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# **Entrepreneurs Grow Michigan's Economy**

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**MI House of Reps – New Economy Committee  
February 10, 2010  
Rob Fowler, President and CEO  
Small Business Association of Michigan**

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# Three Economic Development Options

- Hunting vs. Gardening
  - Industry vs. Stage of Business
  - Strategic vs. Political (for lack of a better term)
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# Economic Development Strategies



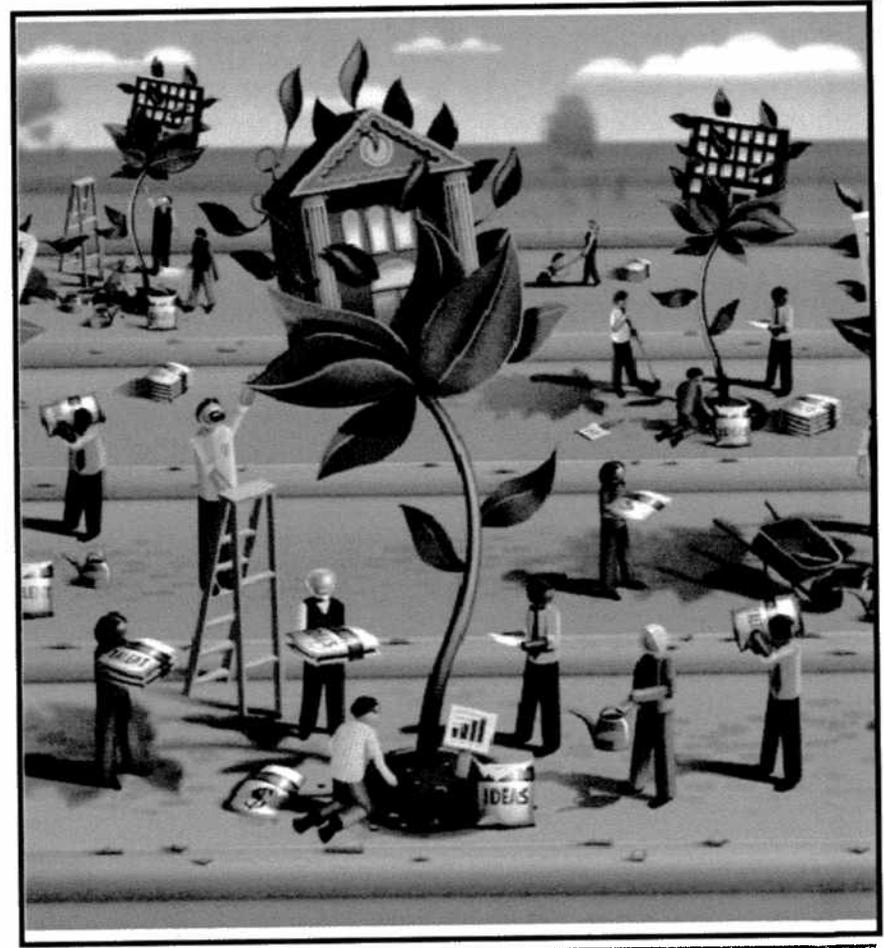
Hunting vs. Gardening

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# Economic Gardening

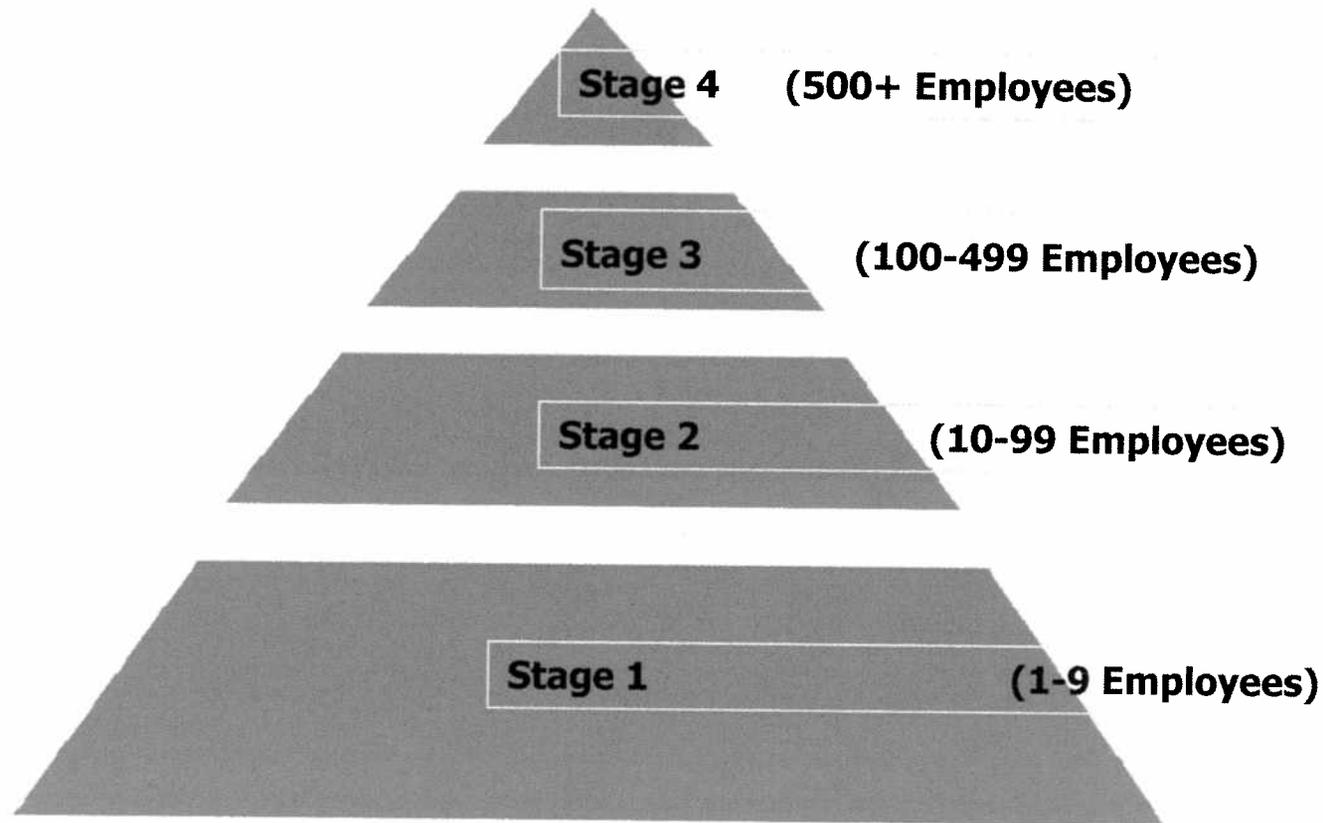
An Entrepreneur  
Centered economic  
growth strategy that  
complements the  
traditional practice of  
recruitment.

Targeting expansion services to  
growth companies for special  
attention with high-end tools  
and services.



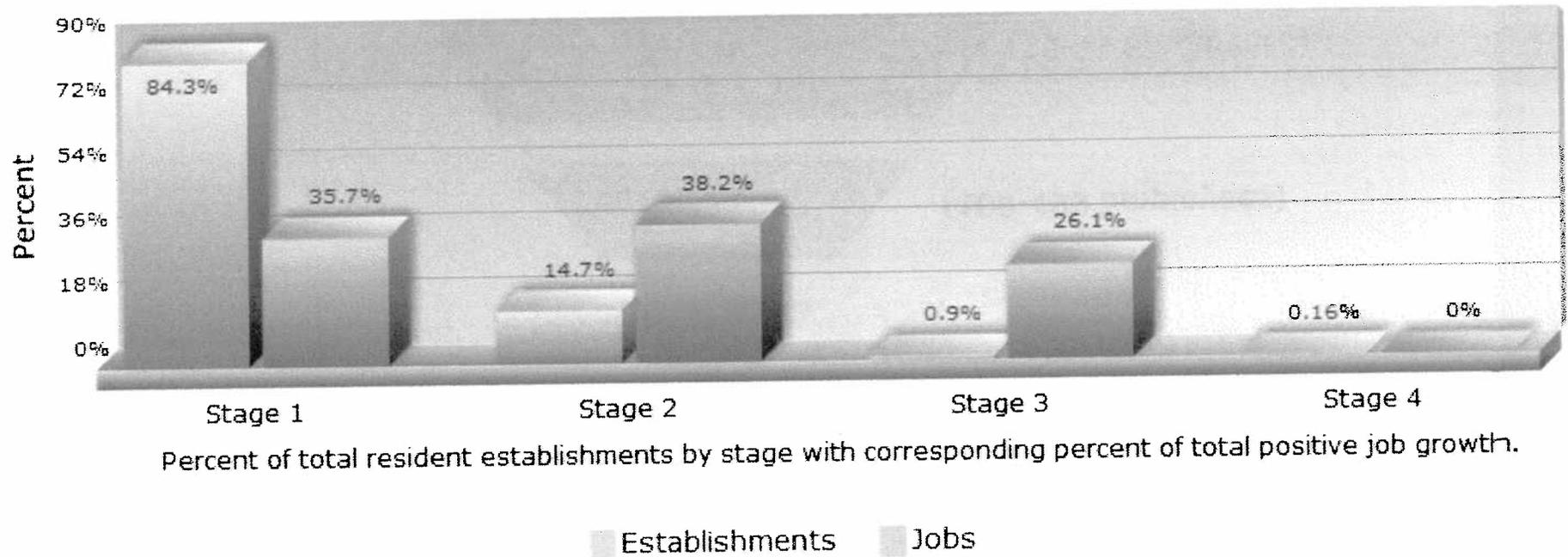
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# Business Stage Distribution



# Where the Jobs Come From

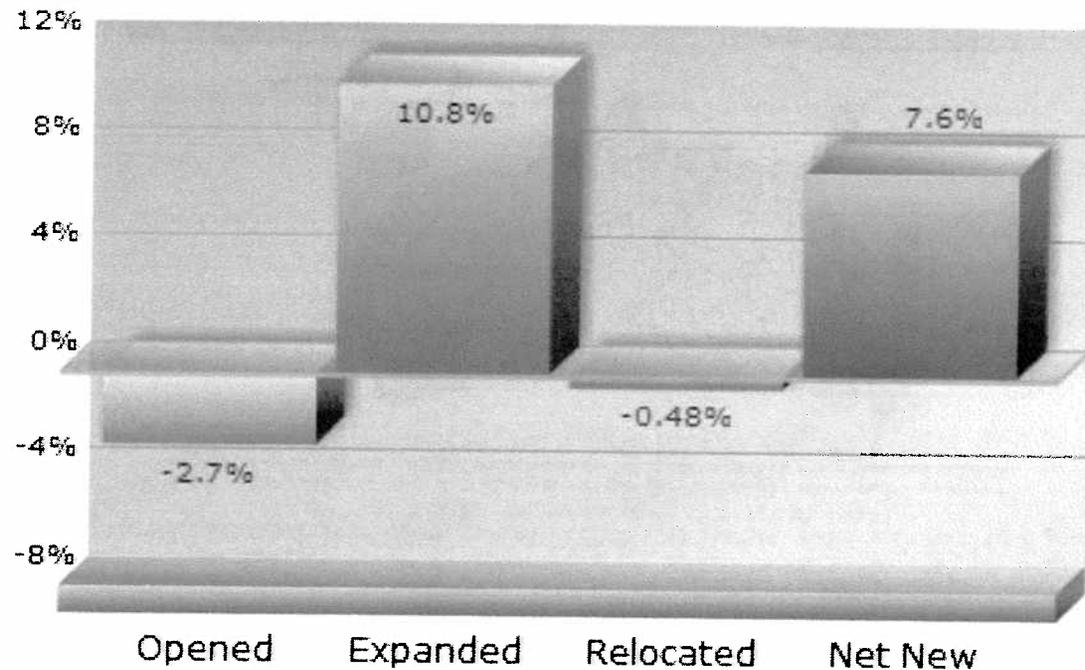
Resident Job Growth (positive growth)  
1993 - 2007



# Jobs: Hunting vs. Gardening

Jobs 1993: 4,897,032 2007: 5,275,234

Net New Jobs  
1993 - 2007



Percent net change in jobs from beginning of period  
by opened, expanded and relocated establishments.

**Your Economy.org** A closer look at business activity through time  
 Powered by the *Edward Leons Foundation*

YourEconomy Composition Growth Migration Industry Entrepreneurship User's Guide Contact Us

**About Composition**

Composition shows how establishments and jobs are distributed according to the three employer categories and four growth stages. Composition is YourEconomy's default view because it provides a baseline for seeing what types of employers and stages exist in a region—and their share of establishments and jobs.

MSA  Show

County  Show

**MICHIGAN averages** [Details/Print](#)

	2004-2006	1993-2006	3-year vs. 14-year		U.S.	MI
<b>Establishments</b>				<b>Jobs</b>	U.S.	MI
Noncommercial	7.5%	7.4%		Noncommercial	16.2%	14.0%
Nonresident	5.5%	4.9%		Nonresident	26.9%	16.1%
Resident	87.0%	87.0%		Resident	62.8%	89.9%
Stage 1 (1-9)	87.9%	86.4%		Stage 1 (1-9)	30.8%	25.8%
Stage 2 (10-99)	11.4%	12.6%		Stage 2 (10-99)	37.9%	35.9%
Stage 3 (100-499)	0.66%	0.83%		Stage 3 (100-499)	16.4%	17.7%
Stage 4 (500+)	0.08%	0.12%		Stage 4 (500+)	14.8%	20.5%

YourEconomy Data Created from the National Establishment Time Series (NETS) Database  
 Provided by the *Edward Leons Foundation* and Walls & Associates

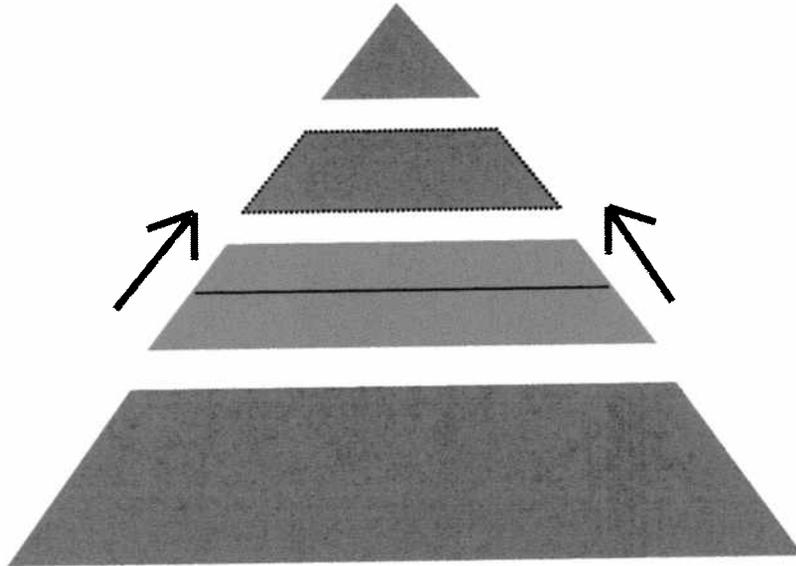
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# Targeting Industry vs. Stage of Growth

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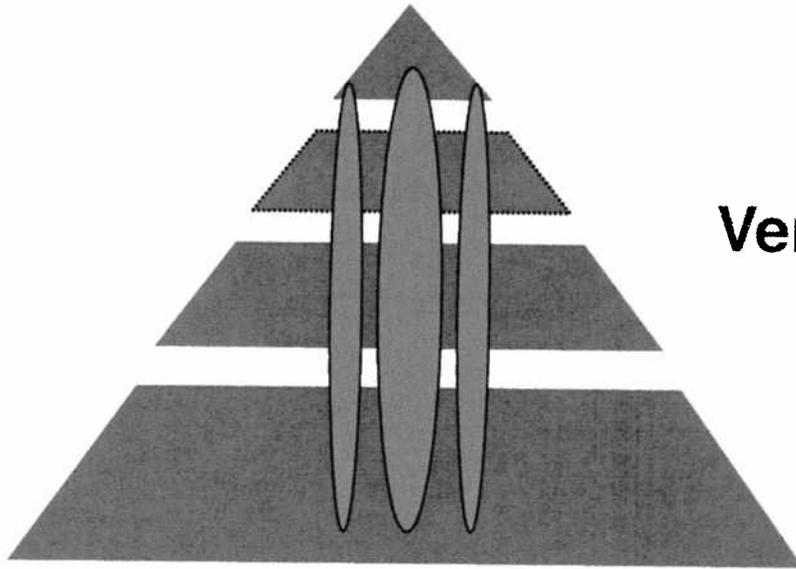
# Stages of Development -



- Stage Four (500+)
  - Stage Three (100 to 499)
  - Stage Two (10 to 99)
  - Stage One (1 to 9)
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# Economic Development By Industry Clusters

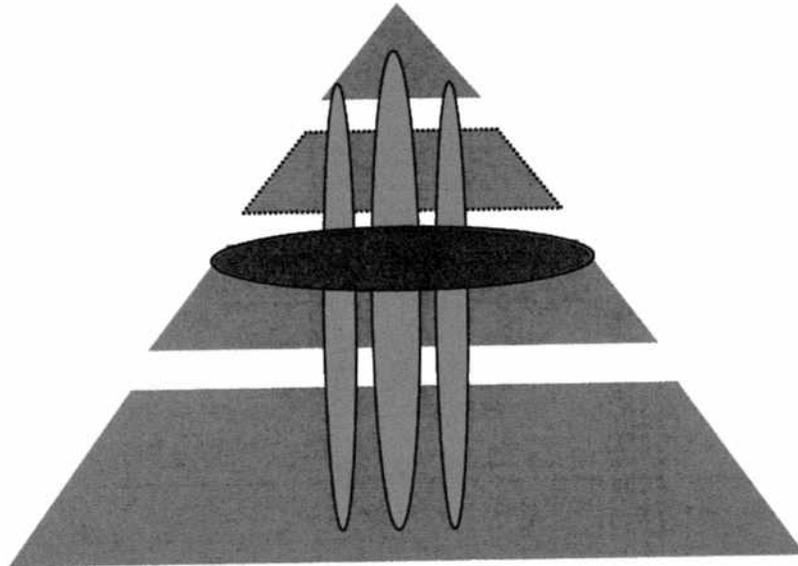


**Vertical Industry Clusters  
Cover all stages**



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# Horizontal Cluster – Stage of Business



**Vertical Industry Clusters  
Versus  
Horizontal High Growth  
Second Stage Clusters**

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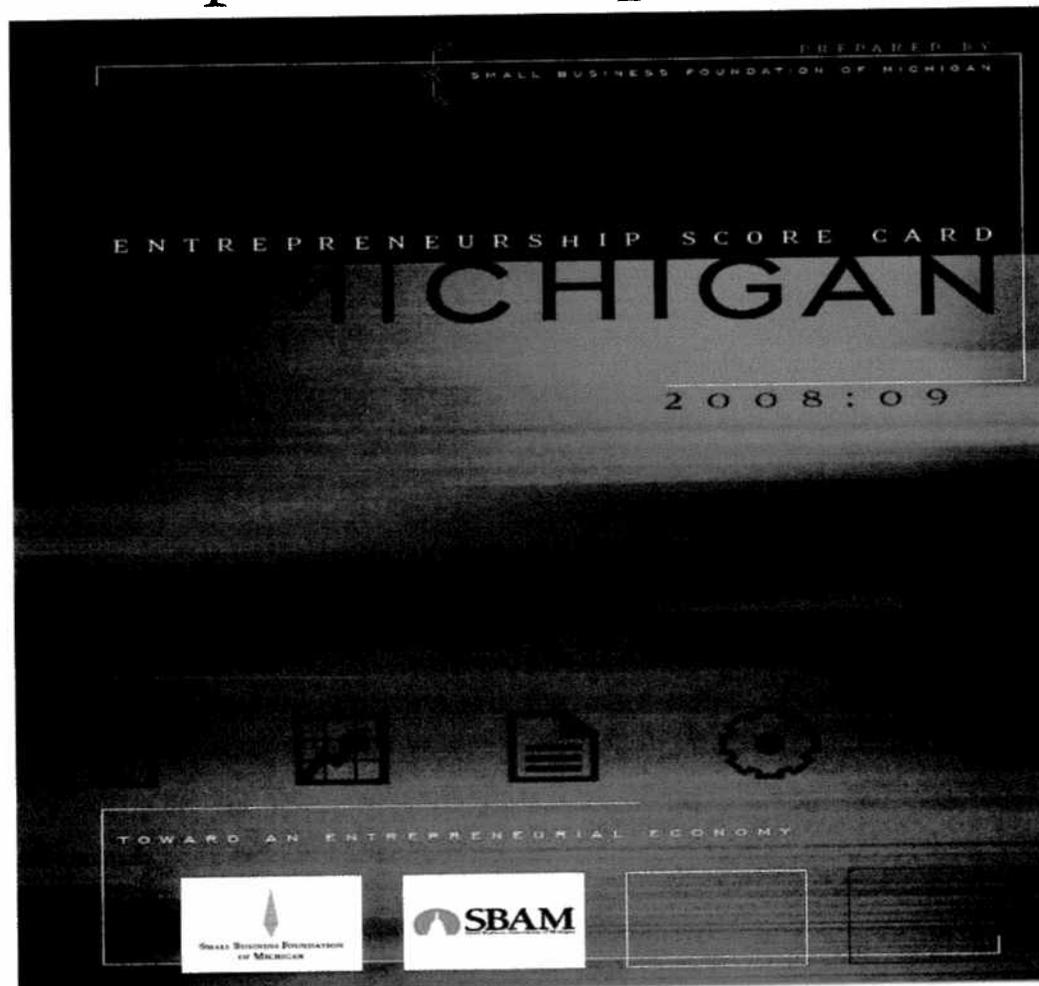
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# Strategic Policy Development vs. ???

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2008-2009

# Entrepreneurship Scorecard



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# Some Interesting Findings

■ Growth in # of Small Bus.	■ 47
■ SB Payroll Growth	■ 50
■ Proprietor Income Growth	■ 26
■ Net Firm Entrants Increase	■ 5
■ Entrepreneurial Activity Index	■ 26
■ University Spinout Businesses	■ 20
■ SBIR Awards	■ 21
■ University R & D	■ 17
■ Patents Per R & D Dollar	■ 40
■ Industry R & D	■ 2
■ Venture Cap Financing	■ 32
■ Private Lending to SB	■ 3

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## More rankings...

- Large Business Payroll Growth ■ 49
  - US News Undergraduate Reputation ■ 17
  - US News Top Graduate Programs ■ 4
  - High Tech Mfg. Employment ■ 1
  - High Tech Services Employment ■ 13
  - State Business Tax Structure ■ 49
  - Business Tax Burden ■ 28
  - Small Business Health Ins Premiums ■ 39
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# What are the Drivers?

## Secondary Drivers:

■ Education	15
■ Workforce Preparedness	8
■ Business Costs	39
■ Productivity and Labor Supply	43
■ Government Efficiency & Regulatory Environment	29
■ Digital Connectivity	22
■ Quality of Life	39

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**So What Should We Do About This?**

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## Our To Do List

- Release 2009-2010 Entrepreneurial Scorecard – Mid February
  - Review Second Stage Research
  - Study Results of Pilot Projects
  - Produce “Economic Gardening” Policy White Paper
  - Meet with Gubernatorial Candidates
  - Share with House and Senate Candidates
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