

IN THE NEWS**GRAND RAPIDS**
Business Journal

June 24, 2022

By Danielle Nelson

Entrepreneurship growth slows amid economic challenges*Inflation, supply chain issues are tempering new small businesses.*

After a year that saw unprecedented growth in new small businesses in the state, that growth is being hampered by a series of economic anomalies this year.

In 2021, Michigan had its fastest small business job growth in 23 years. Small businesses with fewer than 50 employees created almost 170,000 jobs, according to the Michigan Bureau of Labor Market Information.

The state also saw an explosion of entrepreneurs and business owners beginning new ventures in 2021, with 150,000 new applications filed to start small businesses, which is 59% more than in 2019.

“We’ve always had these three distinct economies in Michigan,” said J.D. Collins, CEO of Michigan Small Business Development Center (SBDC). “If you want to think of the Upper Peninsula and above the ‘knuckles’ (in Michigan’s ‘hand’) as an economy, it has always been a hot bed for entrepreneurs. We are seeing a substantial amount of growth in entrepreneurship and self-employment below the knuckles in Michigan. That is probably where we’ve seen the biggest change.”

The pace of that growth has slowed, however, for a variety of reasons.

“This year we are seeing some challenges, specifically in the supply chain that is slowing some growth in manufacturing,” he said. “We are also seeing that people are struggling with inflation and that is putting some negative pressure on the lending community right now. The pressure is on the cost of lending. Those are two things that are definitely affecting small businesses.”

Additionally, Collins said the lack of high-quality talent is hampering the growth of small businesses in a wide range of industries including tech, manufacturing, retail and services.

To alleviate some of that financial pressure, Michigan was recently approved for up to \$236,990,950 in State Small Business Credit Initiative funding from the U.S. Department of Treasury.

Gov. Gretchen Whitmer said the funds will empower economically disadvantaged entrepreneurs and small businesses with timely financing to grow their businesses and create more jobs.

Despite the challenges, Collins said the Michigan SBDC, which provides resources for small businesses, is still seeing a demand, but not at the height of what it was at the start of the pandemic.

“The demand for SBDC services started in March 2020 and we initially saw a 750% spike in demand for our services (but) that has leveled off at about 150% demand for our services,” he said. “Small businesses would reach out to the SBDC for things like EIDL (Economic Injury Disaster Loan), PPP (Paycheck Protection Program) loans and those sorts of things. We would help them apply or become credit ready for those types of loan programs and assistance programs.”

Some of the conditions that contributed to the initial spike in requests for support services were generational transitions and a precipitous uptick in people wanting to take control of their lives and start their own businesses because of the level of uncertainty the pandemic had, Collins said.

Generational transition meant owners were looking to sell their businesses and individuals were willing to buy and grow them, so sellers could either go into retirement or take a step back from leadership roles.

Along with new entrepreneurs entering the manufacturing and tech industries, Collins said during the pandemic many individuals started businesses they could operate from their homes, including selling personal care products.

“The pandemic created this desire for certainty in Michiganders in that there was some uncertainty of whether they would get laid off or their business would be around or the company that they worked for would be around after the pandemic,” he said. “So, I think the pandemic spurred this entrepreneurship of people wanting to take control. Whether it was just a side hustle or a way to make additional cash for travel or whatever, there was definitely a desire for control over their financial destiny.”