.0 percent of total employment in the U.S., the industry's LQ would be 2.0. An LQ greater than 1.0 indicates a higher-than-average concentration in a location. In other words, a location may have a competitive advantage if the LQ is greater than 1.0.

- **Industry cluster:** An industry cluster is a grouping of similar or interrelated industries. Industry clusters arise out of the various linkages or externalities that span across industries in a given location and are typically those with LQs above 1.25.
- **North American Industrial Classification System (NAICS):** NAICS codes are the standard classification system for businesses, ranging from two-digit (least specific) to six-digit (most specific).
- **Standard Occupational Classification (SOC):** SOC codes are the standard classification system for occupation types, ranging from two-digit (least specific) to six-digit (most specific).

## Demographic Trends

PSC compiled basic population and demographic information for the region. This information is intended to give an overall sense of the region’s growth and diversity and provide greater context to the economic, business, industry, and workforce data. PSC analyzed population, race and ethnicity, and educational-attainment trends.

### Population

Exhibit 6 provides population for the region. During the decade prior to the pandemic, population growth has been 5.6 percent for the region from 2010 to 2019, primarily driven by Ottawa County, which experienced 10.5 percent growth. The rest of the region experienced much slower growth, with counties ranging from a 0.1 percent decline to just 2.9 percent growth. By contrast, the state’s population growth rate during this period was 1.0 percent.

**EXHIBIT 6.** Population in the Region, 2010 and 2019

County	2010 Population	2019 Population	Population Percent Change 2010–19
Lake	11,515	11,853	2.9%
Mason	28,717	29,144	1.5%
Muskegon	171,913	173,566	1.0%
Newaygo	48,373	48,980	1.3%
Oceana	26,503	26,467	(0.1%)
Ottawa	264,130	291,830	10.5%
<b>Total</b>	<b>551,151</b>	<b>581,840</b>	<b>5.6%</b>
Kent	602,975	656,955	9.0%
State of Michigan	9,877,510	9,986,857	1.0%

Source: Emsi 2021

While population growth in the region has been relatively flat over the past decade (except in Ottawa and Kent Counties), the region’s racial diversity has increased. With the exception of the Black, non-Hispanic and white, non-Hispanic populations, every other racial group has grown at a faster rate than the overall population. The racial groups with the fastest growth rates for groups of more than 1,000 were Black, Hispanic (32.5 percent) and people who identified as being of two or more races (39.8 percent).

From 2010 to 2019, the white, non-Hispanic population declined from 84 to 82 percent (Exhibit 7). This increasing diversity presents an opportunity for identifying and supporting a more diverse business ecosystem.

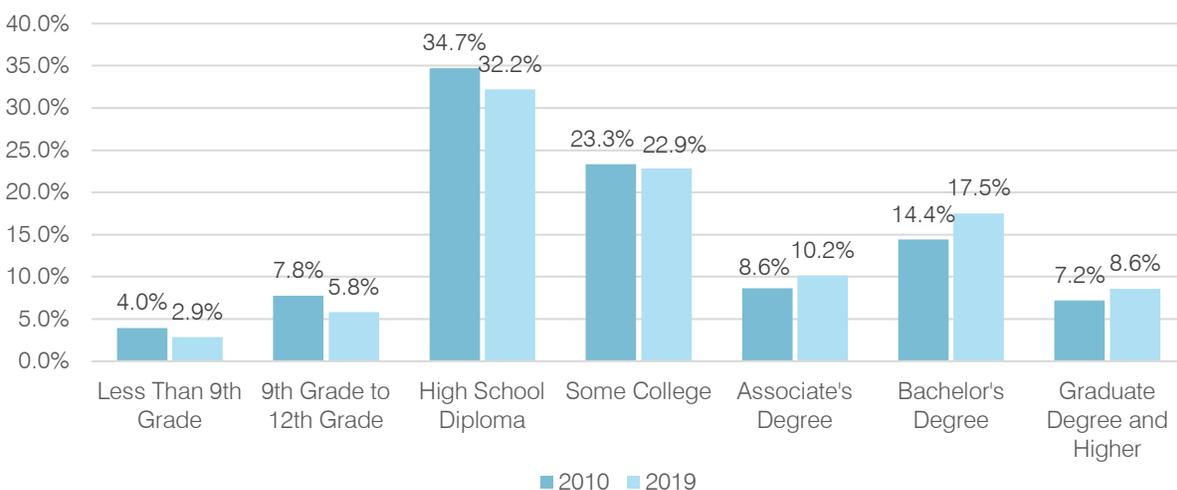
#### EXHIBIT 7. Race and Ethnicity in the Region, 2010 and 2019

Race/Ethnicity	2010 Population	2019 Population	Percent Change	Percent of 2019 Total
White, Non-Hispanic	462,324	478,576	3.5%	82.25%
White, Hispanic	34,408	42,609	23.8%	7.32%
Black, Non-Hispanic	29,840	30,203	1.2%	5.19%
Two or More Races, Non-Hispanic	9,023	11,524	27.7%	1.98%
Asian, Non-Hispanic	8,046	9,905	23.1%	1.70%
American Indian or Alaskan Native, Non-Hispanic	2,959	3,134	5.9%	0.54%
Two or More Races, Hispanic	1,329	1,858	39.8%	0.32%
American Indian or Alaskan Native, Hispanic	1,298	1,585	22.1%	0.27%
Black, Hispanic	1,297	1,718	32.5%	0.30%
Asian, Hispanic	443	484	9.3%	0.08%
Native Hawaiian or Pacific Islander, Non-Hispanic	95	139	46.3%	0.02%
Native Hawaiian or Pacific Islander, Hispanic	89	105	18.0%	0.02%
<b>Total</b>	<b>551,151</b>	<b>581,840</b>	<b>5.6%</b>	<b>100%</b>

Source: Emsi 2021  
 Note: Excludes Kent County

Educational attainment is an important indicator for career readiness and, by extension, business development. The percentage of individuals with an associate’s degree or higher has risen from 30.2 percent in 2010 to 36.3 percent in 2019. Conversely, those having no more than some college has declined from 69.8 to 63.7 percent during that same period. While those holding only a high-school diploma have declined from 34.7 percent in 2010 to 32.2 percent in 2019, they are still the largest group of the region’s population (Exhibit 8). This increasing educational attainment is a positive trend and should benefit efforts to grow and develop companies as they seek talent. At the same time, compared to state education attainment averages, the region slightly lags. In 2019, 38 percent of Michigan’s population had an associate’s degree or higher, 61 percent had no more than some college, and 29 percent of Michigan’s population had only a high-school degree.

**EXHIBIT 8. Education Attainment for Person 25 and Older in the Region (6 counties), 2010 and 2019**



Source: Emsi 2021  
Note: Excludes Kent County

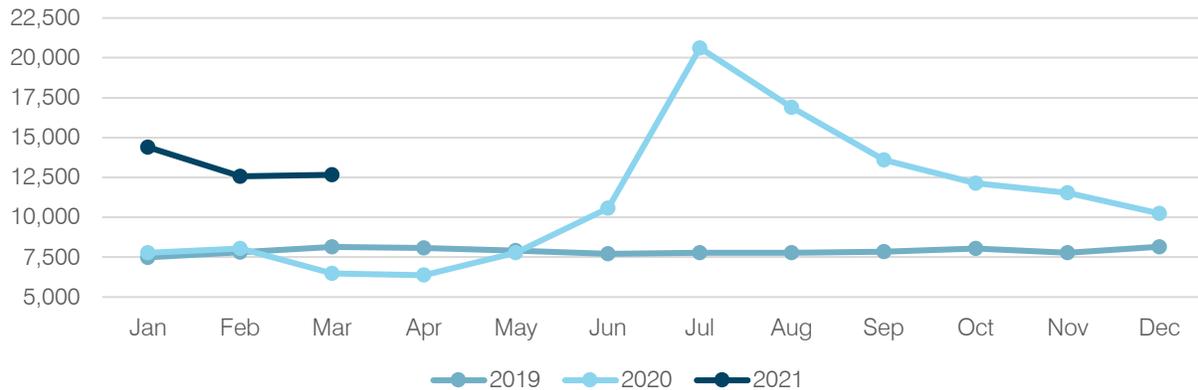
## Business Sectors

### Business Applications and Formation

The U.S. Census Bureau published business application and business formation data which can be helpful in gauging the level of business creation and associated trends. Business applications are generated when a request for an employer identification number (EIN) is submitted to the Internal Revenue Service. Business applications do not represent actual business starts but are rather a precursor to business creation. This information is available at the county level and provides an indicator of interest for starting a business. The data generally exclude entities not related to an actual business, such as estates, trusts, and civic organizations, as well as some industries with very low business formation such as agriculture. One shortcoming is the data only capture sole proprietors if they apply for an EIN (i.e., those sole proprietors that intend to have payroll).

Exhibit 9 shows statewide business application activity for 2019 to early 2021. During 2019, monthly applications were steady, hovering just above 7,800 per month. Applications grew significantly several months into the pandemic, nearly tripling in July 2020, and then declining again towards the end of the year. In the first three months of 2021, the numbers stabilized but were still up nearly 70 percent from 2019. One result of the pandemic is clear—an increase in new business creation.

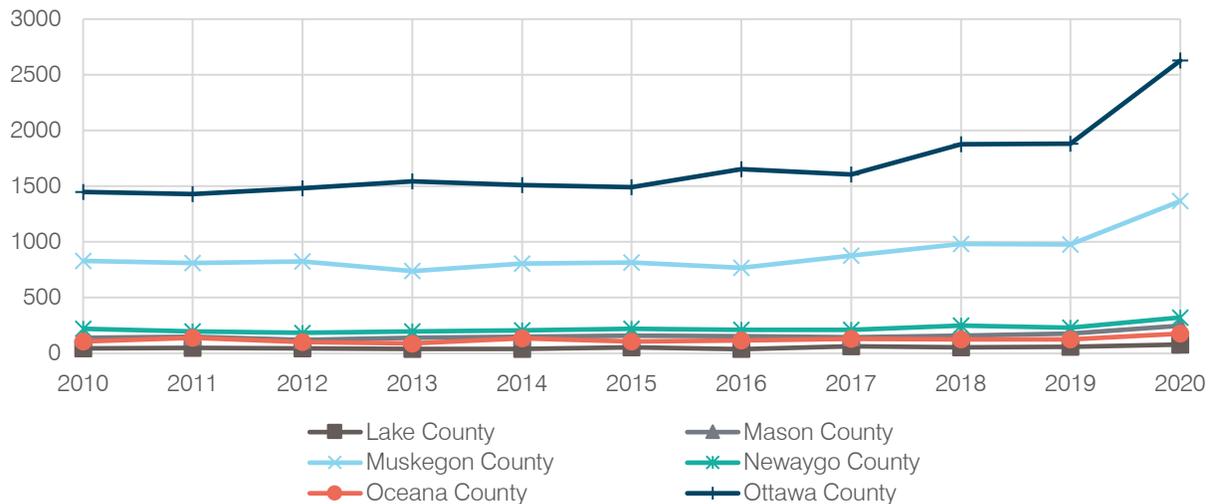
**EXHIBIT 9. Statewide Business Applications 2019–2021**



Source: U.S. Census Bureau 2021

PSC compiled available county-level data from 2010 to 2019, which is shown in Exhibit 10. The 2020 values are estimates using the statewide average annual increase in business applications for 2020—nearly 40 percent.<sup>4</sup> The period from 2010 to 2015 was relatively stable in the amount of business applications, while from 2015 to 2019, new business applications within the region grew 17.5 percent. Ottawa and Muskegon Counties led the growth at 20.7 percent and 16.9 percent, respectively, while Lake and Newaygo Counties experienced the slowest growth, at 3.5 percent and 3.9 percent, respectively.

**EXHIBIT 10. Number of Annual Business Applications in Region 2010–2019<sup>5</sup>**



Source: U.S. Census Bureau 2021

<sup>4</sup> County-level data on business applications for 2020 had not been published by the U.S. Census Bureau at the time of this publication.

<sup>5</sup> Kent County had 6,080 business applications in 2019, 76 percent more than the rest of the region combined.

Business formation data is based on actual payroll tax liabilities and as a result lag with the most recent data available through 2017. In addition, business formation is not available at the county level. In Michigan, from 2010 to 2017, business formations as a percentage of business applications averaged 8.6 percent of total business applications, with the lowest year being 7.6 percent (2017) and the highest year 9.1 percent (2013). In other words, approximately eight businesses are formed out of every 100 business applications in Michigan. Using the lowest annual percentage of business formation during the 2010 to 2017 time period, 7.6 percent, and applying that to the 2019 business application data yields just over 260 business formations in the region. By contrast, using the same percentage, 7.6, to estimate 2020 business formation would yield just under 370 business formations, or over 110 additional formations.

### Small Business Lending Activity

Another indicator of business activity is lending data. Unfortunately, data on overall bank and credit union lending activity at the county level are not publicly available. However, bank lending data available via the Community Reinvestment Act (CRA) provide some insight on small-business lending activity. The CRA was enacted by Congress in 1977 and was designed to improve lending to meet the needs of communities in which financial institutions do business. Lenders subject to regulation are required to report small-business loan data, which includes loans to businesses with gross annual revenue less than \$1 million. Lenders included within this data are those subject to regulation by the Office of the Comptroller of the Currency, Federal Reserve System, Federal Deposit Insurance Corporation, and the Office of Thrift Supervision that meet the 2019 asset size threshold of \$1.284 billion required for reporting (FFIEC 2021). This data does exclude small lenders and credit unions, but is a reliable source for insights into small-business lending activity.

Exhibit 11 provides small-business loan activity for the region in 2019. In 2010, just over 2,700 small-business loan originations were generated, while in 2019, the number jumped nearly 36 percent to just under 3,700 originations. However, the dollar amount of originations declined an almost equal percentage at 33 percent, dropping from a total value of over \$195 million in 2010 to just under \$131 million in 2019. In non-inflation adjusted dollars, this is a decline of over \$64 million in lending activity by CRA-regulated institutions. Adjusting for inflation, this decline is closer to \$75 million in small-business lending for the region.

**EXHIBIT 11. Small Business Loan Originations in the Region, 2010 and 2019**

	2010		2019		2010–2019 Percent Change	
	Number of Loans	Amount (\$000)	Number of Loans	Amount (thousands)	Number of Loans	Amount (thousands)
Lake	28	\$961	50	\$598	78.6%	-37.8%
Mason	119	\$6,959	214	\$4,468	79.8%	-35.8%
Muskegon	649	\$36,368	894	\$28,041	37.8%	-22.9%
Newaygo	218	\$13,275	245	\$9,172	12.4%	-30.9%
Oceana	120	\$8,609	156	\$4,002	30.0%	-53.5%
Ottawa	1,591	\$129,219	2,139	\$84,638	34.4%	-34.5%
<b>Region Total</b>	<b>2,725</b>	<b>\$195,391</b>	<b>3,698</b>	<b>\$130,919</b>	<b>35.7%</b>	<b>-33.0%</b>
Kent	2,928	\$284,724	5,228	\$193,674	78.6%	-32.0%

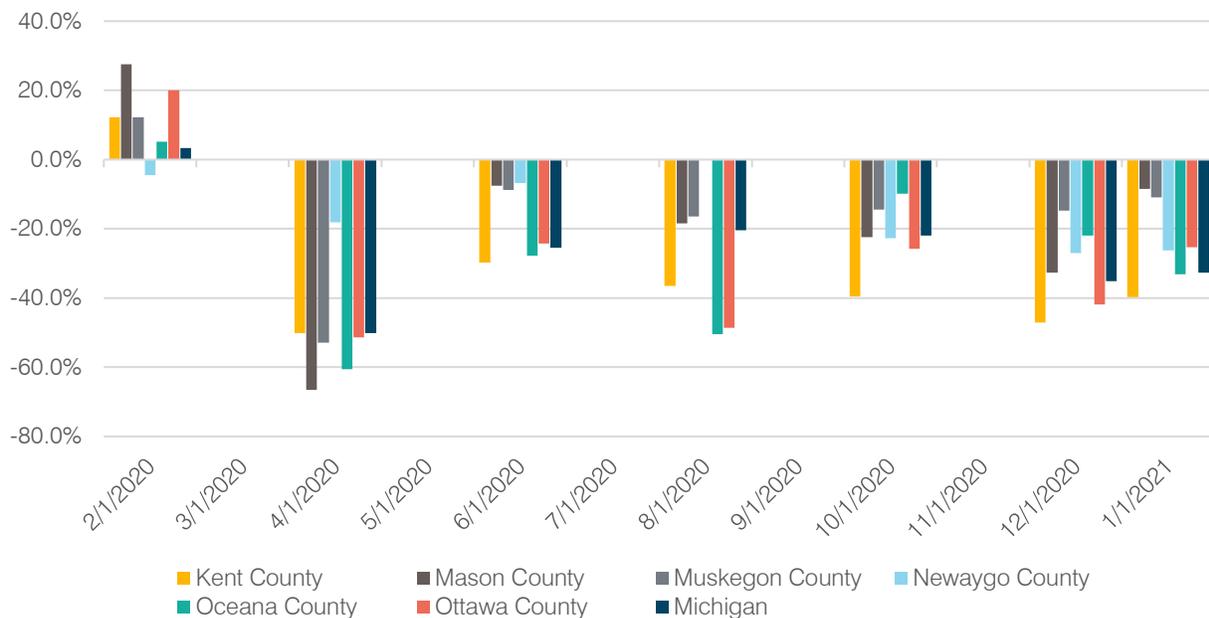
Source: FFIEC 2021 and PSC analysis

The decline in lending dollars does not necessarily reflect an overall decline in the market. It is possible, and in some instances likely, that credit unions, smaller lending institutions, and other entities such as online lenders are filling the gap. A 2021 survey of employer firms noted that 49 percent have used large banks, while 45 percent have used small banks. Large banks are defined as those having \$10 billion or more in assets, while smaller banks are below that threshold (Federal Reserve Banks 2021). Based on this definition of small banks, it is likely many of those will still be within the CRA reporting threshold and included in the lending data.

### Small Business Revenue

Small business revenue is a good indicator of overall entrepreneurial activity. The Harvard University-based policy institute Opportunity Insights has developed a [bimonthly small-business revenue index](#) utilizing credit card transaction data that compares revenue in each month in 2020 and 2021 to a pre-pandemic baseline of January 2020.<sup>6</sup> Exhibit 12 shows this information for each county in the region except Lake, which does not have available data. This graph is based on bimonthly data and reflects a seven-day rolling average. Revenue was up in February before the pandemic was declared and then dropped precipitously with an over 50 percent drop for the state and most counties. Revenue has since fluctuated but had remained a third below pre-pandemic for the state and between -8.4 percent for Mason County and -39.7 percent for Kent County. These trends do not reflect the increase experience by large online retailers like Amazon, but are more reflective of impact on the local food and beverage businesses, many of which fall into the small business category.

**EXHIBIT 12. Change in Small Business Revenue February 2020–January 2021, Indexed to January 2020**



Source: Opportunity Insights 2021

<sup>6</sup> Small businesses in this dataset are defined as those meeting Small Business Administration size guidelines, revenue, or employment, depending on industry.

## Employment and Income Trends

Between 2010 and 2019, the region witnessed strong overall job growth, increasing by 17 percent, outpacing Michigan’s growth but undershooting Kent County’s growth. Job growth in Ottawa County was by far the strongest in the region at 25 percent, while Oceana County was the only area with negative job growth. This period reflects the economic recovery following the global financial crisis in 2008–2009, which led to widespread job losses across Michigan. In 2019, most counties in the region had household median incomes close to \$50,000, with Ottawa County at the high end (\$69,314) and Lake County on the low end (\$37,320). With the exception of Ottawa County, the income levels in all counties within the region lagged those in both Kent County and statewide.

Exhibit 13 shows that during the COVID-19 pandemic in 2020, all counties, except for Lake, experienced overall job losses of 5 to 7 percent. Meanwhile, there were significant differences in unemployment and labor force participation rates by the end of 2020. Unemployment ranged from 3.7 percent in Ottawa County to 8.0 percent in Lake County, while the labor force participation rate ranged from 64.8 percent in Ottawa County to 33.7 percent in Lake County. The region’s unemployment rate of 4.9 percent was lower than the state of Michigan at 7.3 percent, but this difference was largely driven by Ottawa’s relatively low unemployment rate.

**EXHIBIT 13. Employment and Income Data, 2010–2019 and 2020**

County	2010 Jobs	2019 Jobs	Percent 2010–2019 Jobs Change	Unemployment Rate (Dec. 2020)	Labor Force Participation Rate (Dec. 2020)	Percent 2019–2020 Jobs Change	Household Median Income (2019)
Lake	1,813	2,049	13%	8.0%	33.7%	3%	\$37,320
Mason	11,100	11,473	3%	5.8%	52.1%	(7%)	\$51,725
Muskegon	62,512	67,299	8%	6.7%	51.3%	(7%)	\$50,854
Newaygo	12,391	13,846	12%	5.3%	53.5%	(5%)	\$50,326
Oceana	8,370	7,943	(5%)	7.0%	49.7%	(7%)	\$50,104
Ottawa	114,209	143,297	25%	3.7%	64.8%	(5%)	\$69,314
<b>Total</b>	<b>210,388</b>	<b>245,878</b>	<b>17%</b>	<b>4.9%</b>	<b>57.8%</b>	<b>(6%)</b>	<b>N/A</b>
Kent	340,078	442,480	30%	4.3%	65.1%	(6%)	\$63,053
State of Michigan	4,219,386	4,790,360	14%	7.3%	57.9%	(6%)	\$57,144

Source: Emsi 2021

PSC also assessed employment trends before and during the COVID-19 pandemic by industry for the region, excluding Kent County. The manufacturing industry experienced the strongest job growth at almost 50 percent between 2010 and 2019 and represented more than a quarter of overall employment in the region. It also had a location quotient (LQ) of 3.3 in 2019, indicating that the manufacturing industry was over three-times more job intensive in the region as compared to manufacturing employment in the U.S. All other industries experienced positive job growth between 2010 and 2019 except for government (which was flat) and agriculture, forestry, fishing, and hunting, which declined by more than 10 percent.

Additionally, the only other industries that had an LQ above 1 in the region were agriculture, forestry, fishing, and hunting (2.85) and retail trade (1.12).

During the COVID-19 pandemic, all industries experienced job losses between 1 and 7 percent except for accommodation and food services, which declined by 14 percent (Exhibit 14). The jobs decline in this industry, which includes hotels, bars, and restaurants, reflects the disproportionate effect of the COVID-19 pandemic on client-facing service industries.

**EXHIBIT 14. Industry Employment and Location Quotient, Ranked by 2019 Jobs**

Industry (2-digit NAICs code)	2010 Jobs	2019 Jobs	Percent 2010–2019 Job Change	Percent of 2019 total	2019 Location Quotient	Percent 2019–2020 Job Change
Manufacturing	43,304	63,474	47%	26	3.3	(7%)
Government	30,033	30,045	0%	12	0.82	(4%)
Retail Trade	24,539	26,889	10%	11	1.12	(3%)
Health Care and Social Assistance	22,924	23,844	4%	10	0.76	(5%)
Accommodation and Food Services	15,757	19,188	22%	8	0.91	(14%)
Construction	9,546	13,030	36%	5	0.94	(4%)
Administrative, Support, Waste Management Services	10,376	11,767	13%	5	0.78	(7%)
Other Services (except Public Administration)	11,135	11,581	4%	5	0.89	(6%)
Agriculture, Forestry, Fishing, Hunting	9,338	8,306	-11%	3	2.85	(1%)
Professional, Scientific, and Technical Services	5,872	7,578	29%	3	0.47	(5%)
Other	27,566	30,178	9%	12	N/A	(4%)
<b>Total</b>	<b>210,388</b>	<b>245,878</b>	<b>17%</b>	<b>100</b>	<b>N/A</b>	<b>(6%)</b>

Source: Emsi 2021

PSC also examined three industries that had LQs above 1.0—manufacturing, retail trade, and agriculture, forestry, fishing, and hunting—to determine key trends at a more detailed industry level (3-digit NAICs codes). The three industries are considered industry clusters based on their high LQs.

Within manufacturing, the strongest areas of growth between 2010 and 2019 were in computer and electronic products (109 percent), chemical (75 percent), and transportation equipment, primary metal products, and machinery (all close to 50 percent, see Exhibit 15). In 2019, fabricated metal product manufacturing represented the largest share of employment at 14 percent with the next four industries between 11 percent and 12 percent, indicating a diverse manufacturing base as no one industry dominates overall employment. All industries had LQs above 1.0 in 2019, demonstrating the job intensity of the manufacturing industry in the region relative to the rest of the nation. Furniture and related product and

primary metal product manufacturing had very high LQs above 10, much higher than the remaining industry categories.

Finally, all manufacturing industries experience job losses in 2020 amid the COVID-19 pandemic, although at varying degrees. Food, furniture, and computer and electronic product manufacturing experiences relatively modest job losses at 2 to 5 percent, while transportation equipment, primary metal product, plastics and rubber product, and nonmetallic mineral product manufacturing experienced double-digit job losses. Overall, the manufacturing industry jobs declined by 7.0 percent in 2020.

#### EXHIBIT 15. Manufacturing Employment and Location Quotient, Ranked by 2019 Jobs

Manufacturing Industry (3-digit NAICs code)	2010 Jobs	2019 Jobs	Percent 2010–2019 Jobs Change	Percent of 2019 total	2019 Location Quotient	Percent 2019–2020 Jobs Change
Fabricated Metal Product	6,748	9,075	34%	14%	4.09	(9%)
Food	5,612	7,520	34%	12%	3.07	(2%)
Furniture and Related Product	5,875	7,451	27%	12%	12.35	(5%)
Transportation Equipment	4,831	7,130	48%	11%	2.78	(12%)
Computer and Electronic Product	3,381	7,079	109%	11%	4.44	(4%)
Primary Metal Product	3,921	5,811	48%	9%	10.11	(12%)
Machinery	3,508	5,339	52%	8%	3.19	(6%)
Plastics and Rubber Product	2,223	3,073	38%	5%	2.84	(18%)
Nonmetallic Mineral Product	2,136	2,814	32%	4%	4.47	(16%)
Chemical	1,197	2,094	75%	3%	1.66	(4%)
<b>Other</b>	<b>3,873</b>	<b>6,087</b>	<b>57%</b>	<b>10%</b>	<b>N/A</b>	<b>(3%)</b>
<b>Total</b>	<b>43,304</b>	<b>64,474</b>	<b>47%</b>	<b>100%</b>	<b>N/A</b>	<b>(7%)</b>

Source: Emsi 2021

Within retail trade, the strongest areas of growth between 2010 and 2019 were in motor vehicle and parts (28 percent), building materials and garden equipment (29 percent), and furniture and home furnishings (42 percent). In 2019, general merchandise stores and motor vehicle parts dealers represented the largest share of employment at 22 percent and 21 percent, respectively, indicating a less diverse retail base than manufacturing. Most industries had LQs above 1.0 in 2019, but generally were much lower than the manufacturing industry, indicating a less job-intensive industry relative to retail trade employment in the U.S.

Finally, most retail trade industries experienced job losses in 2020 amid the COVID-19 pandemic with overall losses at 3.0 percent, lower than in the manufacturing industry (Exhibit 16). At the same time, some retail trade categories experienced small job increases in 2020, including general merchandise stores, building material and garden equipment, and gasoline stores. This dynamic may have reflected COVID-19–related spending with more purchases of home-related products.

**EXHIBIT 16. Retail Trade Employment and Location Quotient, Ranked by 2019 Jobs**

<b>Retail Trade Industry (3-digit NAICs code)</b>	<b>2010 Jobs</b>	<b>2019 Jobs</b>	<b>Percent 2010–2019 Jobs Change</b>	<b>Percent of 2019 total</b>	<b>2019 Location Quotient</b>	<b>Percent 2019–2020 Jobs Change</b>
General Merchandise Stores	5,878	6,016	2%	22%	1.34	3%
Motor Vehicle and Parts Dealers	4,326	5,532	28%	21%	1.79	(2%)
Building Material and Garden Equipment and Supplies Dealers	2,573	3,315	29%	12%	1.68	1%
Food and Beverage Stores	2,825	2,701	(4%)	10%	0.58	(9%)
Gasoline Stations	2,191	2,176	(1%)	8%	1.54	5%
Health and Personal Care Stores	1,385	1,628	18%	6%	1.02	(3%)
Miscellaneous Store Retailers	1,217	1,537	26%	6%	1.05	(13%)
Furniture and Home Furnishings Stores	685	972	42%	4%	1.31	(14%)
Clothing and Clothing Accessories Stores	1,093	863	(21%)	3%	0.43	(15%)
Sporting Goods, Hobby, Musical Instrument, and Book Stores	844	854	1%	3%	0.98	(14%)
<b>Other</b>	<b>1,522</b>	<b>1,294</b>	<b>(15%)</b>	<b>10</b>	<b>N/A</b>	<b>(4%)</b>
<b>Total</b>	<b>24,539</b>	<b>26,889</b>	<b>10%</b>	<b>100</b>	<b>N/A</b>	<b>(3%)</b>

Source: Emsi 2021

Within the agriculture, forestry, fishing, and hunting industry, crop production witnessed an almost 20 percent decline in jobs between 2010 and 2019. It represented 64 percent of total jobs in the industry in 2019, indicating a less diverse base than manufacturing and retail trade. With an LQ of 4.37, crop production remains a very job-intensive industry for the area relative to the crop production employment in the U.S. Meanwhile, the remaining agriculture, forestry, fishing, and hunting categories saw steady growth in jobs between 2010 and 2019, but represent a much smaller share of overall jobs and have much smaller LQs. Finally, all industries experienced job losses in 2020 amid the COVID-19 pandemic, with the exception of support activities for agriculture and forestry (Exhibit 17).

**EXHIBIT 17. Agriculture, Forestry, Fishing, and Hunting Employment and Location Quotient, Ranked by 2019 Jobs**

<b>Agriculture, Forestry, Fishing, and Hunting (3-digit NAICs code)</b>	<b>2010 Jobs</b>	<b>2019 Jobs</b>	<b>Percent 2010–2019 Jobs Change</b>	<b>Percent of 2019 total</b>	<b>2019 Location Quotient</b>	<b>Percent 2019–2020 Jobs Change</b>
Crop Production	6,594	5,352	(19%)	64%	4.37	(2%)
Animal Production and Aquaculture	1,597	1,660	4%	20%	2.44	(3%)

<b>Agriculture, Forestry, Fishing, and Hunting (3-digit NAICs code)</b>	<b>2010 Jobs</b>	<b>2019 Jobs</b>	<b>Percent 2010–2019 Jobs Change</b>	<b>Percent of 2019 total</b>	<b>2019 Location Quotient</b>	<b>Percent 2019–2020 Jobs Change</b>
Support Activities for Agriculture and Forestry	977	1,096	12%	13%	1.30	8%
Forestry and Logging	151	177	17%	2%	1.50	(10%)
Fishing, Hunting and Trapping	18	20	10%	0%	0.41	(2%)
<b>Total</b>	<b>9,338</b>	<b>8,306</b>	<b>(11%)</b>	<b>100%</b>	<b>N/A</b>	<b>(1%)</b>

Source: Emsi 2021

## Occupational Sectors

While industry trends are a key focus of the report, PSC also examined occupational trends over 2010 to 2019 and in 2020. Occupations represent job categories—based on skills and responsibilities—that span all industries. For examples, management occupations are employees in senior, management roles in any industry.

As shown in Exhibit 18, in The Hub region, all occupations experienced positive job growth between 2010 and 2019, except for the healthcare occupation, which declined by 1 percent. The production, food preparation and serving, and construction and extraction occupations experienced the strong job growth, with category at or near 30 percent. In 2019, the largest occupational categories are production, office and administrative support, and sales. The production occupation also has a LQ of nearly 3.0, much higher than other categories, which likely reflects many production occupation employees who work in the manufacturing industry. All other occupational categories had LQs near 1.0.

In 2020, similar to industry employment, all occupations experienced job losses amid the COVID-19 pandemic. Food preparation and serving experienced the largest job losses at 15 percent, while production employees faced a 9 percent decline in employment.

### EXHIBIT 18. Occupational Employment and Location Quotient 2010–19, Ranked by 2019 Jobs

<b>Occupations (2-digit SOC code)</b>	<b>2010 Jobs</b>	<b>2019 Jobs</b>	<b>Percent 2010–2019 Change</b>	<b>Percent of 2019 total</b>	<b>2019 Location Quotient</b>	<b>Percent 2019–2020 Jobs Change</b>
Production	31,385	40,133	28%	16%	2.86	(9%)
Office and Administrative Support	23,210	24,233	4%	10%	0.79	(6%)
Sales	20,351	23,432	15%	10%	1.01	(5%)
Transportation and Material Moving	17,296	20,577	19%	8%	1.05	(2%)
Food Preparation and Serving	15,244	19,793	30%	8%	0.97	(15%)
Educational Instruction and Library	13,170	14,471	10%	6%	1.00	(3%)

Occupations (2-digit SOC code)	2010 Jobs	2019 Jobs	Percent 2010–2019 Change	Percent of 2019 total	2019 Location Quotient	Percent 2019–2020 Jobs Change
Management	12,099	14,153	17%	6%	0.96	(2%)
Construction and Extraction	8,173	10,627	30%	4%	0.93	(3%)
Healthcare	10,224	10,120	(1%)	4%	0.74	(6%)
Installation, Maintenance, and Repair	8,556	10,004	17%	4%	1.05	(6%)
Other	50,686	58,336	15%	24%	N/A	(4%)
<b>Total</b>	<b>210,388</b>	<b>245,878</b>	<b>17%</b>	<b>100</b>	<b>N/A</b>	<b>(6%)</b>

Source: Emsi 2021

## Comparison of Current and Emerging Sectors to Targeted Industries

While entrepreneurialism is an important aspect of many economic development initiatives, the importance of job creation typically leads to a focus on established and high-growth industries. Focusing efforts on these high-value industries is a well-established and proven strategy. Entrepreneurial growth, on the other hand, may or may not align with those target industries. Lack of alignment is not necessarily negative, since any business startup that offers the potential to create jobs and generate economic activity has value. However, it is valuable to understand how local, regional, and state target industries align. Where alignment does occur between dominant industries and business startups, there may be greater opportunity for startups to sell services and products and acquire the talent needed to support growth.

PSC compiled a list of published target industries from key economic development agencies in the region to compare target industries with their dominance in the region. PSC also attempted to match the target industries to specific NAICs codes categories, which varied from broad industries (e.g., advanced manufacturing) to more specific ones (e.g., aerospace and defense). This process does not provide an exact match from targeted industry to NAICs, but eases the process of assessing comparisons. Exhibit 19 compares those focus areas with the LQ, job growth, and total jobs of each industry. The greatest alignment between targeted industries is advanced manufacturing, an industry with a high LQ and job growth over the past decade. Mobility and automotive manufacturing are also strongly aligned. Despite agriculture’s overall employment decline, food processing is another high-LQ category and target industry. The food processing (manufacturing) sub-sector has seen strong growth in jobs. While the remaining target industries experienced strong job growth between 2010 and 2019, they all have much lower LQs and overall employment.

**EXHIBIT 19. Targeted Industry Sectors by Local, Regional, and State Economic Development Entities<sup>7</sup>**

	Muskegon County	Greater Muskegon Economic Development	The Right Place	Michigan Economic Development Corporation	Corresponding NAICs code and description	Industry Location Quotient <sup>8</sup>	Percent Growth 2010-19	2019 Jobs
Advanced Manufacturing	✓	✓	✓	✓	31-33 (2-digit), manufacturing	3.30	47%	63,474
Professional and Corporate Services				✓	54 (2-digit) Professional, Scientific, and Technical Services	0.47	29%	7,578
Food Processing and Agribusiness	✓		✓		311 (3-digit), Food Manufacturing	3.07	34%	7,520
Tech (Information Technology)			✓	✓	51 (2-digit), Information	0.31	(26%)	1,428
Aerospace and Defense		✓	✓		33641 (5-digit) Aerospace Product and Parts Manufacturing	1.37	1,938%	1,080
Engineering Design and Development				✓	54133 (5-digit), Engineering Services	0.65	58%	1,010
Life Sciences			✓		54171 (5-digit), Research and Development in physical, engineering, and life sciences	0.21	24%	211
Mobility and Automotive Manufacturing			✓	✓	336 (3-digit) Transportation Equipment Manufacturing	2.78	48%	7,130
Medical Device Technology				✓	3391 (4-digit) Medical Equipment and Supplies Manufact	0.22	13%	108

<sup>7</sup> Lakeshore Advantage was excluded from this matrix, as it does not publish targeted industries but provides supports to many of these industries.

<sup>8</sup> Since the target industries are broad and specific, PSC relied mostly on two-, three-, four-, and five-digit NAICS level for comparison purposes. The lower-digit NAICS codes represent broad industry groupings, while higher-digit NAICS codes represent specific industry groupings. The LQ for more narrowly refined sub-sectors may vary significantly.

## Assessment and Recommendations

The pandemic's impact on the regional and national economy has been significant as evidenced by dramatic swings in employment, business revenue, and business applications in 2020. These rapid changes and impacts are also reflected in the survey results and engagement with entrepreneurs. What has emerged is the need to address dissimilar groups—those within high LQ and high-growth target industries and the local, retail-oriented goods and services businesses. Each of these groups are important to the local economy, but for different reasons. Supporting both groups will take creativity and a willingness to share responsibilities with other ESOs. To do so effectively, PSC recommends the following:

- **Help existing businesses survive the pandemic while simultaneously encouraging new entrepreneurs.** The current pandemic has and will likely continue to have a detrimental impact on the regional economy and the first priority should be ensuring that existing businesses, especially those viable during the pandemic, are provided full access to the available supports. This crisis support work is best suited for ESOs already conducting such activities. The Hub should leverage its experience in supporting new business ventures by focusing on identifying and nurturing those individuals interested in starting a business. While the decline in employment and small-business revenue during 2020 may take several years to fully recover, the economic upheaval has also resulted in a greater interest in both career changes and starting a business (Guilford and Scott 2020). This trend is evidenced by the significant increase in business applications in 2020 and noted during stakeholder interviews. Even more encouraging was the positive trend in business applications in the region during the past five years, representing an already established trend and a greater potential pool of entrepreneurs and future businesses.
- **Leverage industry clusters aligned with economic development priorities to maximize their entrepreneurial potential.** Dominant regional industries represent both a source of intellectual capital and employees for growing startups. Companies within these sectors may have potential for direct commercialization and/or spinoff ventures. For example, a food processor may want to venture into a new line of products but could benefit from doing it separately from the existing business to minimize risk and maximize creativity. Employees within these industries could be potential entrepreneurs themselves or be a source of talent for other growing companies. The Hub could develop an industry-centric initiative, versus an entrepreneur-centric one, to assess the potential for leveraging these dominant industries, especially in manufacturing and food processing.
- **Support small businesses focused on serving the local community by advancing industry-specific incubator services that support the unique needs of various sectors.** Many retail, food and beverage, and service industries do not fit into regional economic development priorities. However, there is a need in the region to support local businesses that sustain neighborhood and business district revitalization. These types of businesses present job and wealth-building opportunities for local residents, while also providing critical goods and services needed to maintain a high quality of life. The Hub should work closely with other regional ESOs to ensure that every type of business can be supported and should even consider specialization among the ESOs.

A recent report by the Kenan Institute of Private Enterprise suggested entrepreneurs are most successful at industry-specific incubators that are located in large urban centers and more generalist incubators located in rural settings (2021). This suggests that sector differentiation of target sectors and associated services among the ESOs in the region might a worthwhile consideration.

- **Prioritize efforts to increase representation of Black, Indigenous and People of Color (BIPOC) leaders in the entrepreneurial ecosystem.** Feedback during stakeholder engagement was clear that underrepresented individuals do not feel supported by existing ESOs. To address these inequities, The Hub, along with other regional ESOs, have an opportunity to better serve Black, Indigenous, and People of Color. A number of strategies could be deployed to achieve greater equity in entrepreneurial support:
  - Ensure a welcoming, inclusive, and easily accessible place for entrepreneurs and small business owners regardless of race, income, or any other personal characteristic.
  - Include a diverse staff that reflects the composition of the community and participating entrepreneurs.
  - Use an intake and assessment process that reduces and eliminates barriers to entry and is based on asset framing.<sup>9</sup>
  - Partner with other service providers to provide potential entrepreneurs with education, personal finance, and other social-service supports that may be needed as a precursor to starting a business.
- **Identify opportunities to support “solo-preneurs” including through networking events and business directories.** Many entrepreneurs are sole practitioners with no employees or even the intent to hire additional staff. These individuals are often part of the gig economy and often lack peer supports. Providing networking events and other tools to connect them with other solo-preneurs can provide a support network and even enhance business opportunities. This type of networking is especially challenging but even more critical during the pandemic. Developing virtual and socially distanced options can be helpful.
- **Leverage lending institutions, philanthropy, and other sources of funding to address challenges with access to capital.** Several ESOs interviewed do provide startup funding but when surveyed, entrepreneurs always indicate challenges with securing funding. Traditional lending is often not accessible to many individuals and developing pools of funding focused on small microloans or grants, especially for underrepresented groups, would address some of these gaps. This is another initiative that could benefit from a partnership with other ESOs in the region. ESOs might be in a better position to secure support from a wide variety of funders with a collective fundraising effort, as well as leverage marketing efforts.

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<sup>9</sup> Asset framing is an approach to improvement that defines individuals and communities by their aspirations and contributions, rather than their challenges and deficits (The Skillman Foundation 2018).

- **Adjust assessment and evaluation measures as new strategies and programs are adopted.** There is significant debate on what types of outcome measures are useful in determining the success of an ESO. A recent meta-analysis conducted by researchers at the University of Maryland identify key factors to measuring success, including creating a dashboard that highlights program outputs such as number of connections made, number of jobs created, and number of program graduates (2020). Additionally, the researchers suggest that creating graduation criteria, timelines, and program completion goals improved entrepreneurial success. The Hub has a well-documented set of measures in place that should continue to be assessed and adjusted over time as needed to ensure program effectiveness.

The COVID-19 pandemic has created significant upheaval across the business world. However, times of upheaval have often resulted in great innovation. The Hub is well positioned to take advantage of this opportunity, but it will require creativity and a sustained commitment, especially in efforts to address the inequities faced by historically exploited individuals. By remaining committed to addressing these equity issues and being responsive to the ongoing market changes, The Hub will continue to be a catalyst in the region's economic prosperity.

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## Appendix A: Emsi and Economic Sector Data Sources

PSC utilized [Emsi](#), a U.S. labor market data company, to collect and analyze demographic, industry, and occupational data in Kent, Lake, Mason, Muskegon, Newaygo, Oceana, and Ottawa Counties, as well as the state of Michigan. Emsi provides a widely used software tool that aggregates U.S. labor market data by industry and occupation at the national, state, county, and city level and presents it in a user-friendly format.

Emsi also uses a proprietary search process to gather data on job openings at individual firms and posted on recruitment websites by job title and skillset, which generates estimates for in-demand jobs and skills. Relatedly, it uses a search process to search for job titles and skills via posted resumes on job and recruitment websites, which generates estimates for the supply of jobs and skills by region. State, county, and city governments, as well as universities and business associations, utilize Emsi data.

Emsi's core labor market source is the Quarterly Census of Employment and Wages ([QCEW](#)) from the Bureau of Labor Statistics. The QCEW publishes a quarterly count of employment and wages reported by employers covering more than 95 percent of U.S. jobs, available at the county, city, state and national levels by industry (available at the two-, three-, four-, five-, and six-digit NAICs code level). Quarterly data is published with a five- to six-month lag; the latest release is data from the third quarter of 2020.

To present annual QCEW jobs figures, Emsi averages the latest four quarters of QCEW data. For 2020, Emsi used the last four quarters of available QCEW data—third quarter 2020, second quarter 2020, first quarter 2020, and fourth quarter 2019. The majority of Emsi jobs data collected is derived from the QCEW.

Other labor market data sources include the Bureau of Economic Analysis (BEA) [State Personal Income](#) database. BEA includes jobs data not covered by the QCEW, particularly military employment. Emsi also generates estimates of jobs data from the self-employed (e.g., those not on an employer's payroll who often operate unincorporated businesses) utilizing the U.S. Census Bureau database on [nonemployer statistics](#). The total annual jobs figures referred to in the report includes data from the QCEW and non-QCEW sources such as BEA and U.S. Census Bureau.

Finally, Emsi mainly derives population and demographic data from the U.S. Census Bureau's [American Community Survey](#) database.



**PUBLIC SECTOR  
CONSULTANTS**

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230 N. Washington Square  
Suite 300  
Lansing, MI 48933

# West Michigan Entrepreneurial Market Analysis

**Report Supplement: Governance Models**

May 28, 2021



## Introduction

Public Sector Consultants' (PSC's) recently completed West Michigan Entrepreneurial Market Analysis (April 30, 2021) provided an assessment of the overall entrepreneurial ecosystem with a focus on services being provided and economic sector trends. This study was done to assist the Muskegon Innovation Hub at Grand Valley State University (The Hub) be more responsive to the market, especially considering coronavirus pandemic impacts. Recommendations centered around potential programmatic enhancements that The Hub and partner entrepreneurial support organizations (ESOs) could make to enhance overall entrepreneurial and business success.

One way to enhance entrepreneurial services would be to further the coordination and collaboration of ESOs within the region. PSC has developed this report supplement on shared governance models to support greater cooperation amongst the ESOs. These models provide the potential spectrum of collaboration, from less formal ad-hoc collaboration to formal management structures and consolidation of partner organizations. They are designed to provide The Hub and other ESOs interested in forming deeper collaborations the opportunity to compare and contrast approaches and understand the advantages and disadvantages of each at a high level.

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## Governance Model Options

### Model One: Shared Networks

#### Description

A shared network model is defined by a group of autonomous organizations that self-organize and work together to achieve their own unique goals as well as collective goals. The collective action and governance of their activities can create a cooperative endeavor that helps address complex issues, such as increasing economic activity in a region (Provan and Kenis 2007).

Shared networks are often informal, with participating organizations governing their network through ongoing activities and interactions, e.g., quarterly networking and/or informational meetings. The levels of coordination can vary depending on frequency of interaction and desired formality of structure. Shared networks also depend on the involvement and commitment of all partners to help manage collective relationships with potential funders, clients, and others. Decision making and power within the network are multilateral, regardless of any individual organization's size, capabilities, or performance (Provan and Kenis 2007). This model may or may not be supported by a written agreement, such as a memorandum of understanding (MOU).

## Strengths and Weaknesses

Shared networks are common because they are highly flexible and adaptable. They also rely on regular participation and communication among participating members to achieve their common goals, making them an appealing option when entering into initial partnerships or consortiums with other organizations that operate in a similar space. The lack of formal contractual commitments allows organizations to cooperate when it is within their best interests, while not being beholden to legal requirements or more formal commitments that may be perceived to infringe on an organization's self-governance.

Adopting a shared governance network depends on four factors: (1) trust among participating organizations, (2) size or number of participating organizations, (3) goal consensus, and (4) the need for network-level competencies. Implementing a shared-participant governance model becomes more and more challenging as the level of trust diminishes throughout the network, the number of organizations increases, a lack of consensus around goal setting develops, and the need for network-level competencies increases (Provan and Kenis 2007).

Shared governance networks are likely to exist and succeed where consensus and common goals are easily identified and agreed upon. If work towards these common goals does not create significant conflict, partners are content with participation. However, the lack of formal roles may prevent the level of coordination necessary to create real change and avoid duplication of services.

## Tools of the Trade: Memoranda of Understanding

Memoranda of understanding (MOUs) are a widely used tool when forming collaborations between multiple organizations, especially in economic development. MOUs establish written parameters, roles, and expectations that help move the collaboration toward achieving its goal. Successful MOUs create a stable and effective collaboration by including several components:

- **Partners:** All organizations involved in the collaboration should be identified in the MOU and must be willing to sign the document to indicate their agreement and participation.
- **Purpose:** The collaboration's purpose should be clearly described in the MOU.
- **Terms of agreement:** Terms of agreement, including start and end dates, should be included to set expectations among partner organizations and support accountability.

MOUs can be tailored to fit a collaboration's unique goals and needs without the burden of a lengthy legally binding contract. Additional components that may be helpful include governance and leadership structures, decision-making processes, roles and responsibilities of participating organizations; diversity, equity, and inclusion policies; financial relationships and resources; fundraising; communications and outreach; and conflict resolution, among others (Colorado Nonprofit Association 2013).

## **Model Two: Joint Programming and Co-branding**

### **Description**

Joint programming and co-branding build upon shared network governance by creating more formal contractual arrangements to undertake clearly defined projects. In joint programming, each partner has a distinct role based on their strengths, recognizing the unique value each organization offers. Co-branding is a strategic marketing plan that creates a unified brand while maintaining fidelity to each individual organization's brand or purpose. Co-branding allows an organization to reach a wider audience and potentially expand their customer base while keeping budgets low, creating a higher return on investment than what any single organization would be able to do (Tow 2019). Shared programming typically requires some level of co-branding, but co-branding can also be used to promote more informal partnerships.<sup>1</sup>

### **Strengths and Weaknesses**

There are several reasons why organizations may seek joint programming and co-branding. By combining efforts, organizations can create larger pools of financial resources, creative resources, and customer bases. In addition, strong reputations from each partner organization can increase trust in the product or service that is being offered. Unlike a shared network model, shared programming and co-branding have more explicit requirements, helping participants to understand their role relative to the other partners. Ideally, shared programming and co-branding help organizations maximize their resources and lessen competition for funding, while avoiding duplication of services. To achieve this successfully, a well-designed contractual arrangement must be in place.

Joint programming and co-branding partnerships can have their challenges. Complex partnerships or collaborations with a large number of partners can be difficult to unite around a single brand or message, especially among organizations with different values and visions. This can also lead to financial tensions if there are differences in contributed resources from each organization. Finally, any negative perception of one organization or brand can discredit or negatively impact all organizations associated with the collaboration (Tow 2019).

## **Model Three: Formal Management Organization**

### **Description**

The third model on the spectrum for governance is creation of a formal and separate management organization that oversees the work of partners or the actual consolidation of multiple organizations into a single entity. This model builds upon shared programming by having partners agree to a formal management structure. The management structure could be a new, separate entity that oversees specific activities or is structured to direct the activities of the partner organizations. However, the complexities of adding another layer of formal governance often demands some level of consolidation among partner organizations. These consolidations can be driven by competition for limited resources, recognition that

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<sup>1</sup> The BRT utilizes co-branding by conveying the notion, or brand, of shared goals in supporting business development and coordinated services.

overlapping and competing priorities dilute organizational effectiveness, and a desire to create more streamlined service delivery.

## **Strengths and Weaknesses**

Consolidating service providers under a single management structure offers the ability to achieve significant efficiencies and create a true “one-stop-shop” model of service delivery. This approach brings the collective resources of multiple organizations together while also providing the opportunity to eliminate duplication of services. A formal structure also further advances shared programming and co-branding by removing the need to maintain multiple programs and brands of separate entities. A formal structure, especially if the result is consolidation, can also help to streamline funding requests.

Many organizations considering formal partnerships or consolidations are likely to have long and unique histories of service delivery, as well as passionate stakeholders who identify closely with that history. Proposing a structure that is perceived as diluting or eliminating services of an organization, or the organizations itself, can be very challenging to overcome. Resistance to this level of cooperation can be significant and early opposition may limit the ability to achieve any progress in even evaluating such a structure. Developing a formal management organization, regardless of the level of consolidation, requires commitment among partners to what may be a lengthy and difficult process.

## **Models in Action: The Fund for Our Economic Future**

The Fund for Our Economic Future (the Fund) was established in 2004 as a collaboration of regional philanthropic foundations aimed at increasing economic development in Northeast Ohio. The alliance allowed member foundations to align priorities, pool resources, and fund transformational initiatives. The Fund began as an informal collaboration with a chair and leadership team made up of staff members from each member foundation. To maximize participation and contributions from each member, a MOU was drafted outlining the collaboration’s mission, strategy, operating process, and allocation of resources. The Fund has since grown to four full-time staff dedicated to managing communications, finance, development, and civic outreach and eventually incorporated as a separate nonprofit organization (Candid n.d.).

In its development, the Fund experienced challenges, particularly with aligning the missions and strategies of multiple stakeholders—including federal, state and local government, businesses, research centers, and universities—within the greater regional economic development plan. However, the impact of this collaboration has meant expanded support for regional economic development, a more coordinated approach to economic development, joint grantmaking opportunities, and financial leverage from other state and federal resources (Candid n.d.).

The Fund’s evolution from shared programming to formation of a separate nonprofit illustrates how governance models function within a continuum. What may start as a desire by partners to improve collaboration can lead to increasing cooperation and eventually a formal structure that provides an effective service delivery platform. While creation of a new entity may not be optimal without some level of consolidation among partners, each potential partnership can tailor its design accordingly.

## Conclusions

The Hub currently participates as a member of the BRT and benefits from the coordination among its partners. The BRT consists of local, regional, and state organizations providing support to businesses' growth and development. The BRT's 16 partners include ESOs, economic development entities, workforce development agencies, and educational institutions. The BRT is designed to be a one-stop resource to entrepreneurs and business owners seeking support. Partner organizations refer clients to one another depending on the needed services. The BRT also publishes the Business Resource Guide—a summary-level inventory of 29 organizations that provide support services to businesses in the region.

While the BRT's service coordination and business resource guide do benefit startups and existing businesses, there is an opportunity for even greater coordination among ESOs in the region. Consideration of a more formal arrangement will require a thorough assessment of each organization's current roles, responsibilities, and willingness for greater collaboration. A starting point may be identifying a current or needed program that can be developed into a joint program. Whether developing a joint program, co-branding, or more formal organizational alignment, any governance effort will require significant commitment among all stakeholders. However, the development of a more formal governance model amongst the ESOs providing incubator and accelerator services does offer potential for more coordinated and effective delivery of services and merits consideration.

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# West Michigan Entrepreneurial Market Analysis

Report Supplement: Second-stage Business Support

May 28, 2021



# Introduction

Public Sector Consultants' (PSC's) recently completed West Michigan Entrepreneurial Market Analysis (April 30, 2021) provided an assessment of the overall entrepreneurial ecosystem with a focus on services being provided and economic sector trends. This study was done to assist the Muskegon Innovation Hub at Grand Valley State University (The Hub) be more responsive to the market, especially considering coronavirus pandemic impacts. Recommendations centered around potential programmatic enhancements that The Hub and partner entrepreneurial support organizations (ESOs) could make to enhance overall entrepreneurial and business success. To provide further clarity about the potential need for support for second-stage company acceleration, PSC has developed this report supplement. This supplement categorizes entrepreneurial services in the region across the stages of entrepreneurial development and quantifies the number of second-stage companies in the region. Both factors indicate the need and opportunity for second-stage business support.

## Entrepreneurial Development and Support Services

The business development cycle has long been classified into anywhere from three to seven stages by academics and industry experts, with some stages also having distinct subcomponents. Exhibit 1 is a general model that overlays five stages of growth with the terminology used in this supplement—"startup" and "second-stage companies." Startups are often single individuals or small teams with a product or service concept in development but not yet ready for the marketplace. Second-stage companies have a viable product or service and typically have between five and 99 employees and between \$1 million and \$50 million in revenue.<sup>1</sup> While there are second-stage companies that may be outside of these parameters, high-growth and high job-creation businesses frequently fall within these parameters (Wyant 2017). Each stage presents unique needs and challenges that require specific supports as businesses move from the development stage to maturity.

**EXHIBIT 1. Stages of Business Development**



Source: PSC research

<sup>1</sup> This is the definition utilized by the Edward Lowe Foundation, but some experts define second stage up to \$100 million in annual sales (Freed 2014).

The entrepreneurial market analysis included a review of the support services available to West Michigan entrepreneurs and business owners. Exhibit 2 provides an overview of the ESOs PSC interviewed and the services they provide. Most of the ESOs focus their efforts on supporting businesses in the development and startup stages, with some services directed to second-stage companies experiencing growth and expansion. The exhibit also classifies those services and whether they are predominantly provided to startup or second-stage companies. While several services are commonly provided at both stages, e.g., mentoring, it should be recognized that other services may also be provided to both startups and second-stage companies, e.g., legal services, depending on their unique circumstances and specific needs. This typology was applied for purposes of understanding the gap in second-stage support.

**EXHIBIT 2. Entrepreneurial Support Activities Provided to Startup and Second-stage Companies**

Entrepreneurial Support Organization	Entrepreneurial Support Activities										Startup and Second Stage	
	Startups					Second Stage						
	Access to Startup Capital	Business Planning	Sales and Market Research	Networking	Office/Production Space	Legal Assistance	Product Development	Industry-specific Market Support	Access to Venture Capital	Cohort-based Second-stage Programs		Mentoring
Business Resource Team				*								
Food Forward FARM			*		*		*	*	*		*	
Grand Rapids Opportunities for Women	*	*	*	*		*			*		*	*
Kitchen 242			*	*	*		*	*				
Lakeshore Advantage (SURGE)	*	*		*			*	*	*		*	
Lakeshore Fab Lab							*				*	
Muskegon Angels	*			*					*		*	
Muskegon Inventors Network				*								
Muskegon Lakeshore Chamber of Commerce				*								
The Right Place	*		*	*	* <sup>2</sup>			*			*	
SCORE Muskegon		*	*	*								
Start Garden	*	*	*	*	*						*	*

<sup>2</sup> Provides site location support.

Entrepreneurial Support Organization	Entrepreneurial Support Activities										Startup and Second Stage	
	Startups					Second Stage						
	Access to Startup Capital	Business Planning	Sales and Market Research	Networking	Office/Production Space	Legal Assistance	Product Development	Industry-specific Market Support	Access to Venture Capital	Cohort-based Second-stage Programs		Mentoring
The Starting Block		*			*		*	*			*	
West Michigan Small Business Development Center		*	*	*		*		*			*	

Source: Richards 2020 and PSC analysis

Many of the entrepreneurs PSC interviewed and surveyed were startup sole proprietors, with 65 percent of survey respondents reporting that they had been in business less than three years (including 16 percent who indicated they had yet to launch). Over 50 percent of survey respondents reported that they expect less than \$250,000 in annual revenue. Exhibit 3 highlights the multiple ESOs and services being provided to address the needs of those startups, with the notable exception of support for businesses owned by those who are Black, Indigenous, and People of Color and legal assistance. The support for second-stage firm growth, aside from some venture capital funding, is less common.

Businesses moving from the startup stage to subsequent stages represent an opportunity for ESOs to expand services to support growth of larger and/or more established businesses in the region. These efforts would focus more on business acceleration as opposed to the current supports that focus primarily on incubation. This would include programming that supports businesses with an established service or product, sometimes referred to as a minimum viable product. These businesses also typically have a well-developed business plan, strong startup team, and an existing customer base. The focus of support would be to help them achieve strong growth. This work is typically achieved through development of competitive, cohort-based training programs; access to venture capital and other funding; intensive mentoring; and industry sector expertise (Richards 2020).

## Second-stage Companies

To better understand the quantity of second-stage companies in the region, PSC compiled information from the U.S. Census Bureau that categorizes firms by the number of employees. Exhibit 3 provides this information for companies with 5 to 99 employees within the region for 2014 and 2019, with the later year being the most recent available. The number of second-stage companies grew in every county except Lake, which experienced a 19 percent decline. Growth in second-stage companies in the other counties resulted in an overall growth rate in the region of 6.5 percent over the five-year period.

### EXHIBIT 3. Number of Businesses Categorized by Number of Employees, 2014 and 2019

County	5 to 9 Employees		10 to 19 Employees		20 to 49 Employees		50 to 99 Employees		Total Businesses		2014–2019 Percentage Change in Total
	2014	2019	2014	2019	2014	2019	2014	2019	2014	2019	
Lake	37	23	19	19	5	9	2	N/A	63	51	-19.0%
Mason	166	163	86	102	49	63	14	14	315	342	8.6%
Muskegon	648	688	469	478	330	355	106	103	1,553	1,624	4.6%
Newaygo	172	183	98	121	59	64	10	16	339	384	13.3%
Oceana	101	95	51	51	22	26	8	11	182	183	0.5%
Ottawa	1,178	1,196	836	911	550	652	193	205	2,757	2,964	7.5%
<b>Total</b>	<b>2,302</b>	<b>2,348</b>	<b>1,559</b>	<b>1,682</b>	<b>1,015</b>	<b>1,169</b>	<b>333</b>	<b>349</b>	<b>5,209</b>	<b>5,548</b>	<b>6.5%</b>
Kent <sup>3</sup>	2,991	3,153	2,354	2,502	1,776	2,030	711	803	7,832	8,488	8.4%

The U.S. Census Bureau does collect revenue data for these firms but only at the aggregate level, not at the individual company level. However, relying on employee size alone provides a good basis for understanding the potential size of the second-stage market. Making a conservative assumption that 5 percent of these companies have high-growth and high job-creation potential, there would be nearly 280 firms that could utilize second-stage support if readily available.

## Conclusion

Most of the entrepreneurial support activities within the region are focused on incubation and general business support activities. While there are some business acceleration activities taking place, such as access to second-stage funding, there is no organization focused on second-stage business acceleration. In particular, the competitive cohort-based training programs are lacking. There is an opportunity to support the region's second-stage companies by providing this training and supplementing it with mentoring and greater access to venture capital. A dedicated second-stage acceleration program led by The Hub could provide these needed services and capitalize on the opportunity to further assist high-growth/high job-creation potential businesses.

<sup>3</sup> Kent County was excluded from the total calculation given its large size and inclusion within the Grand Rapids-centered ESO ecosystem (see the West Michigan Entrepreneurial Market Analysis complete study for more details).

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