

# Barry County - *Now What*

---

George A. Erickcek

W.E. Upjohn Institute for Employment Research

November 5, 2009

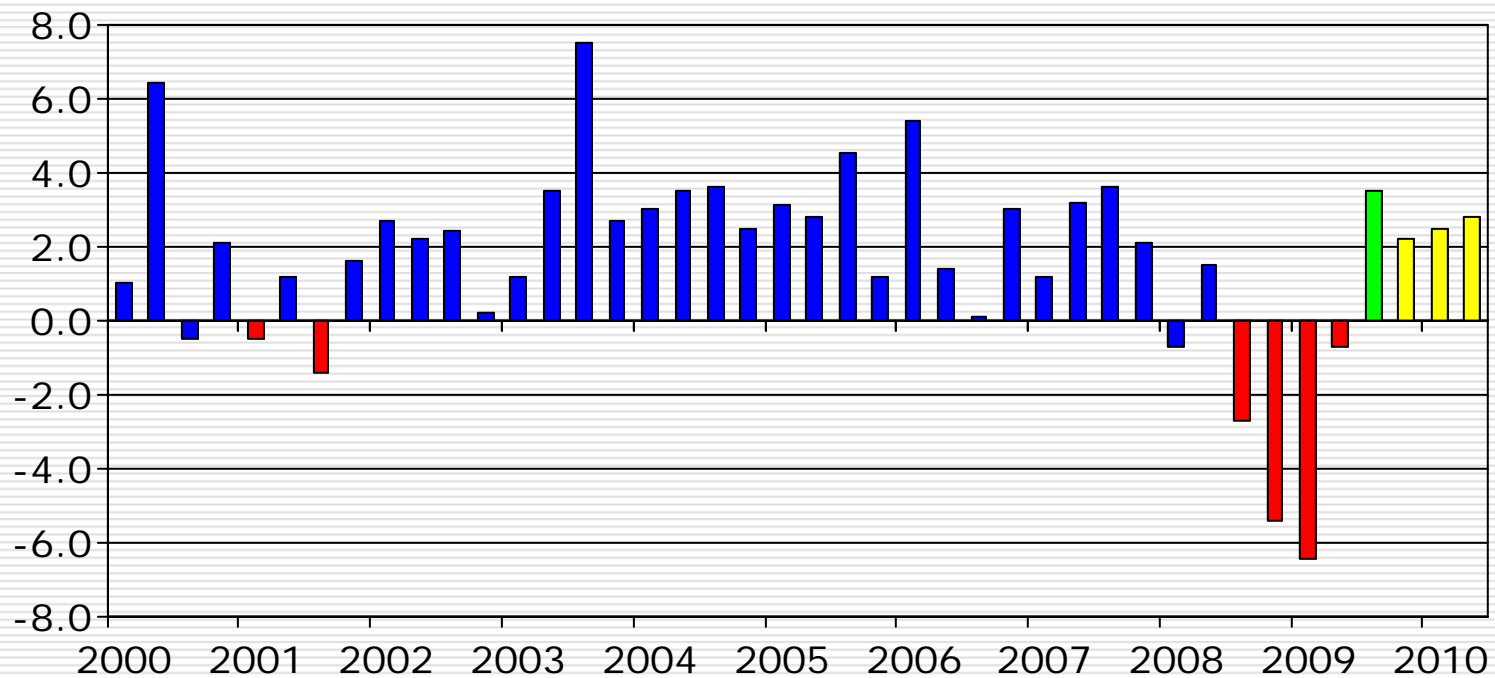
# Agenda

---

- National Outlook— *There are signs of spring.*
- Michigan— *Are we looking into a tunnel or a mine?*
- Now what?
  - *Competing on value*
  - *Small business development*

Good News! GDP increased by 3.5 percent in the third quarter.

## Annualized Percent Change in GDP



Source: BEA, Philadelphia Federal Reserve Survey of Professional Forecasters.

# National outlook: The nation's economic indicators have improved.

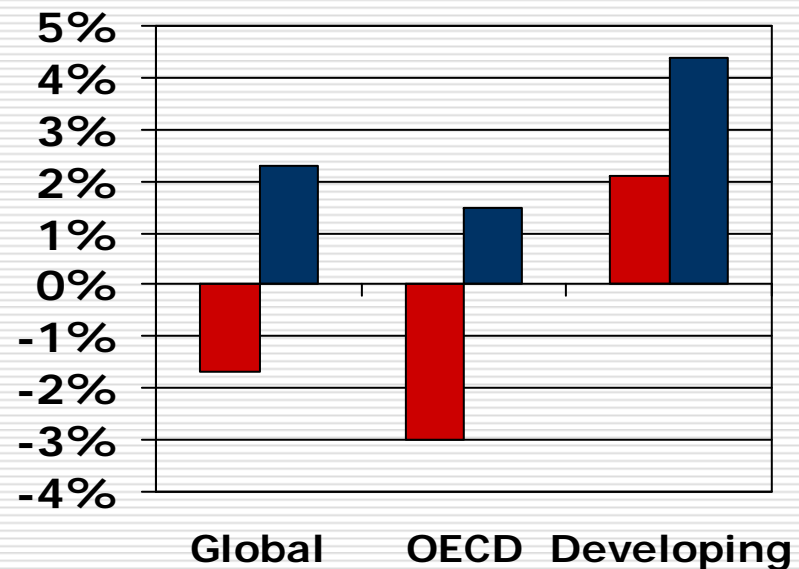
---

<input type="checkbox"/> Employment	RED
<input type="checkbox"/> Residential construction	YELLOW
<input type="checkbox"/> Consumer confidence	YELLOW
<input type="checkbox"/> Consumer financial conditions	YELLOW
<input type="checkbox"/> Credit markets	YELLOW
<input type="checkbox"/> ISM Purchasing Mgrs. Index	YELLOW
<input type="checkbox"/> Stock market	YELLOW
<input type="checkbox"/> Inflation	GREEN

# It's global!

- The 1.7 percent forecast decline in worldwide GDP would be the first on record!
- GDP in developed OECD countries is expected to fall this year.
- *However, Japan, Canada, France, and Germany all reported positive growth in the second quarter.*

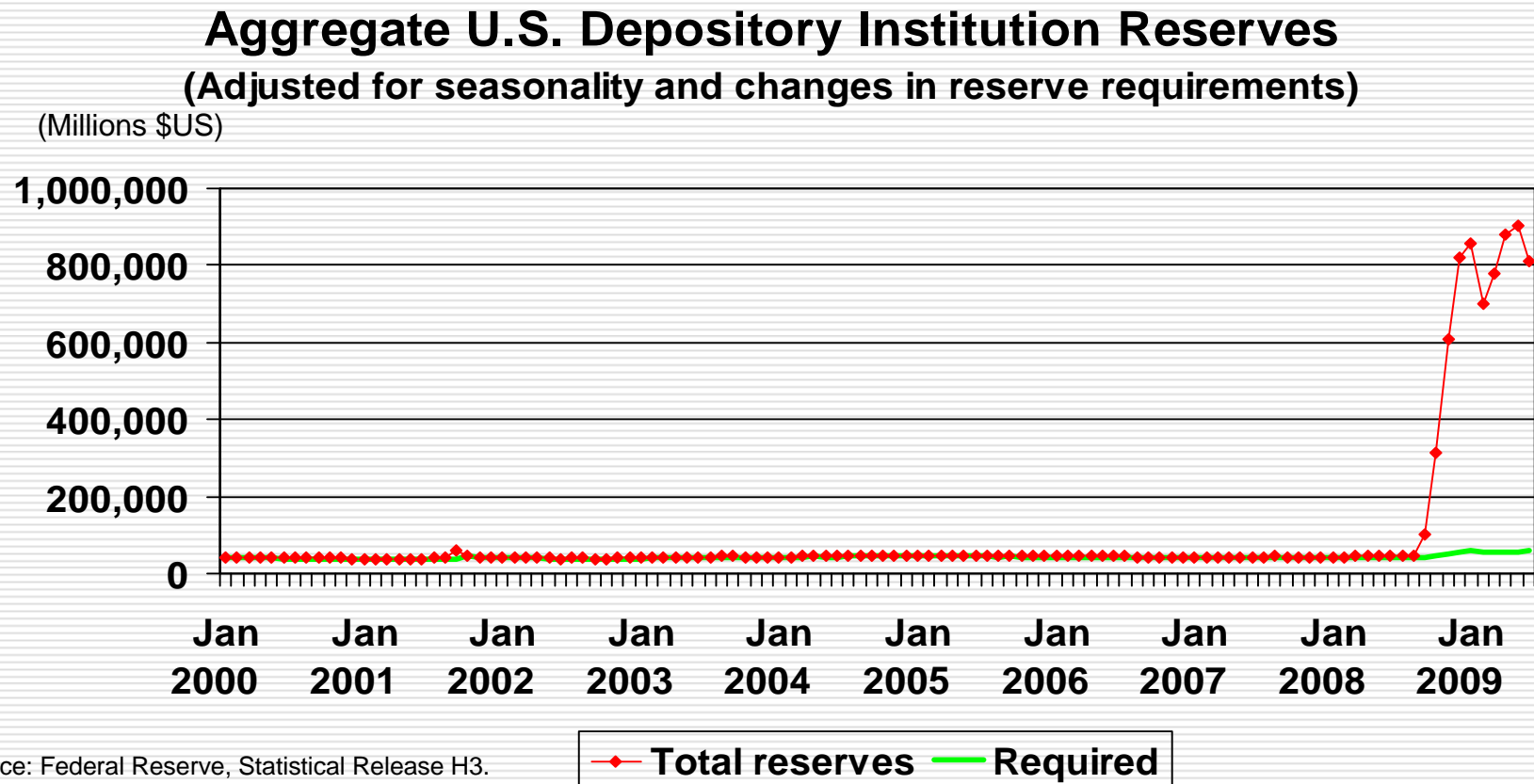
**Forecast 2009 GDP Growth Rates**



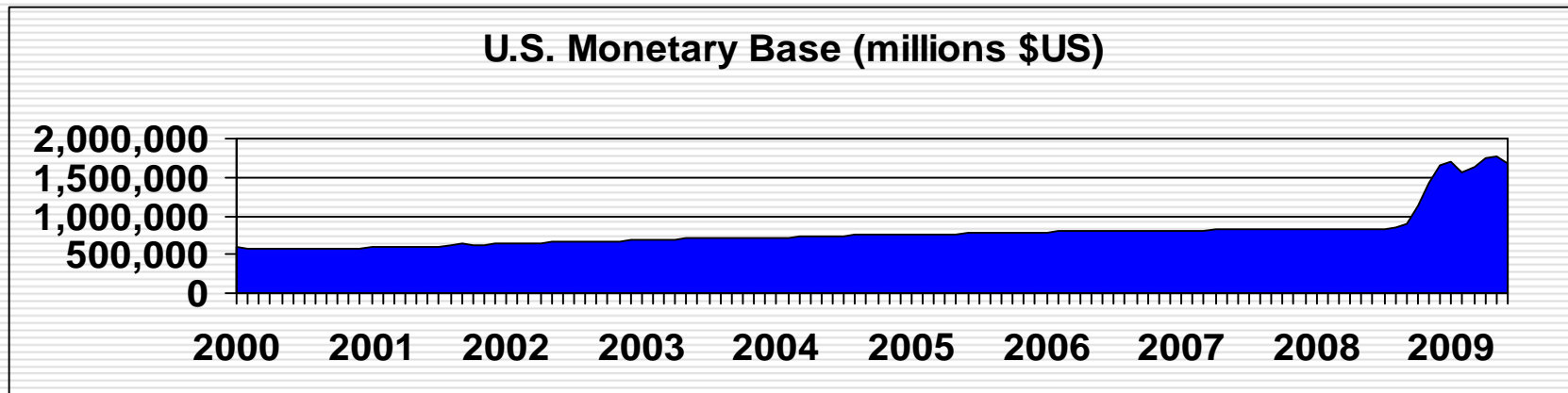
■ 2009 ■ 2010

Source: World Bank, *Global Economic Prospects 2009: Forecast Update*, March 30, 2009.

# Banks continue to hold on to their reserves.



# The nation's money supply has doubled over the past year!



- ❑ Federal stimulus efforts and bank bailouts have led to a substantial increase in the amount of money in the system.
- ❑ However, inflation remains low. Consumers are paying down debts and saving, while banks are hoarding cash reserves.
- ❑ Our international trading partners are also holding a lot of dollars.
- ❑ However, when there is too much money chasing too few goods, inflation is often the result.

Source: Federal Reserve, Statistical Release H3.

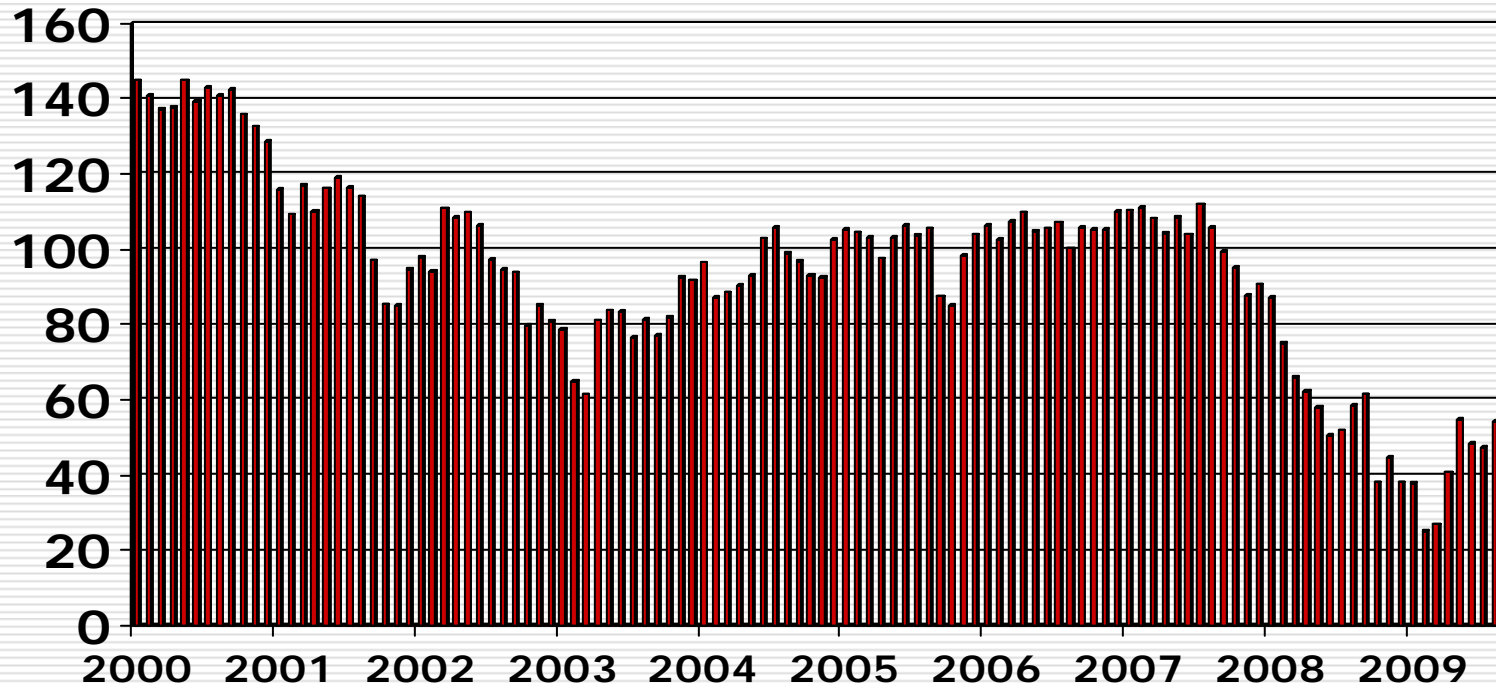
# Consumers

---

- ❑ Confidence is slowly returning.
- ❑ The housing market has stabilized.
- ❑ Retirement savings remain troubled, but the savings rate has increased dramatically.
- ❑ Job outlook is not good.

# Consumers' confidence is still low but improving.

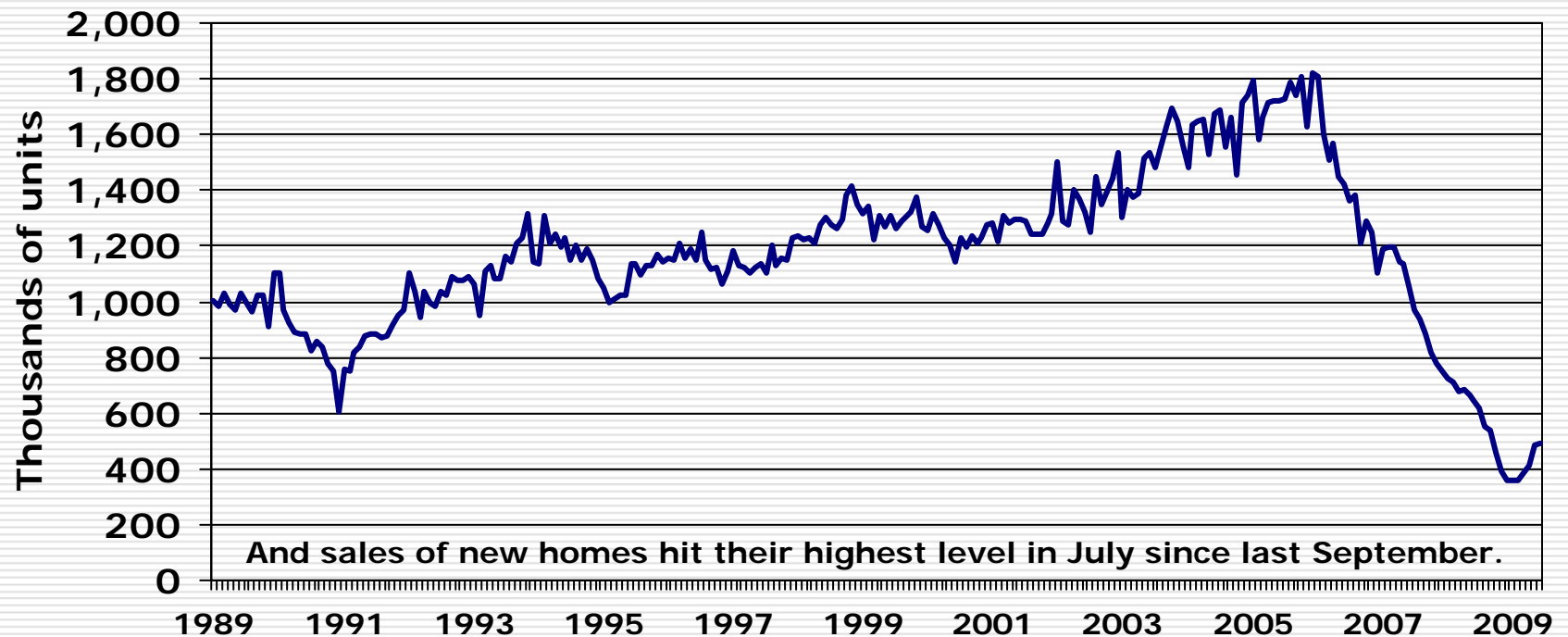
Consumer Confidence (1995=100)



Source: Conference Board.

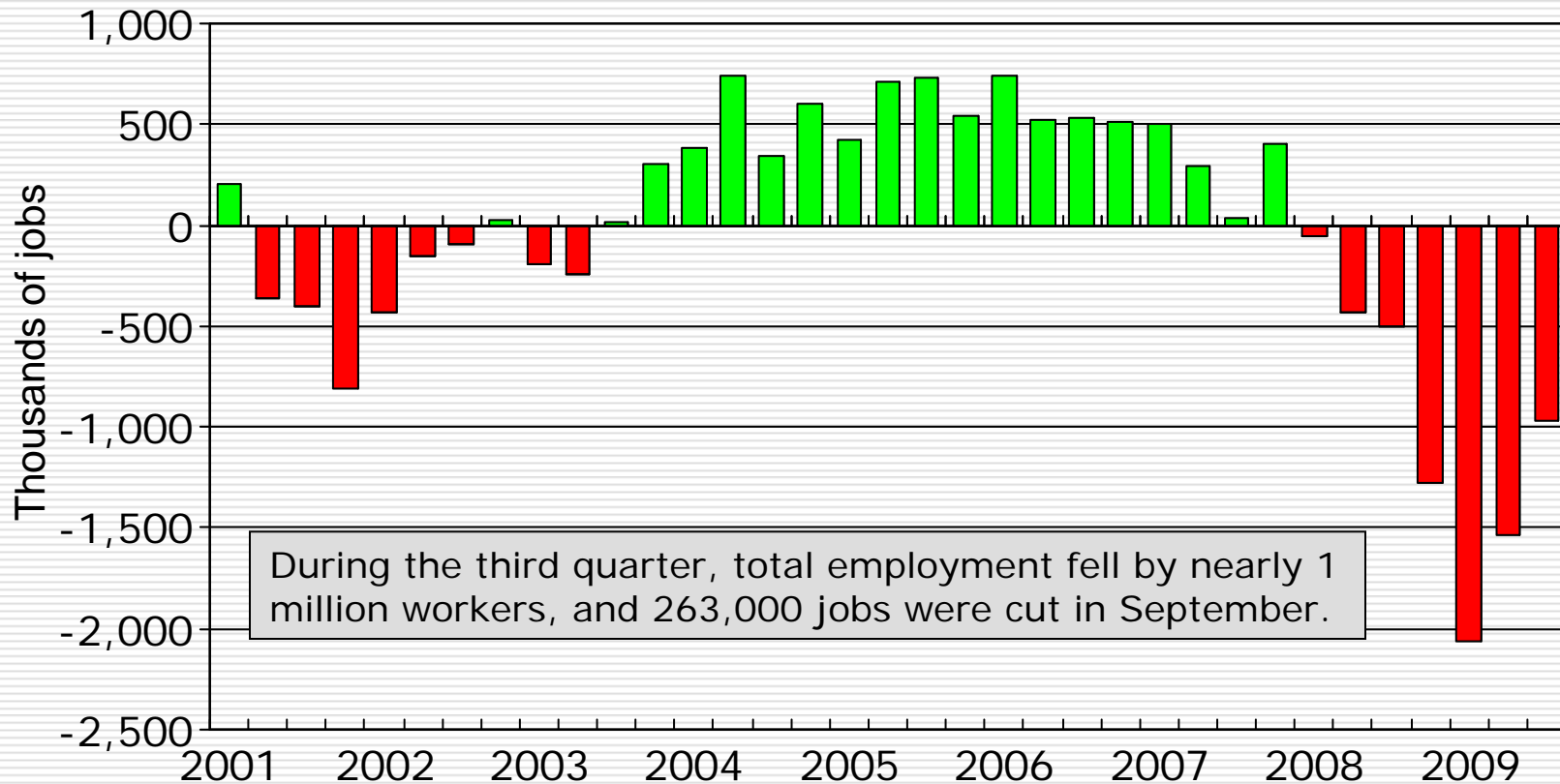
# Single-Family Housing Starts—*Have we found bottom?*

## Seasonally Adjusted Annual Rates



U.S. Census

# Nationwide, employers are still cutting payrolls.



During the third quarter, total employment fell by nearly 1 million workers, and 263,000 jobs were cut in September.

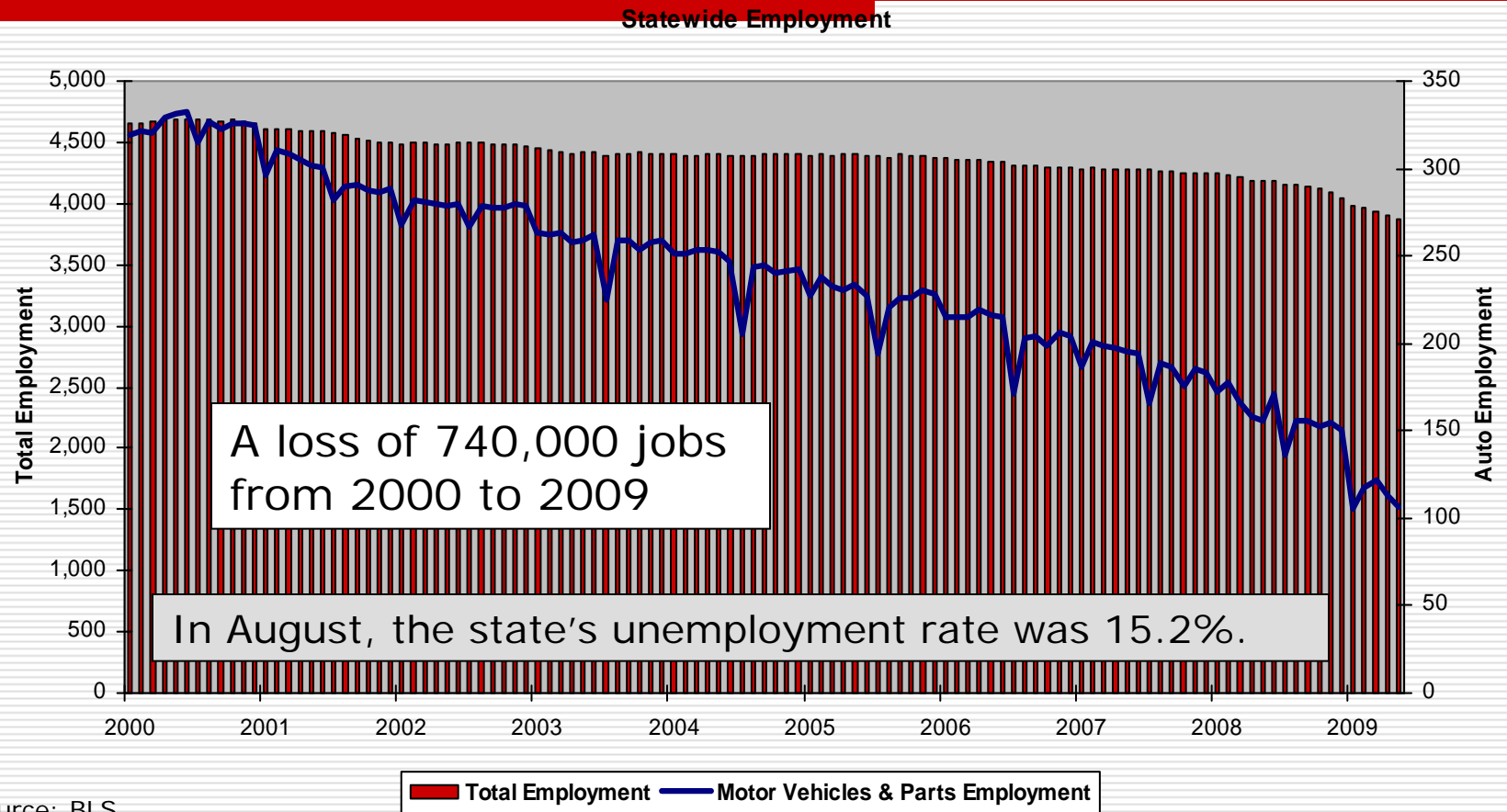
Source: BLS.

# Michigan remains in crisis.

---

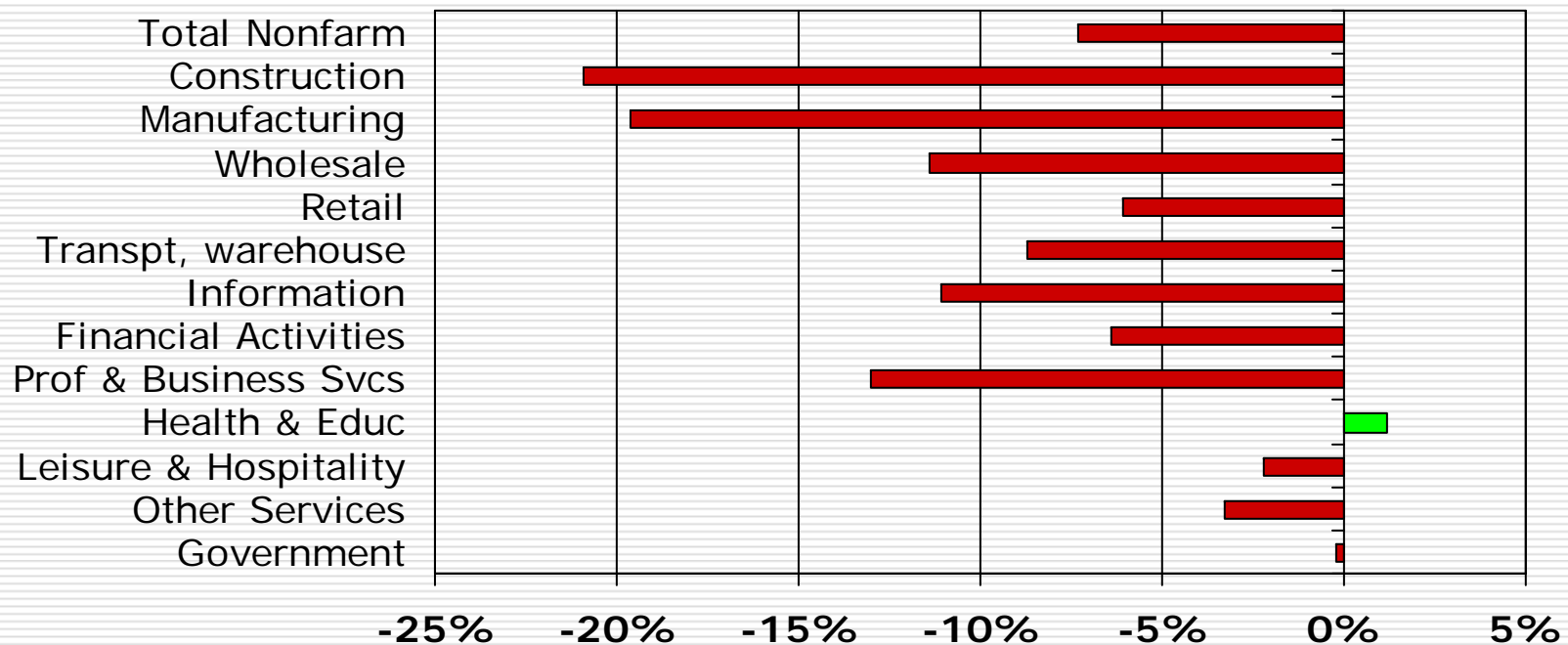
- ❑ A one-horse town with one sick horse.
- ❑ State government is facing a structural deficit that will not go away without a substantial change in its tax structure.
- ❑ Perceptions are important and hard to change.

# With the national slowdown, the state's turnaround is further postponed.



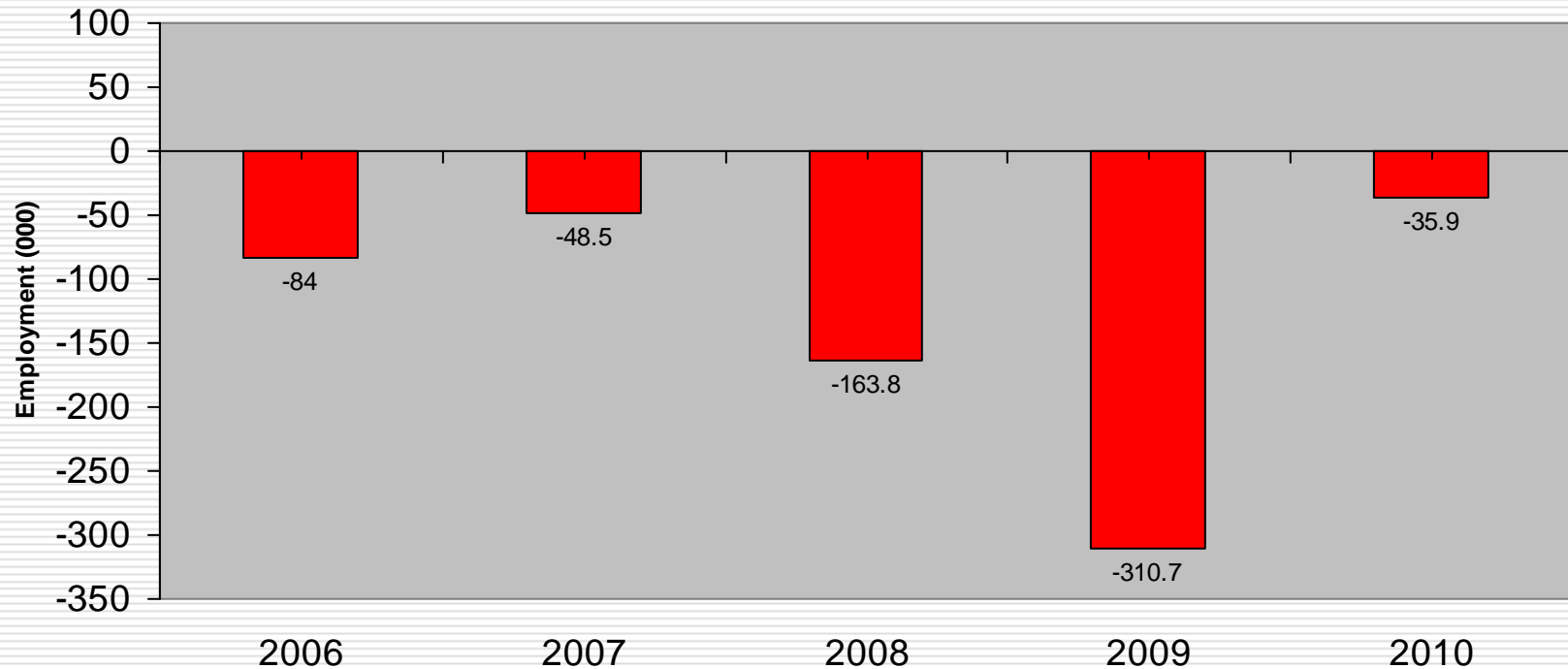
During the past four quarters, employers have cut 303,000 jobs in the state.

Michigan Employment Percent Change  
Third Quarter 2008 - Third Quarter 2009



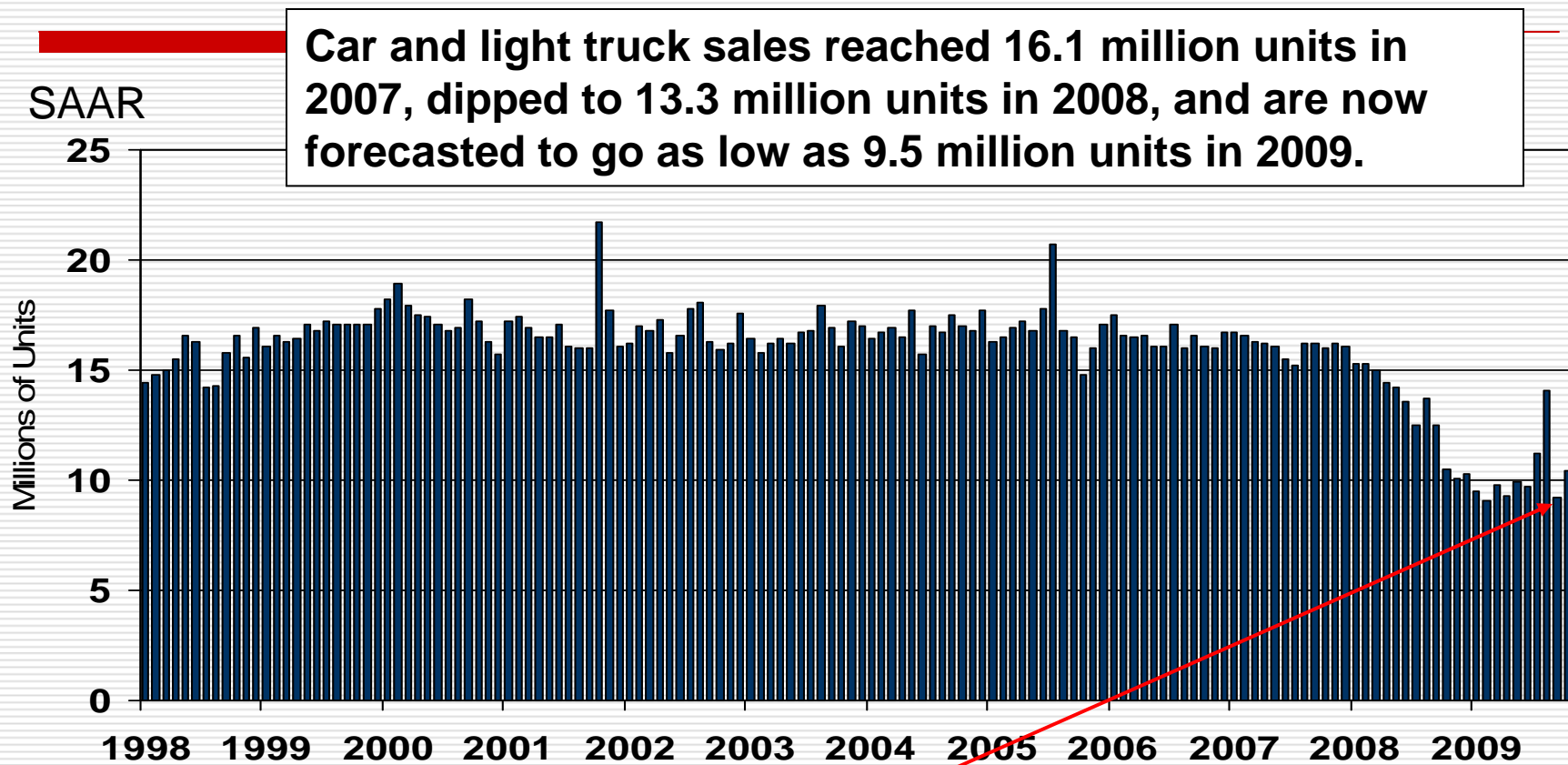
# Employment declined for 10 straight years.

Employment Change, 4th Quarter to 4th Quarter



Source: University of Michigan, July 2009.

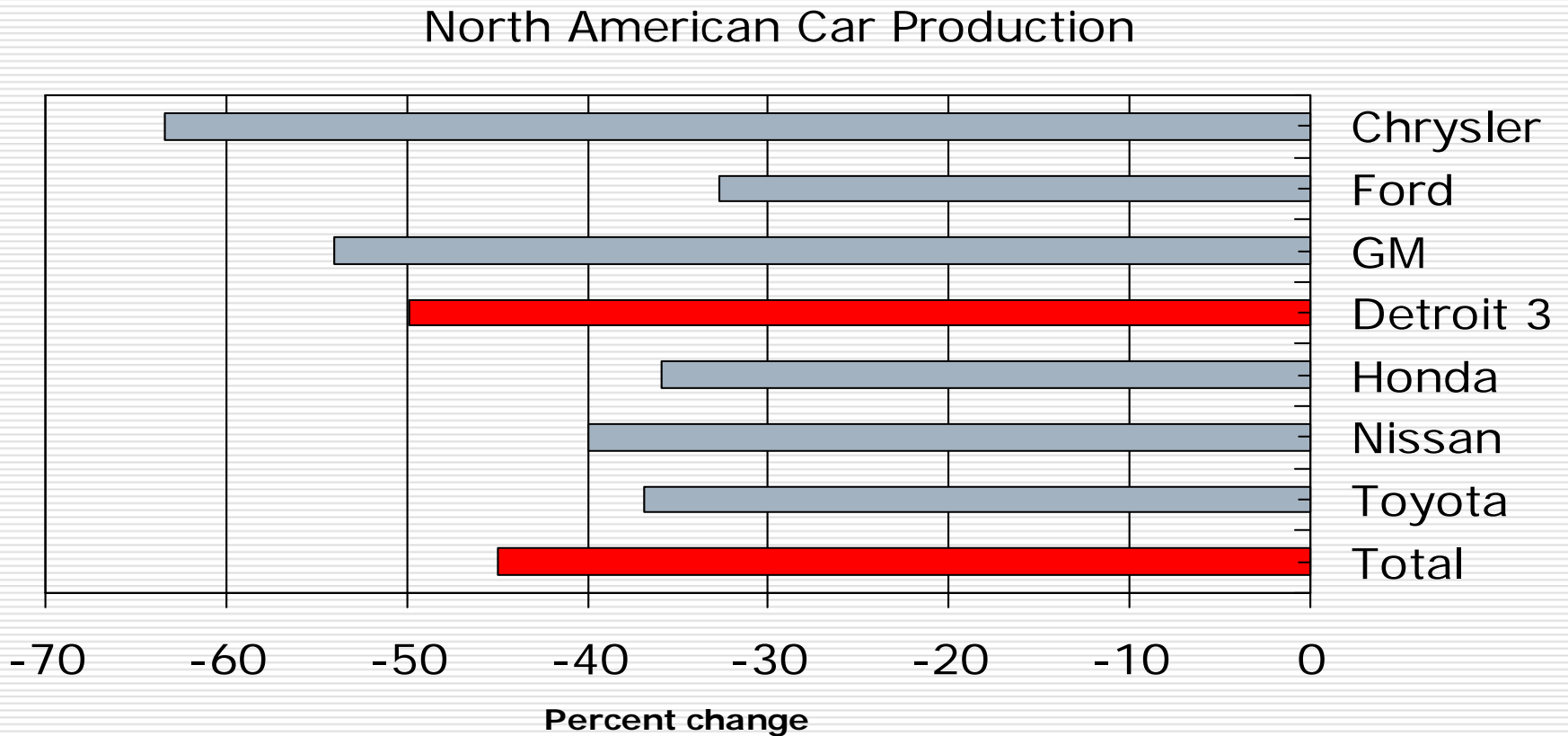
Now that clunkers are no longer gold, the showrooms are quiet.



Source: BEA.

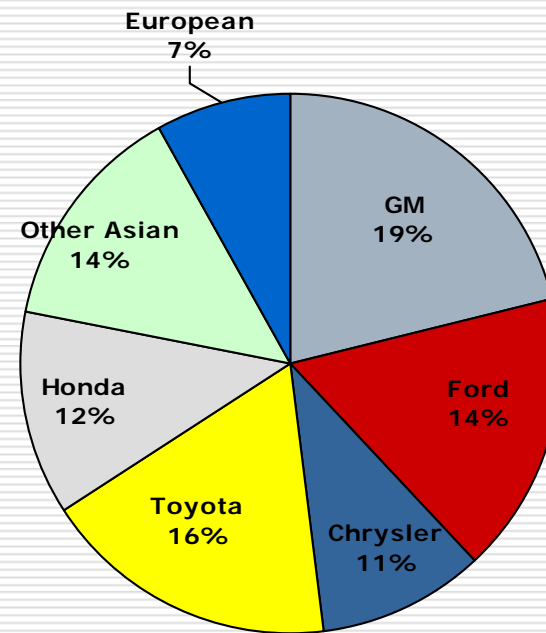
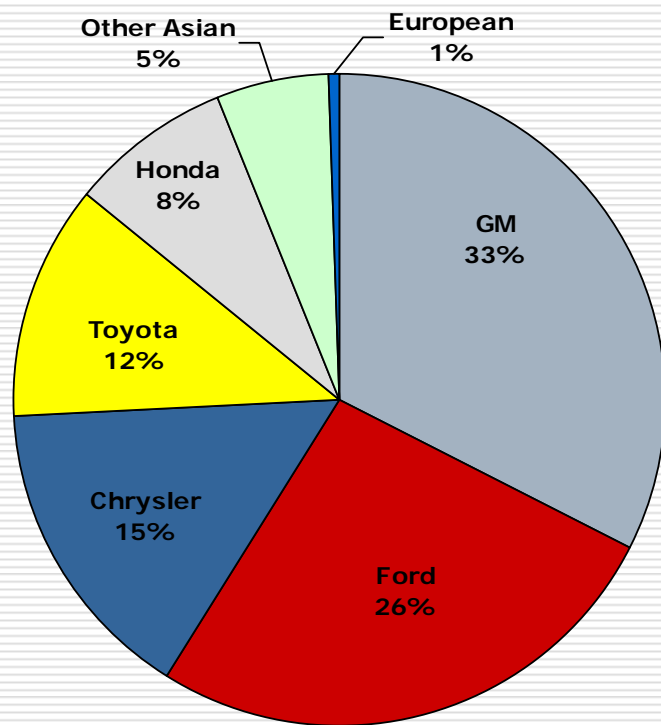
**The sales rate slowed to 9.2 million unit rate in September after posting a 14.1 million unit rate in August . Sales were up to a 10.4 pace in October**

# Production levels have plunged. Jan-August 2008 to Jan-August 2009



Source: Ward's AutoInfoBank <http://wardsauto.com/keydata/NAProductionSummary0902/>

Loss of market share: In 2001, the Detroit Three controlled 74%; in 2009 it fell to 45%.



Source: *Wards AutoWorld*.

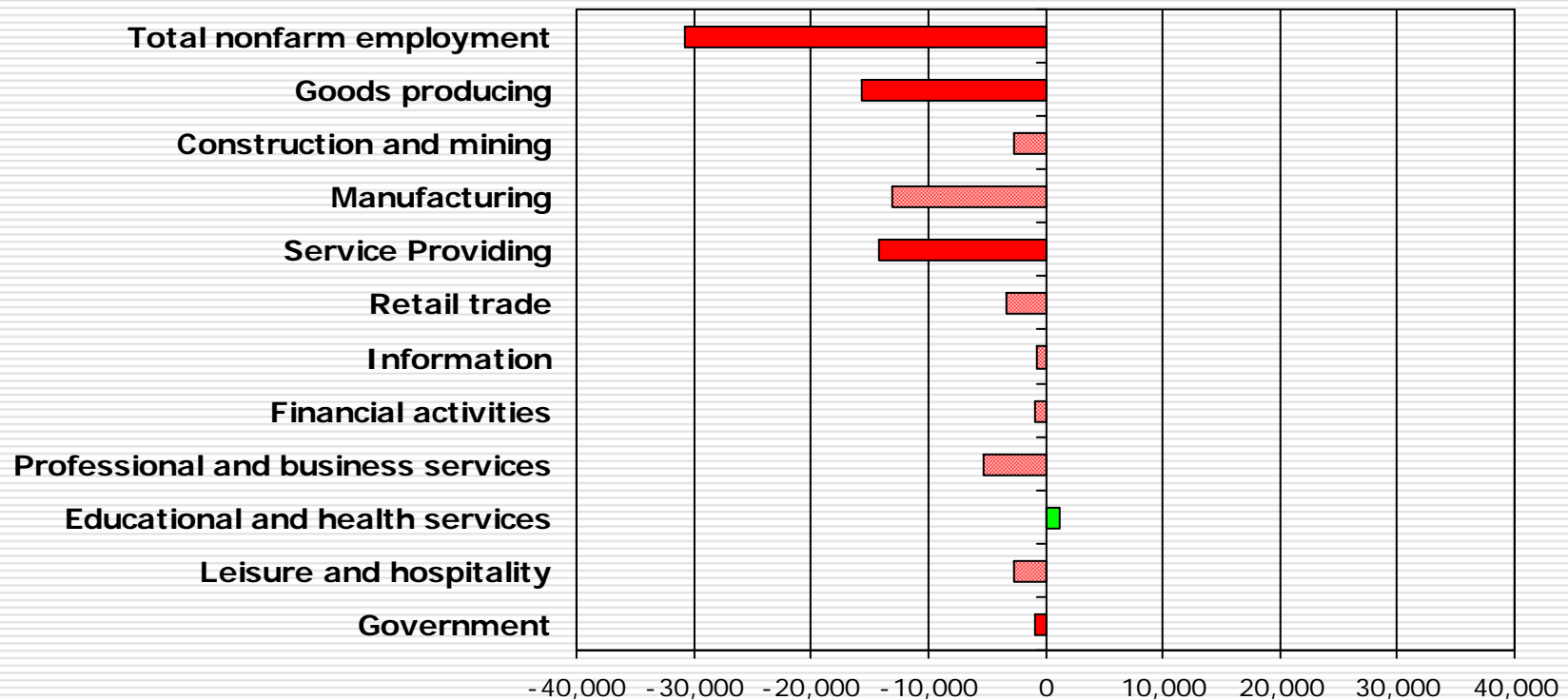
**2001**

**YTD 3<sup>rd</sup> Q 2009**

# Current conditions in the West Michigan region- *a 5.5% decline.*

*(REVISED SLIDE)*

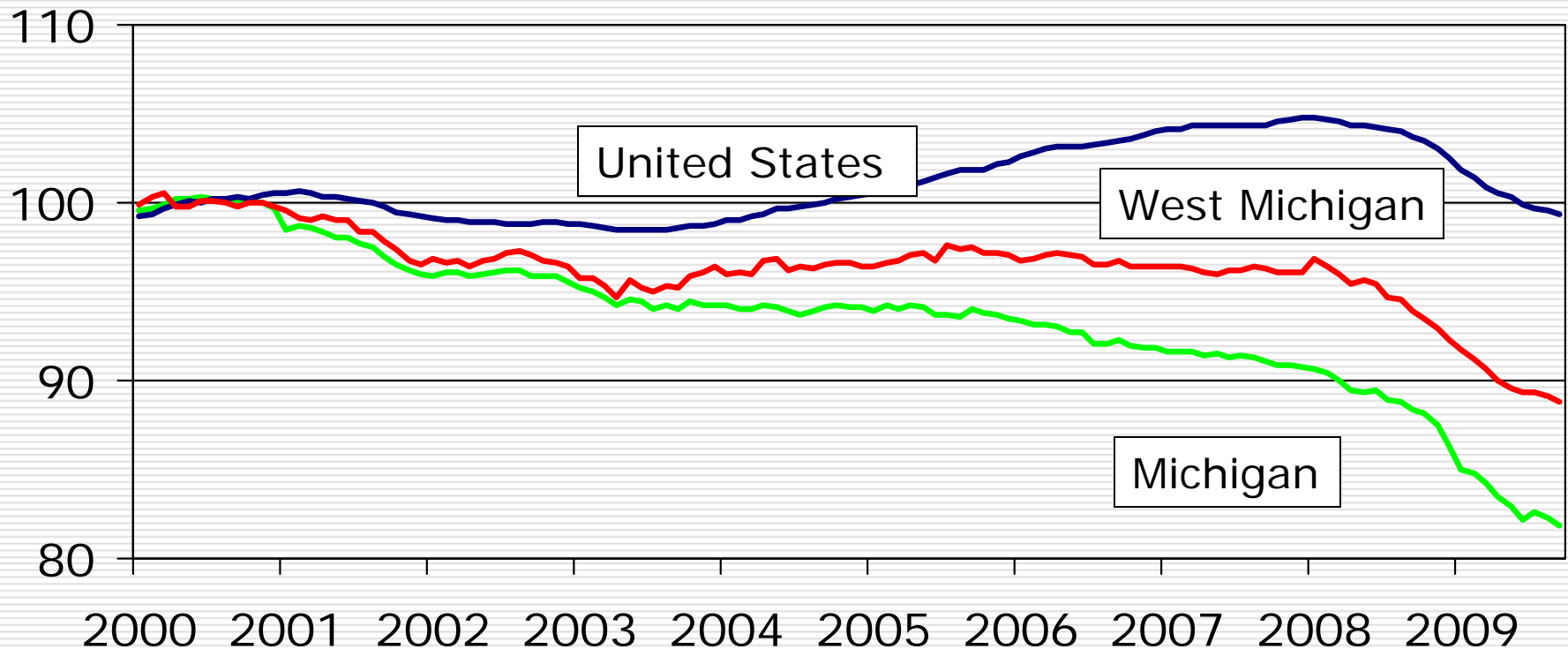
Employment Change 3Q 08 to 3Q 09



Source: MDLEG.

West Michigan is stuck in the middle *but is down 10% from 2000.*

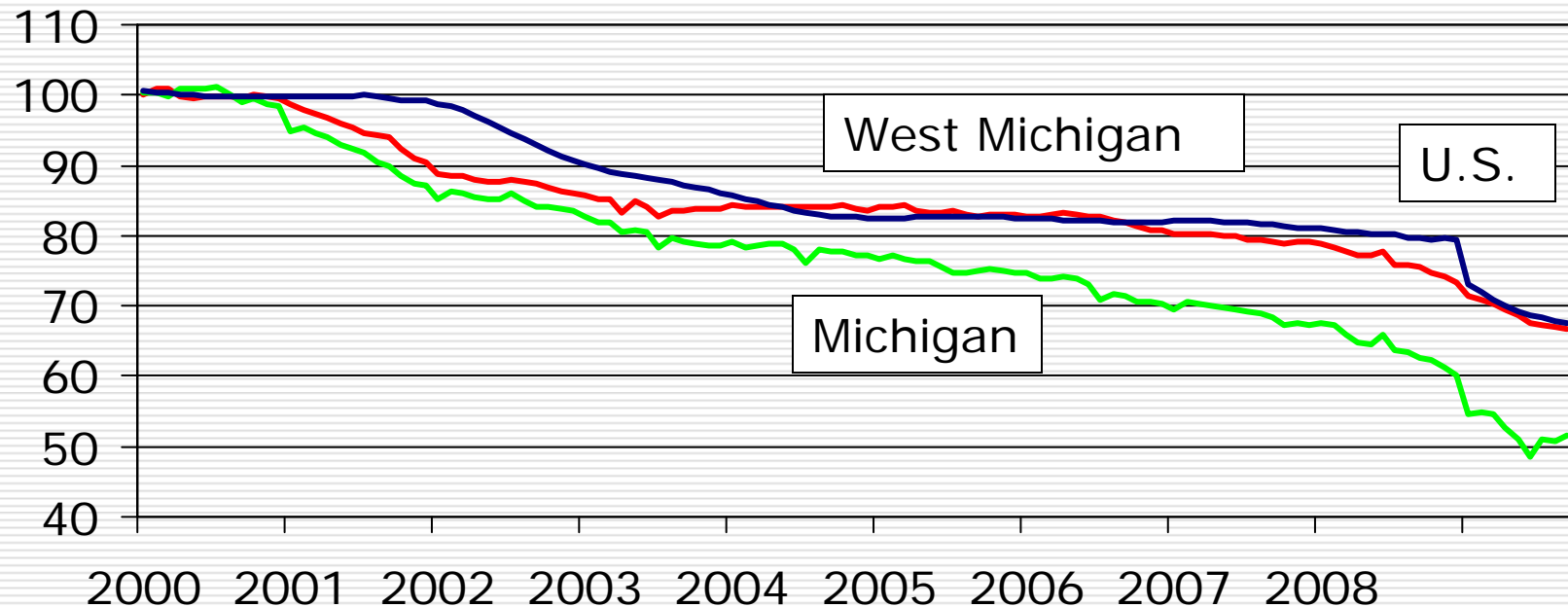
Total Employment Index (2000=100)



Source: W.E. Upjohn Institute. West Michigan includes Grand Rapids, Holland and Muskegon MSAs.

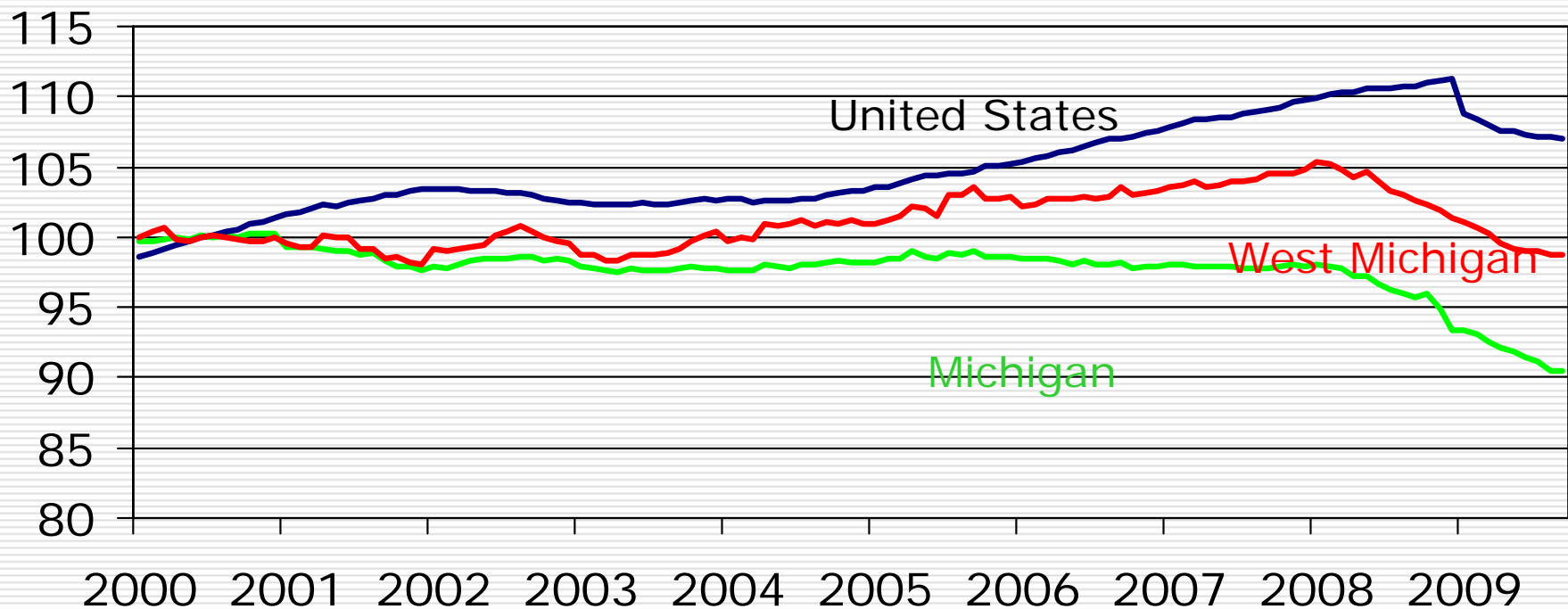
# Regional manufacturing trends are following the nation's and are well above the state's.

Employment Index for Manufacturing  
2000 = 100



# The West Michigan economy is again stuck in the middle.

Private Service-Providing Employment  
(2000 = 100)



# At this time:

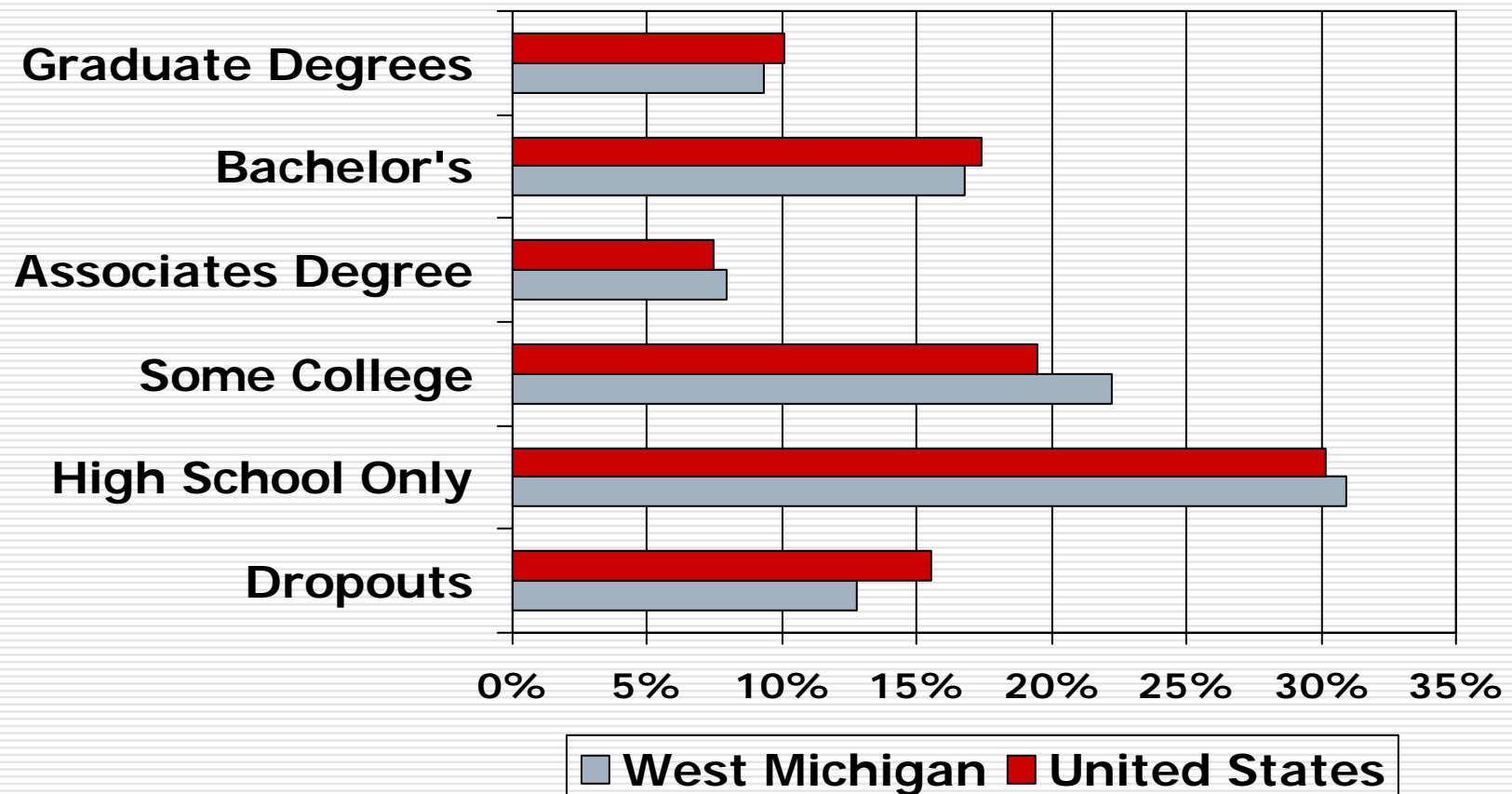
---

- West Michigan appears to be at a disadvantage in a knowledge-based world.
    - Difficult to convince parents and students that high school is no longer enough.
    - Like all smaller metro areas, it can be a challenge to attract young professionals.
-

# 2007 Education Profile

High school was once the ticket.

---

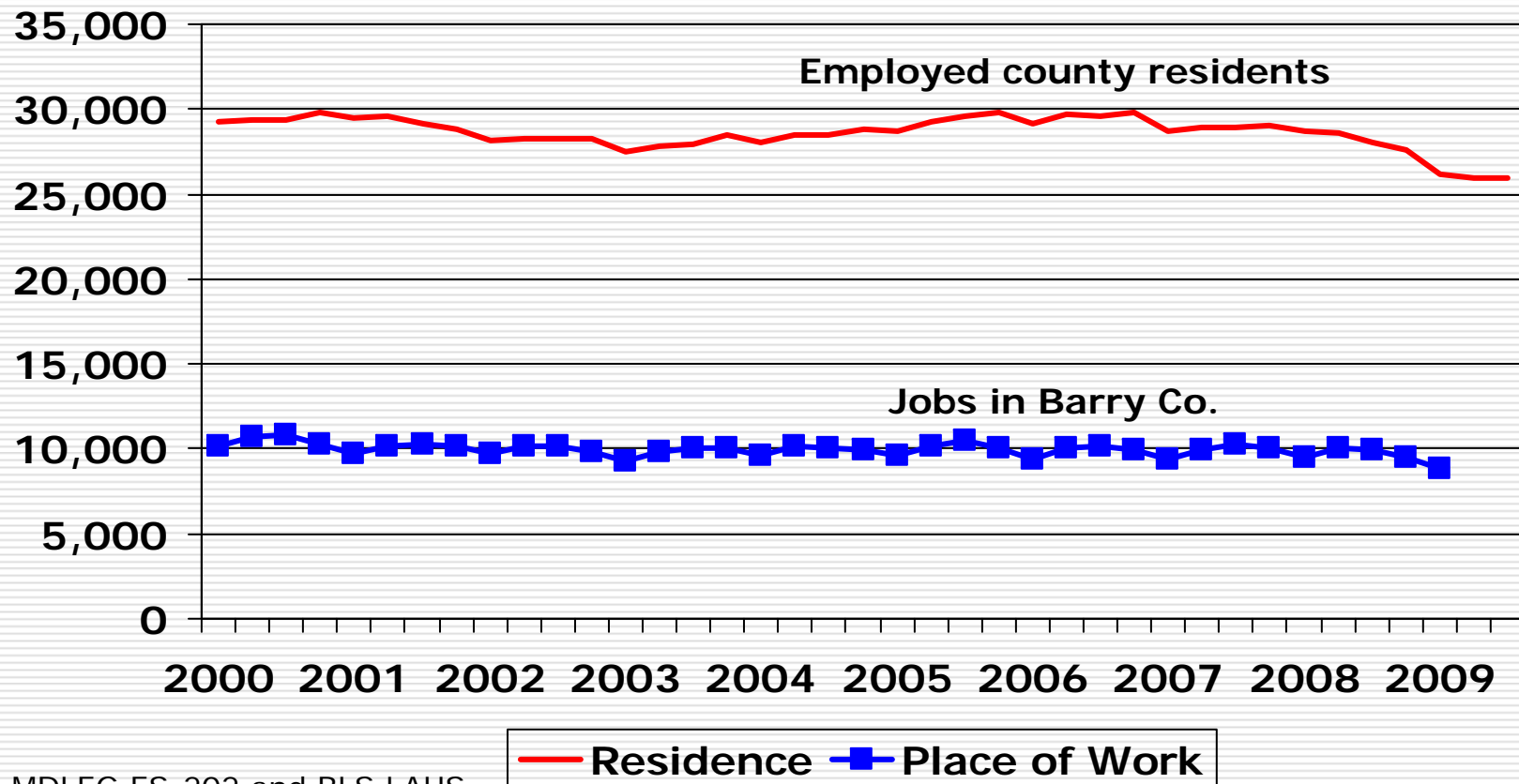


# Barry County

---

- ❑ 2007 and 2008 have not been great years.
- ❑ Not being helped by its neighborhoods.
- ❑ The county faces a serious challenge in the knowledge economy.

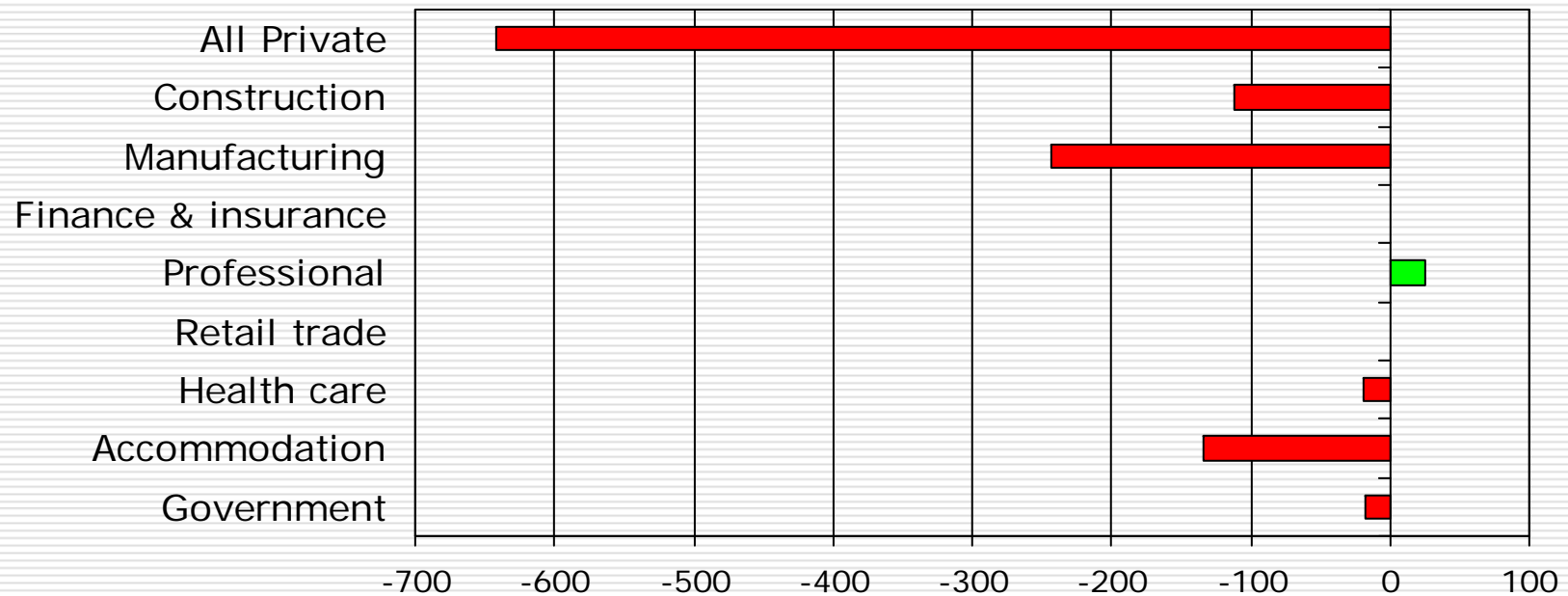
Even if all of Barry County's jobs were filled by residents, 15,000 of its residents would still work outside the county.



Source: MDLEG ES-202 and BLS LAUS

# Employment fell by more than 600 jobs in 2008

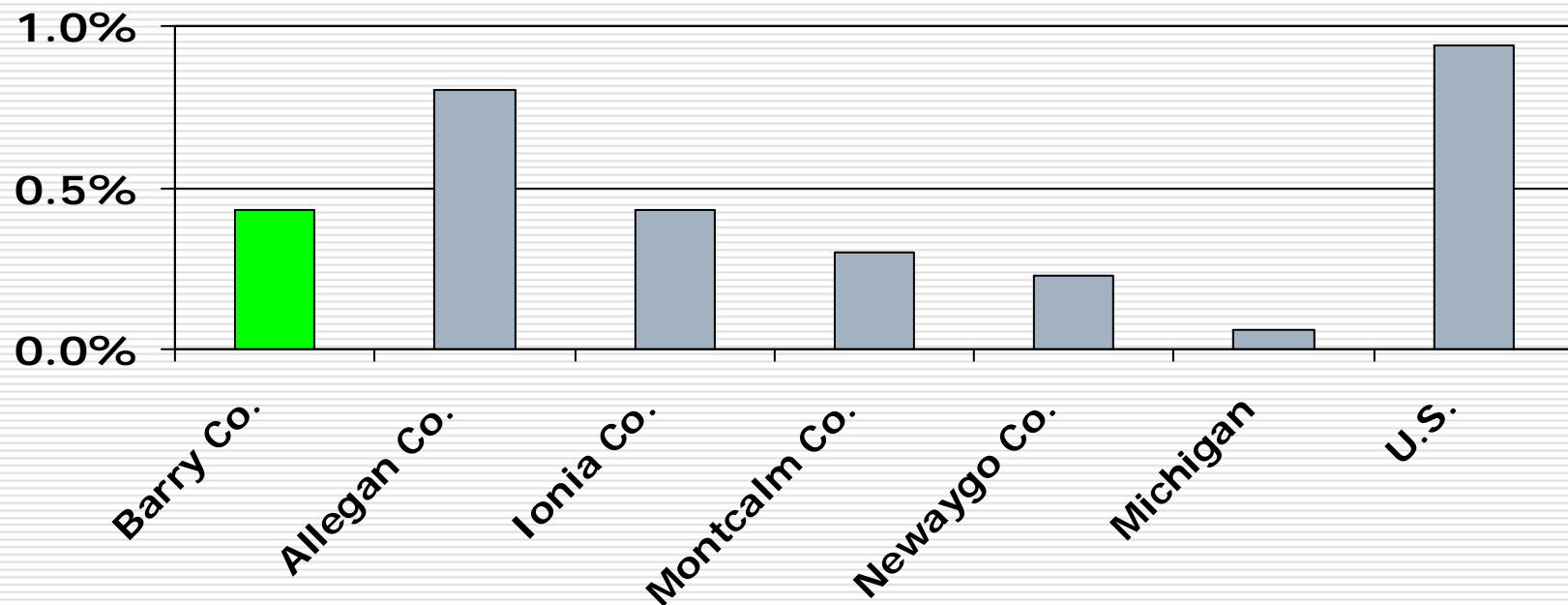
**Barry Co. Employment Change**  
Q1 2008 - Q1 2009



Source: MDLEG, ES-202

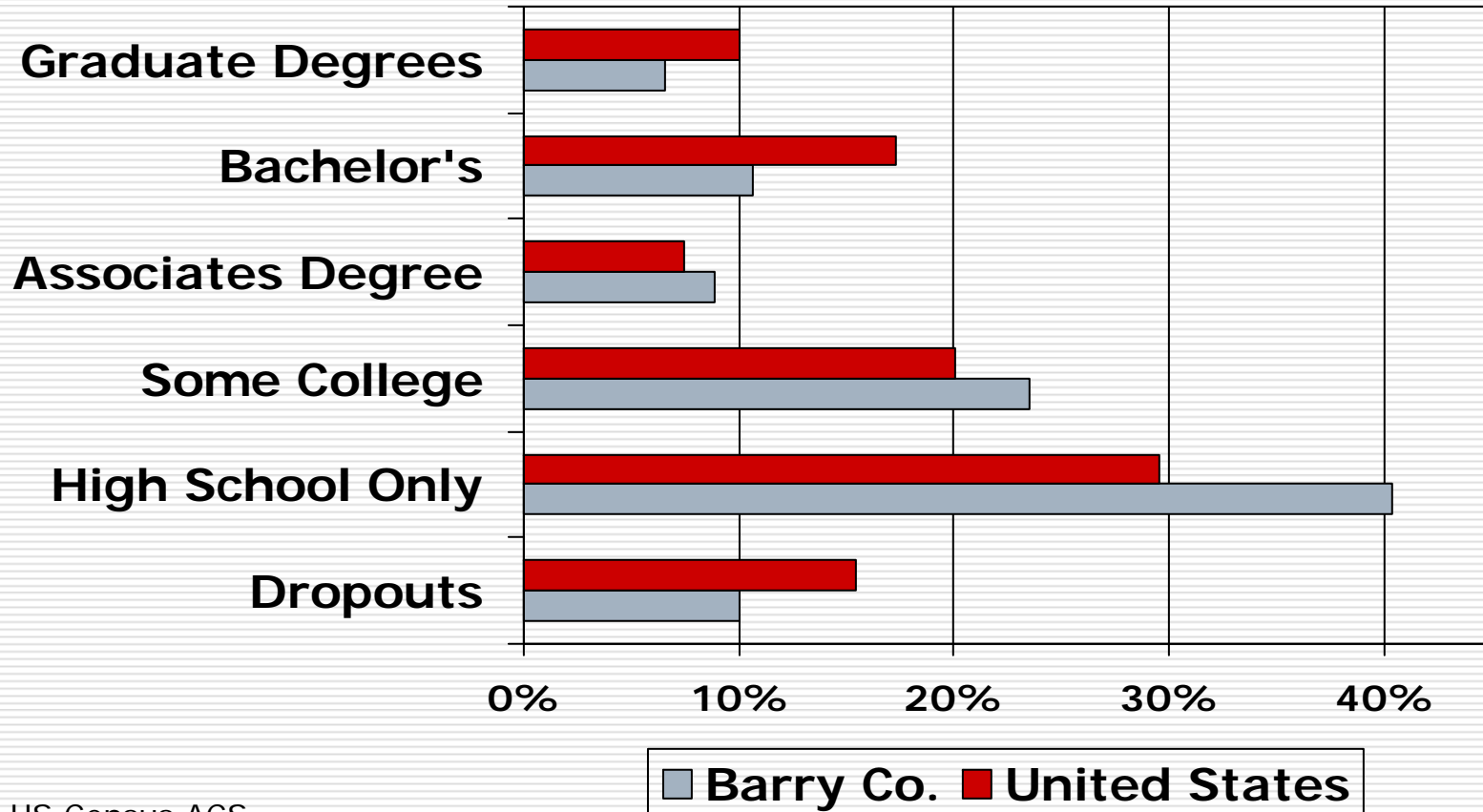
Barry County's population is growing slightly lower than the U.S. and is similar to other counties around Grand Rapids.

### Average Annual Population Growth Rate 2000 to 2008



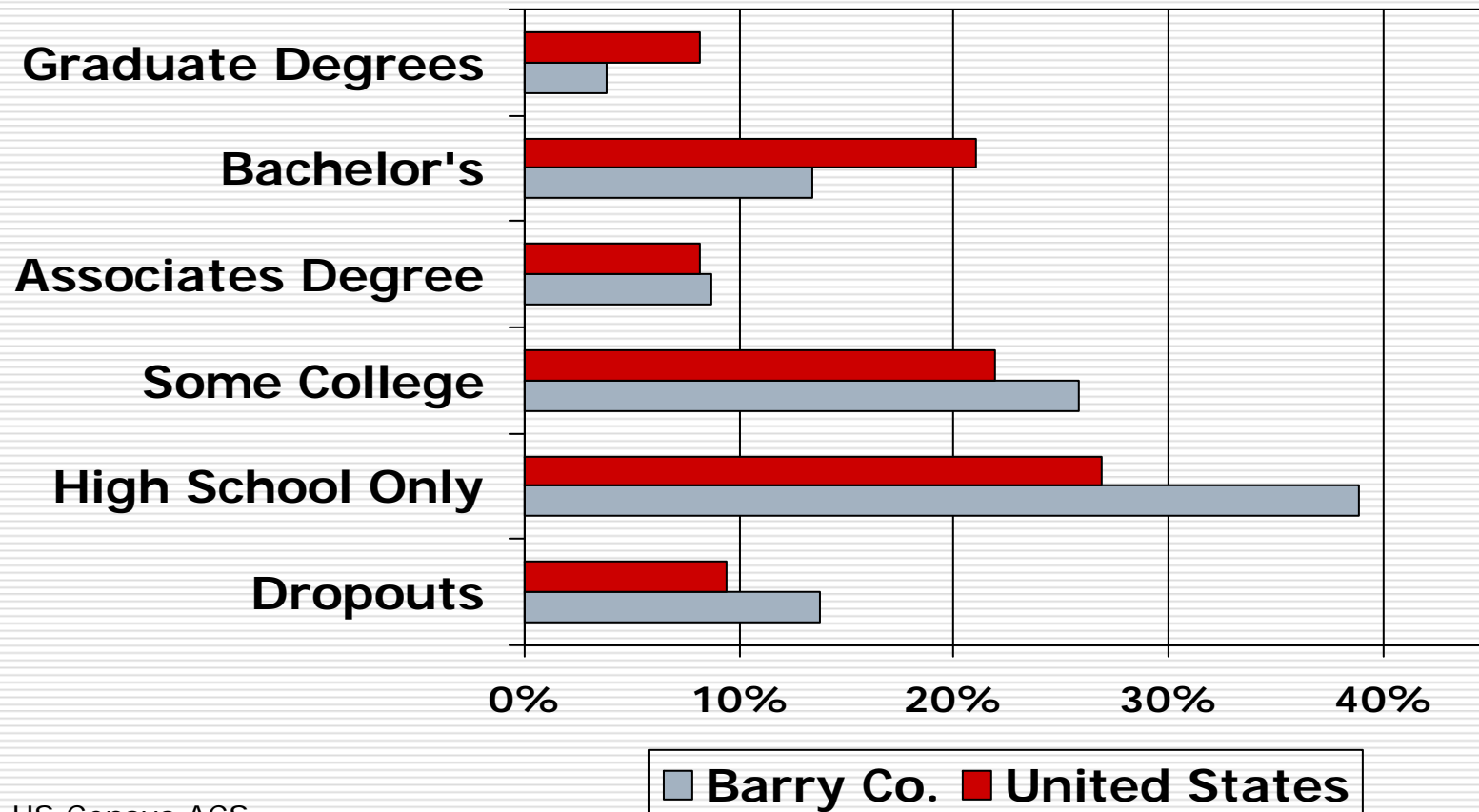
Source: U.S. Census Bureau, annual population estimates.

# 2006-2008 Education Profile



Source: US Census ACS

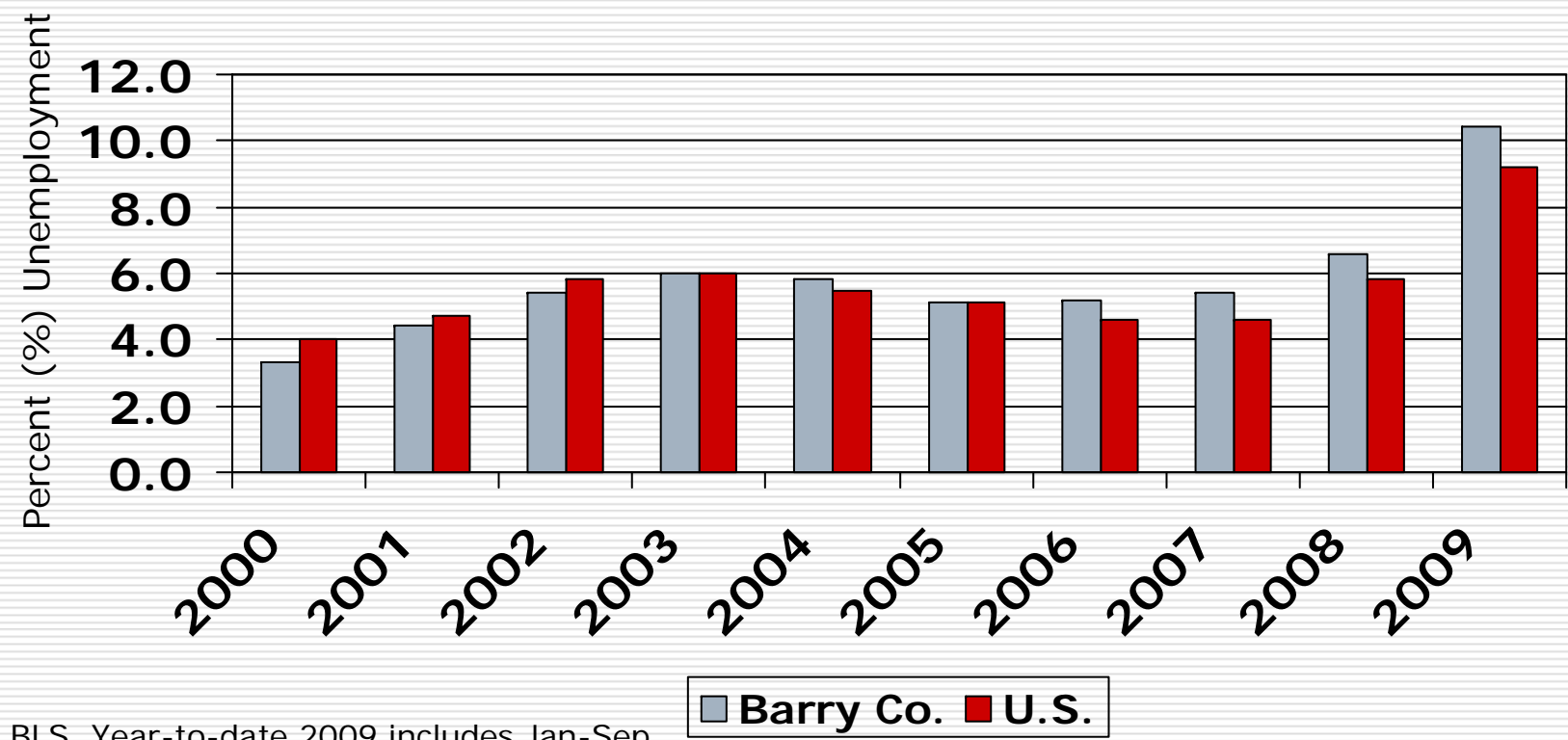
# 2006-2008 Education Profile Age 25-34



Source: US Census ACS

Local unemployment mirrors national trends—though it has increased during the last two years.

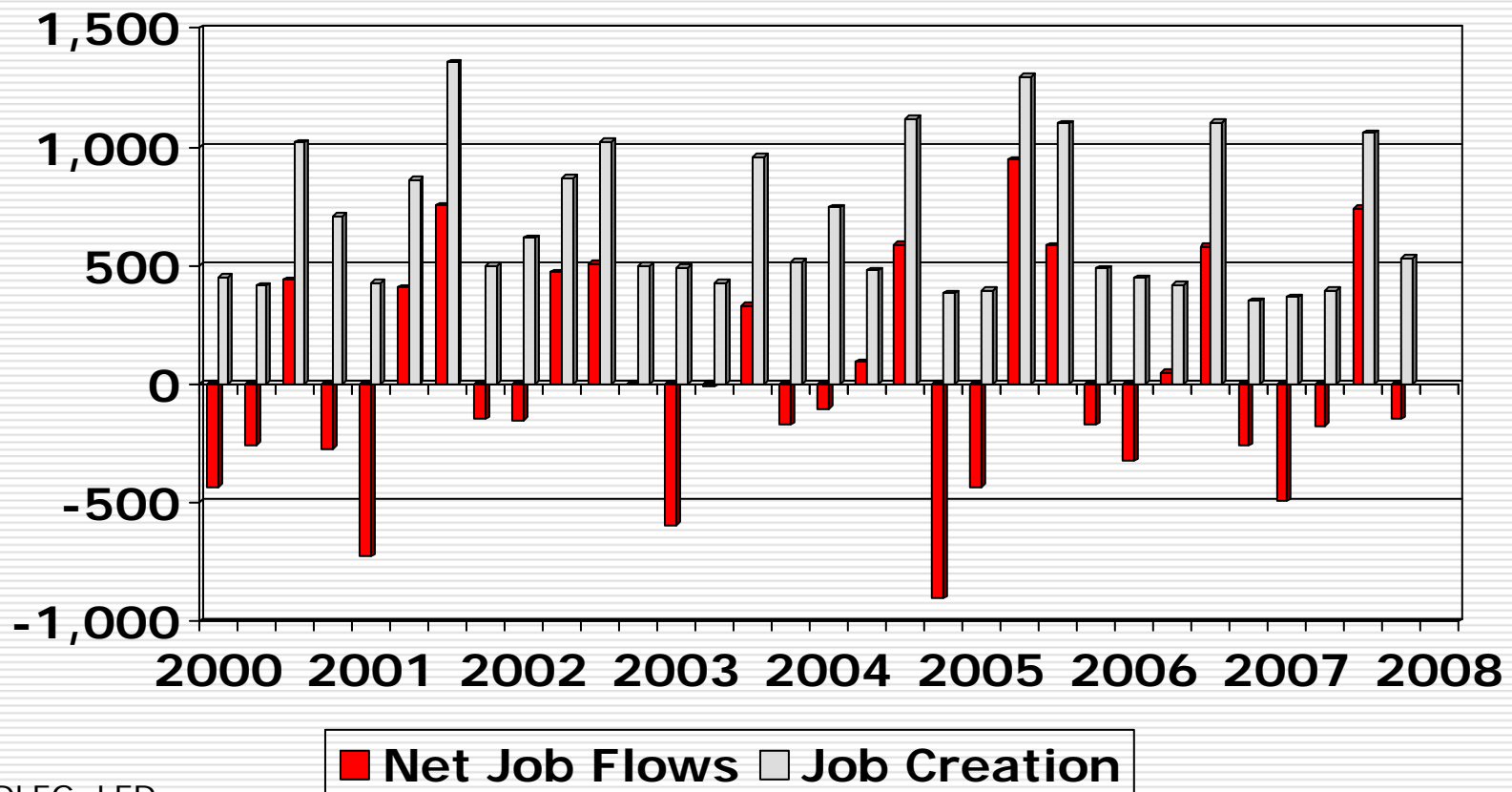
### Unemployment Rate Trends



Source: BLS. Year-to-date 2009 includes Jan-Sep

■ Barry Co. ■ U.S.

# Job Creation in Barry County



Source: MDLEG, LED.

# Now What?

---

- Competing on value
- Small business development

# Being lean is not enough in a global economy.

---

- Kendall School of Arts and Design and Design West Michigan
- What we found so far:
  - Design is risky, but inaction can be fatal.
  - Design can beat out engineering.
  - Design is expensive; being an industry leader invaluable.
  - Design is customer-focused, while it is too easy to become provider-focused.
  - It is easier to lose Design than to regain it.

# Approaches to small business assistance

---

- Standard Approach
- Advocacy
- Skill-building
- Competitive team building

# Approaches to small business assistance

---

- Standard Approach
  - Help all that come.
  - Provide assistance in the development of a business plan.
    - Marketing
    - Financial statements
  - Help make connections with sources of financing.

# Standard Approach

---

## □ STRENGTHS

- By making the individual complete a solid business plan, many bad ideas are discovered before life savings are wasted.

## □ WEAKNESSES

- It assumes that the entrepreneur can do it all – product/service development, marketing and finances and undervalue the role of an advocate. (Sirolli Institute)
- It misses the importance of “skill building.” (Collaborative Strategies)

# The Advocacy Approach:

---

- ❑ The entrepreneur is in charge and the advocate works to pull him/her the resources he needs:
  - Accounting services
  - Marketing assistance
  - Government regulations
- ❑ The advocate NEVER judges or gives his/her opinion of the project and will work with the entrepreneur until he/she gives up or is successful.
- ❑ A VERY EXPENSIVE PROGRAM, especially if it is through the Sirolli Institute.

# Skill Development Model

---

- “Building entrepreneurial skills demands a transformation on the part of the entrepreneur, a leap to a higher level of functioning... It is important for the service providers to recognize that entrepreneurs come to entrepreneurship with different levels of skills.” Kutzhanova, Lyons, & Lichtenstein, 2009

# Skill Development Model (cont)

---

- ❑ The service provider is a “coach.”
- ❑ Assumptions:
  - Entrepreneurs will be successful if they have the right 4 skills
    - ❑ Technical - Can they produce a good product or service?
    - ❑ Mgt. Can they manage day-to-day operations?
    - ❑ Entrepreneurial – Can they recognize economic opportunities?
    - ❑ Maturity – Control their emotions because it gets very emotional.
  - Entrepreneurs start out with weaknesses in one or more of these skills.
  - Skills can be developed.

# Skill development Model (cont)

---

- The role of the coach is to identify the entrepreneur strengths and weaknesses and through one-on-one or peer group training address their weaknesses.

# Competitive Team Building

---

- Venture Island – Northern California
  - Entrepreneurs compete against each other for a \$50,000 prize.
    - To be a contestant the entrepreneurs must attend training classes where they develop their business plan and elevator speech.
    - The classes are peer-driven but led by a coach.
    - The final competition is high profile as each of the finalists give their elevator speech to three judges.
  - Results: Great plans are developed, contacts and deals are made, and the whole area celebrates entrepreneurship.

# Final Thoughts on Entrepreneurship

---

- ❑ It avoids the problem of picking winner – a common error in economic development.
- ❑ Still, many start-ups simply displace existing businesses. Better services are preferred, but the economic impact is likely small.

# Final Thoughts on Entrepreneurship

---

- ❑ The role of the entrepreneurship is too important to limit to new business start-ups; it should be alive in the county's existing firms as well.
- ❑ The Hastings economic development community must decide how much "skin" to put into the game.

# Barry County - *Now What*

---

George A. Erickcek

W.E. Upjohn Institute for Employment Research

November 5, 2009