

# The Secret Recipe for a Successful West Michigan Economy

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## Emerging Industries Report—*Looking Beyond the Usual Suspects*

Report and Findings on Michigan's West Coast WIRED Region

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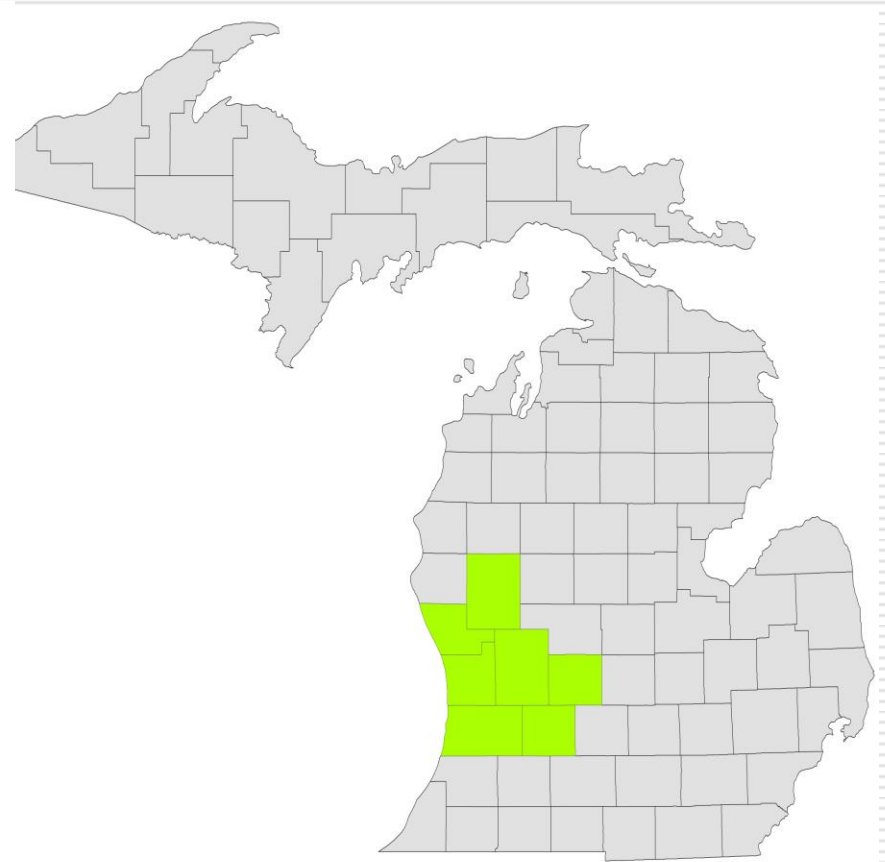
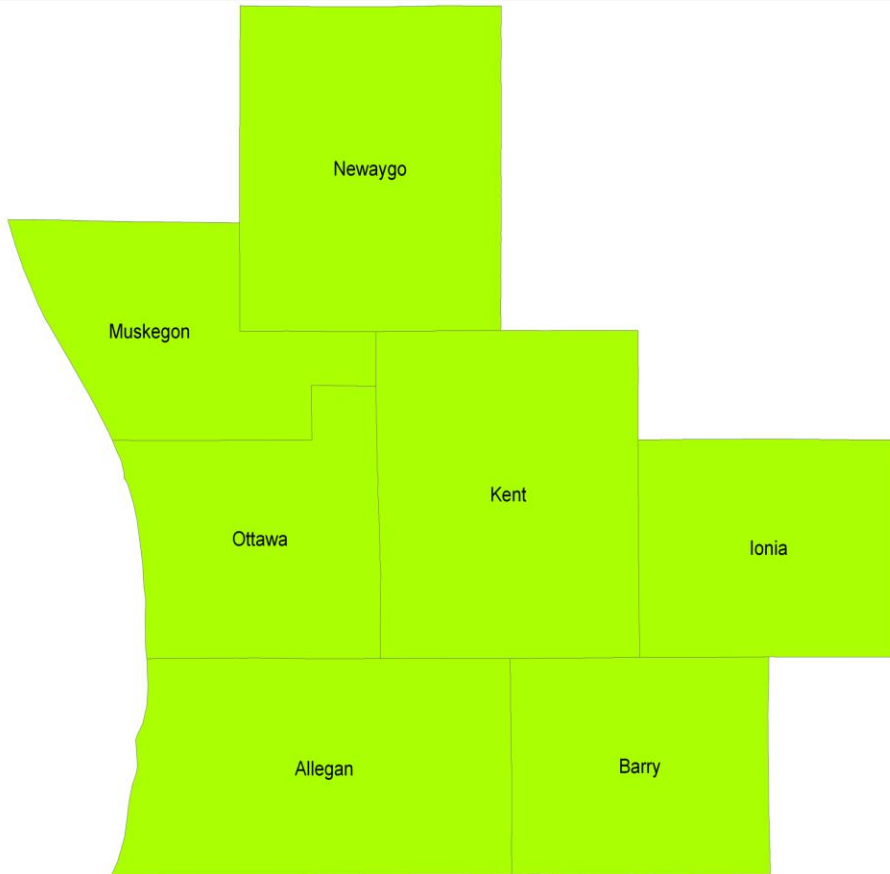
# Agenda

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- ❑ West Michigan is facing a long-term forecast that none of us wants to accept.
  - ❑ The region's challenge is not competitiveness but its industry structure.
  - ❑ The key question becomes: How can we change the industrial structure of West Michigan?
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# Michigan's West Coast WIRED Region

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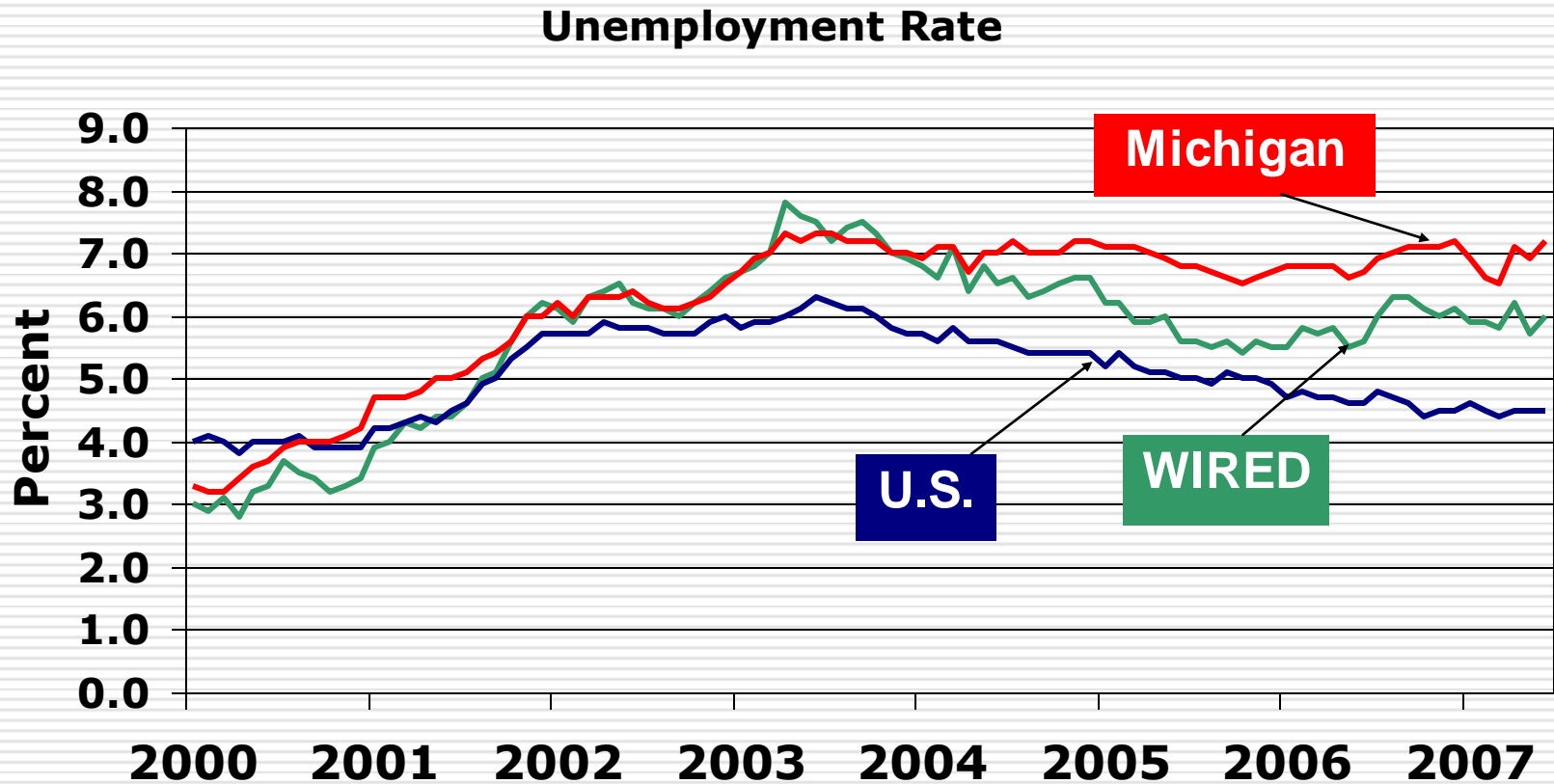


# The future is not as bright as we would like:

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- Total private nonfarm employment in the WIRED Region is projected to increase at a 0.7 percent annual average rate in the next 10 years, compared to a
    - 0.4 percent rate for Michigan and
    - 1.4 percent rate nationwide.
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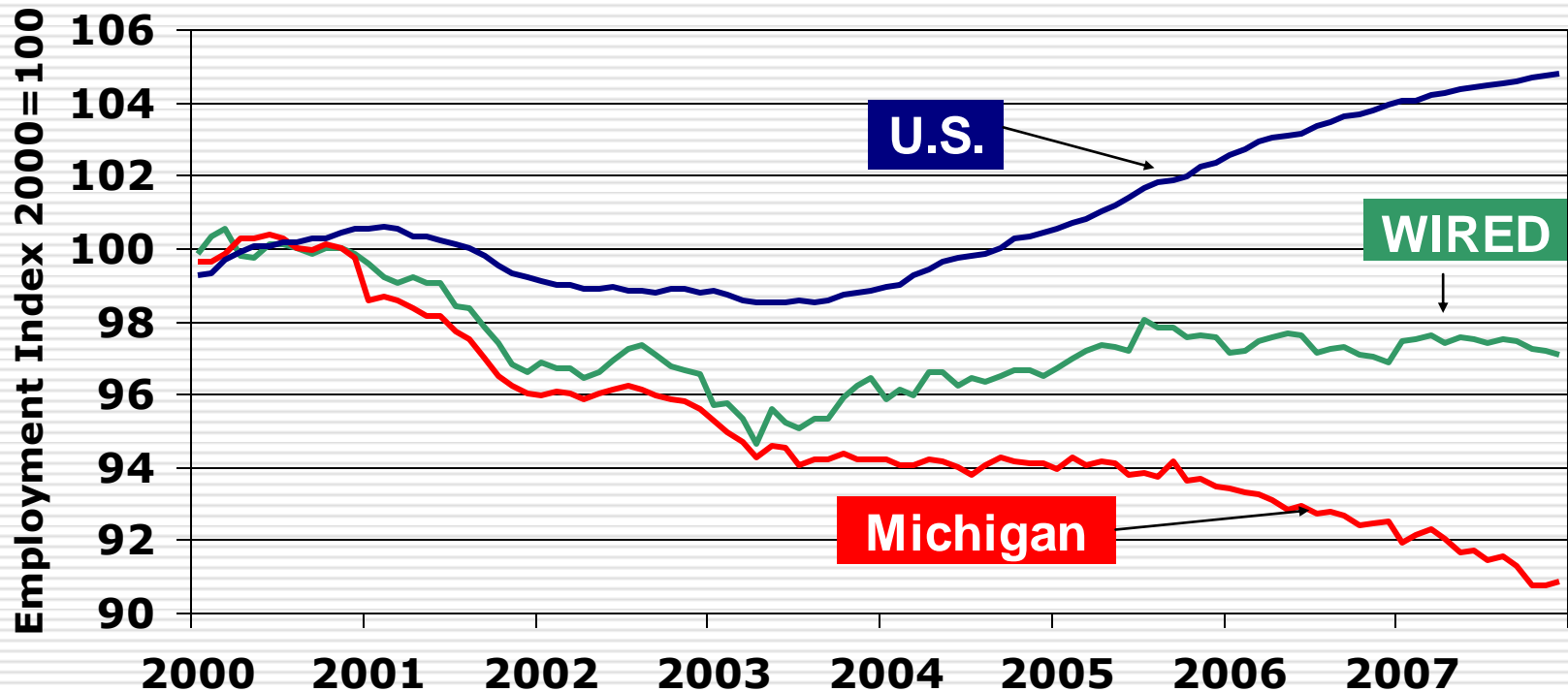
# The region's unemployment rate is stuck in the middle.



Source: BLS and Upjohn Institute.

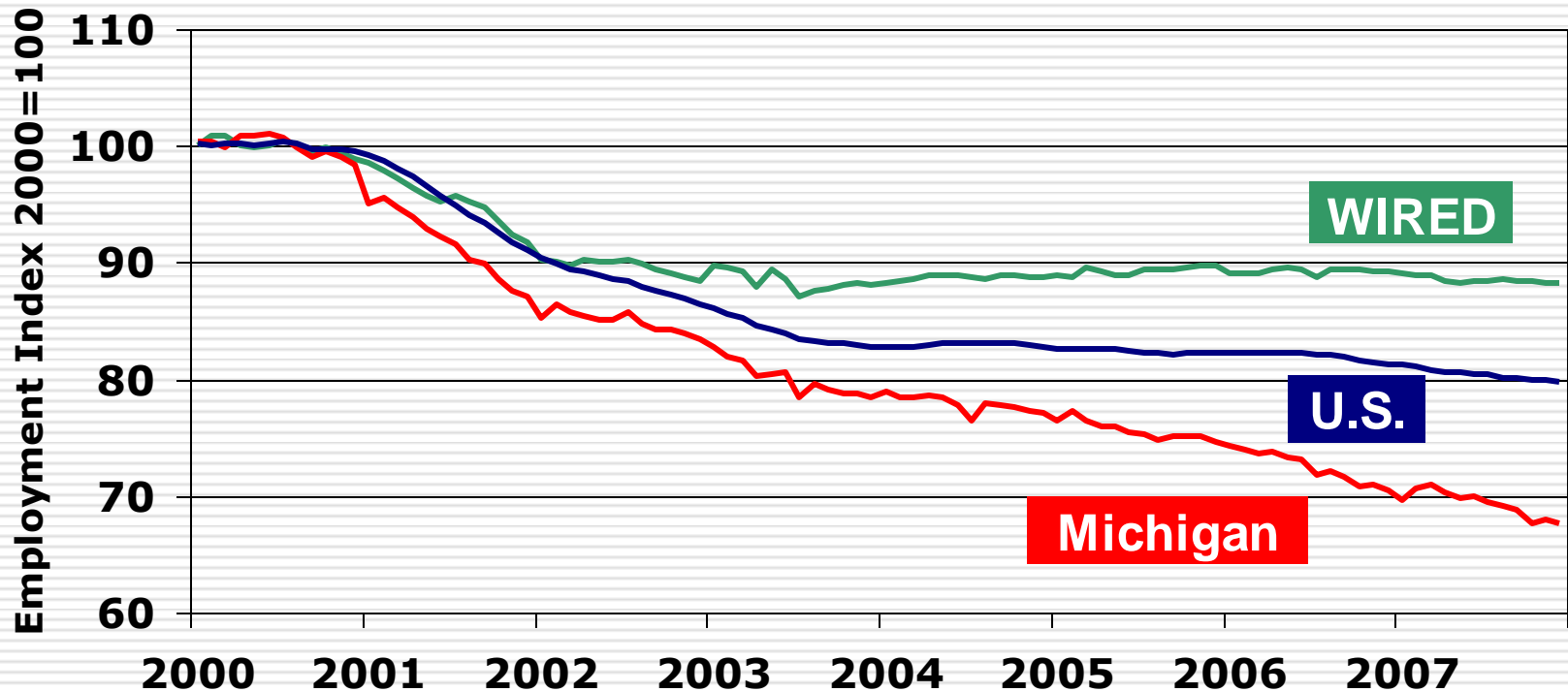
# The WIRED employment levels have not yet recovered from the 2001 recession.

Employment Index 2000=100



# The WIRED manufacturing employment outperforms the nation.

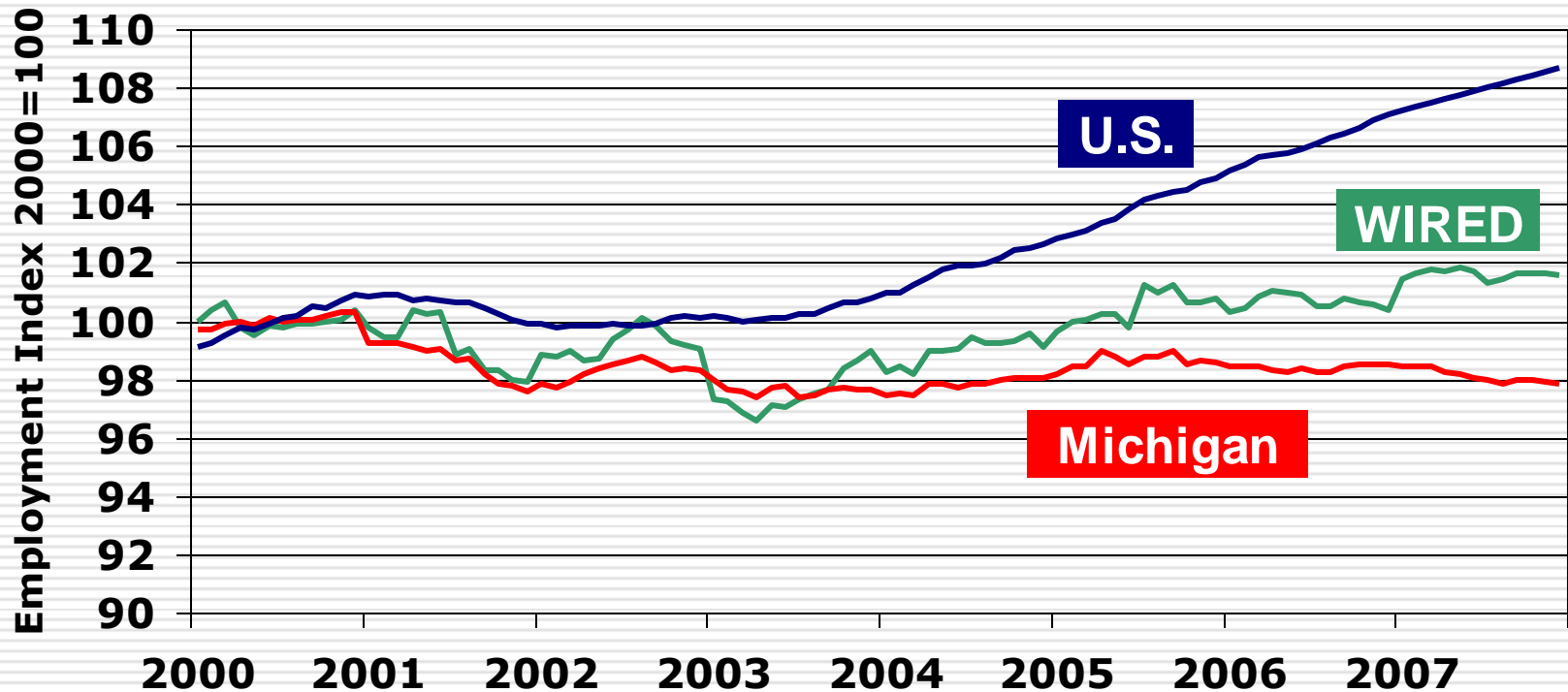
Employment Index 2000=100



Source: BLS and Upjohn Institute.

# The WIRED service-providing employment levels are stuck in the middle.

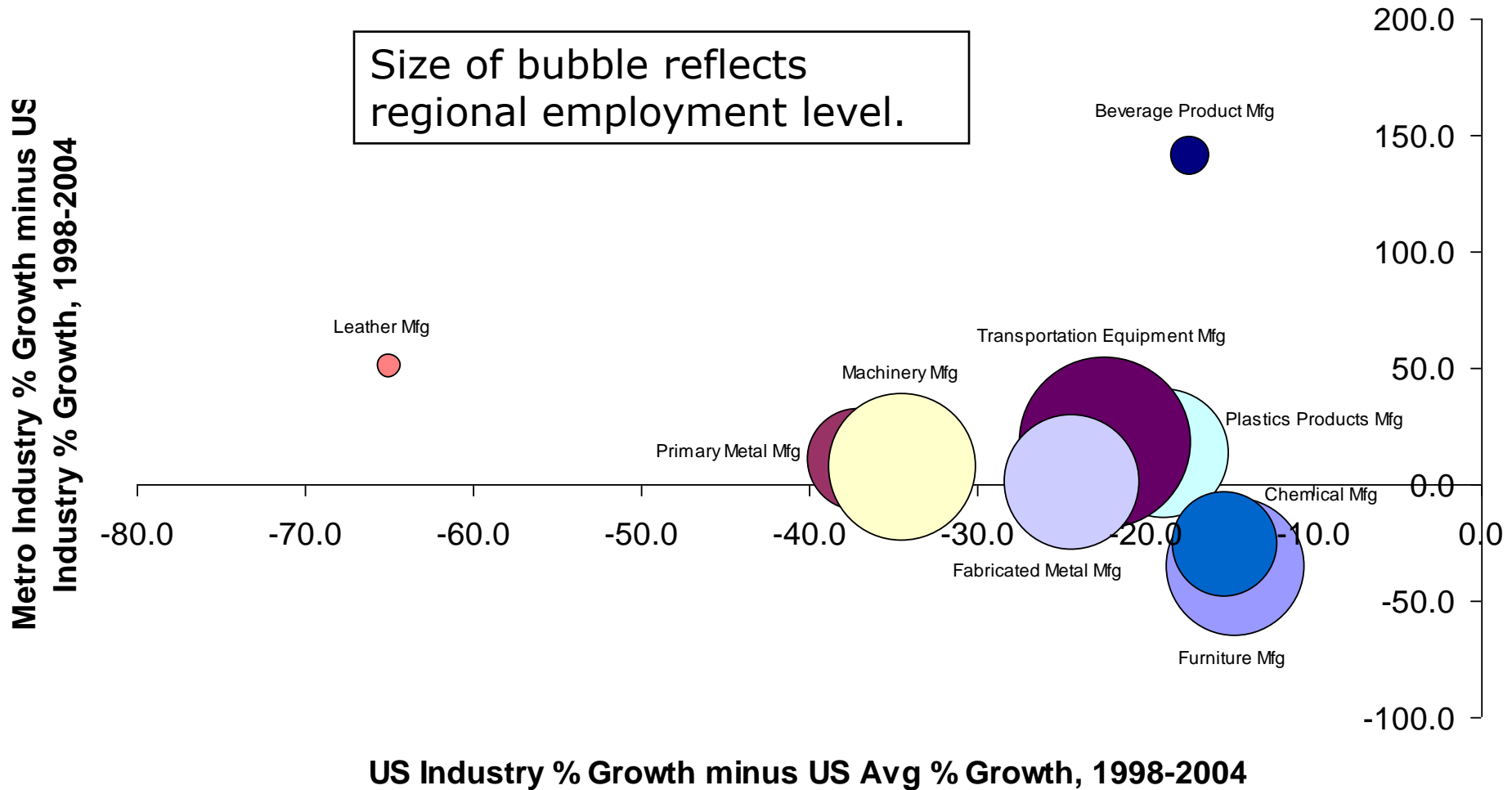
Employment Index 2000=100



Source: BLS and Upjohn Institute.

# Competitiveness is not the issue—it is the region's industrial mix.

## Wired Region



# The challenge facing many firms:

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- Automate, Emigrate, or Evaporate
- In short, the global economy has made many regional inputs ubiquitous.

Some would argue that these are the choices facing U.S. traditional industries, and this is why we must look to emerging industries.

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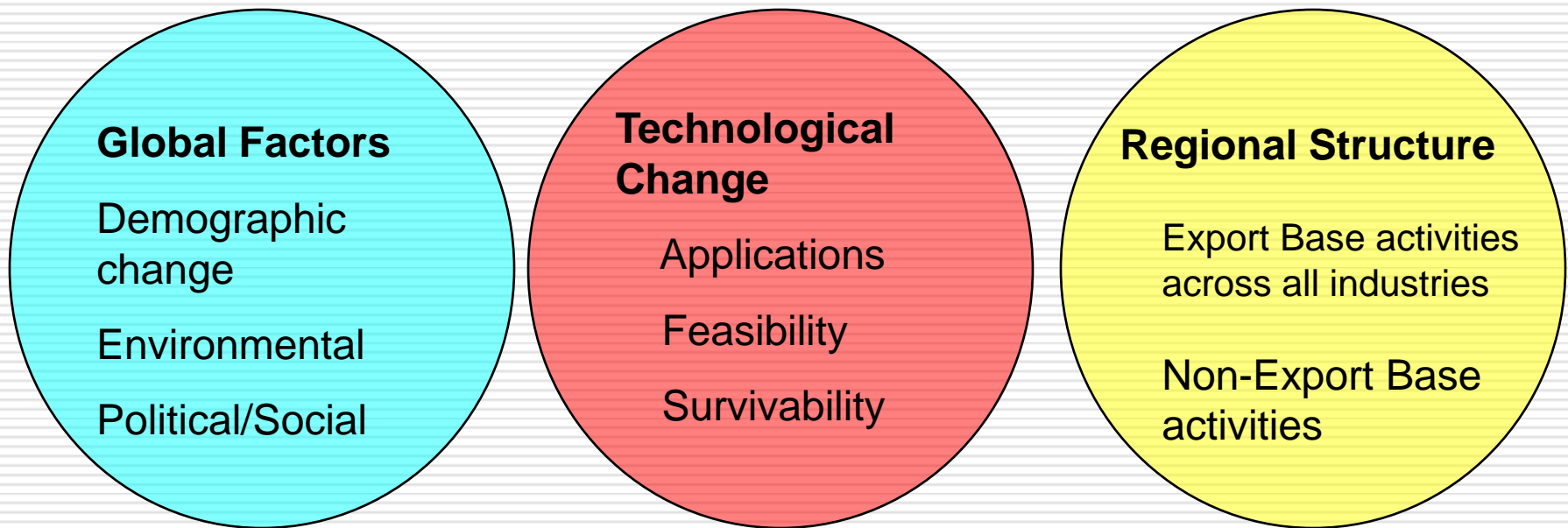
# This report disagrees. Why?

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- ❑ Most research suggests that healthy industry clusters are the incubators for new ideas and products.
  - ❑ There is greater potential for the creation of job chains which can reach the unemployed and underemployed.
  - ❑ We worry that the WIRED region is not yet ready to compete as an “amenities” metro area.
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# Success depends on identifying interaction of three key elements of regional economies:

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# Global Factors

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- Demographic shift:
    - Aging population in developed countries
    - Growing and young population in the developing countries
  - Growth areas are outside of the U.S.
  - Growing environmental concerns:
    - Energy shortages
    - Impact of global warming
  - Political unrest in developing countries
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# Technological Change

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- Rapid shifts in competing technologies:
    - Promising technologies can be eclipsed quickly by better technologies .
    - The more powerful technologies cross traditional industrial lines.
    - Many technologies are not feasible or marketable.
    - Technology change in industry is likely to occur in cluster locations.
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# Regional Structure

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**To grow, the region must expand its export base.**

All industries generate “export” activities. It is not limited to manufacturing.

Import substitution is a related path that holds promise.

Export success relies on four factors:

***Competitiveness***

***Innovation***

***Industrial Mix***

***Amenities***

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# Growth Factors

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## Competitiveness

- Lean manufacturing
- Focus on:
  - Cutting costs
  - Eliminating waste
  - Being productive
- Importance:
  - High in the short-term

## Innovation

- Product development
  - Focus on:
    - Meeting future markets
    - Improving the product
    - Exploring new markets
    - Not becoming** a commodity producer—no matter how good.
  - Importance:
    - High in the long-term
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# Growth Factors (cont'd)

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## Industrial Mix

### Cluster-based

#### Healthy clusters:

- New products
- Avoiding standardization
- Strong markets
- "Air of Ideas" and Networks

#### Unhealthy clusters:

- Standardized product
- Lack of local control

### Importance:

- High in both long—and short-term

## Amenities

### Focus on:

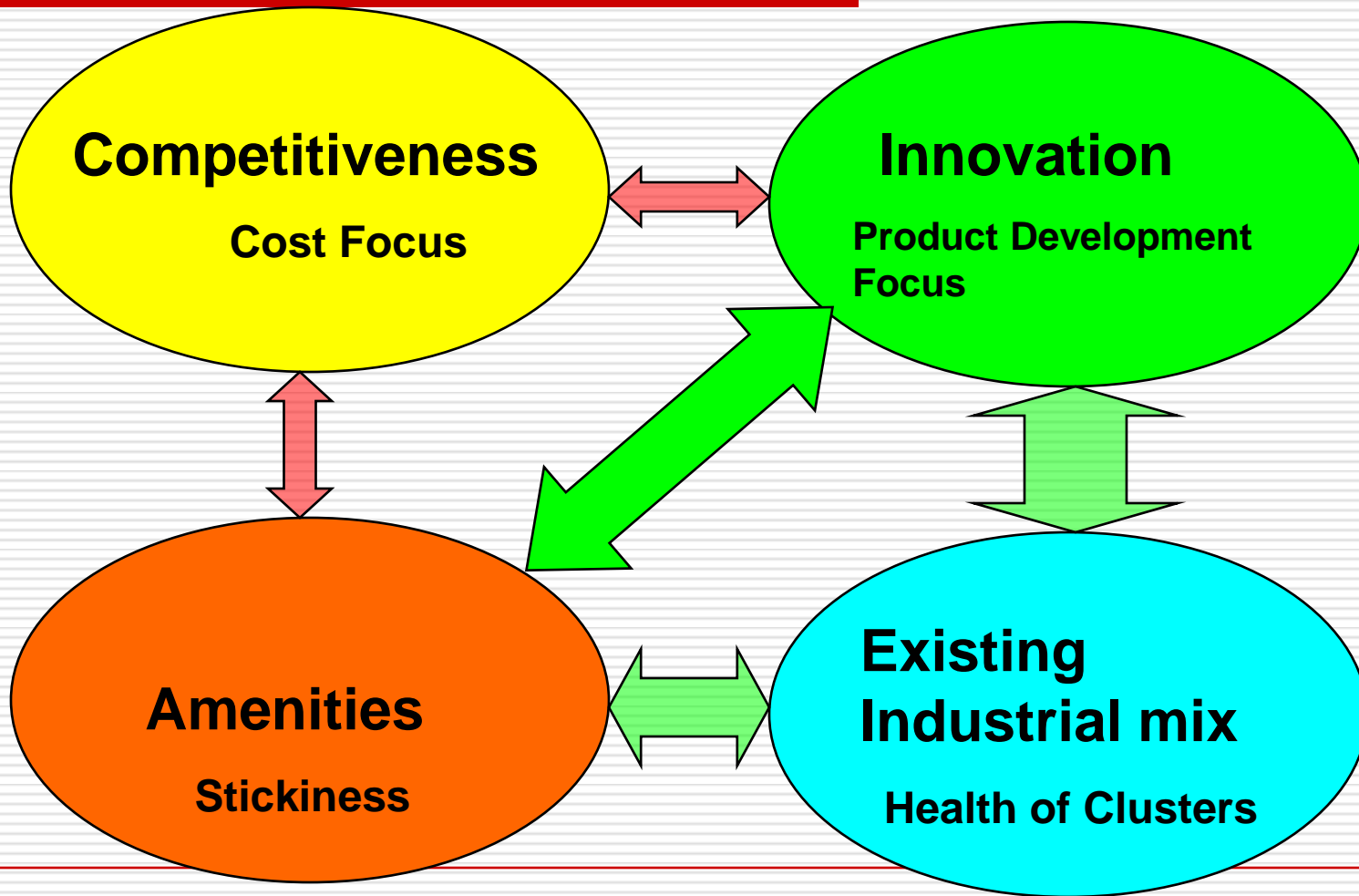
- Creative class—Florida
- Public services—schools
- Urbanism—housing and neighborhoods
- Becoming a place of choice

### Importance:

- High in the long-term
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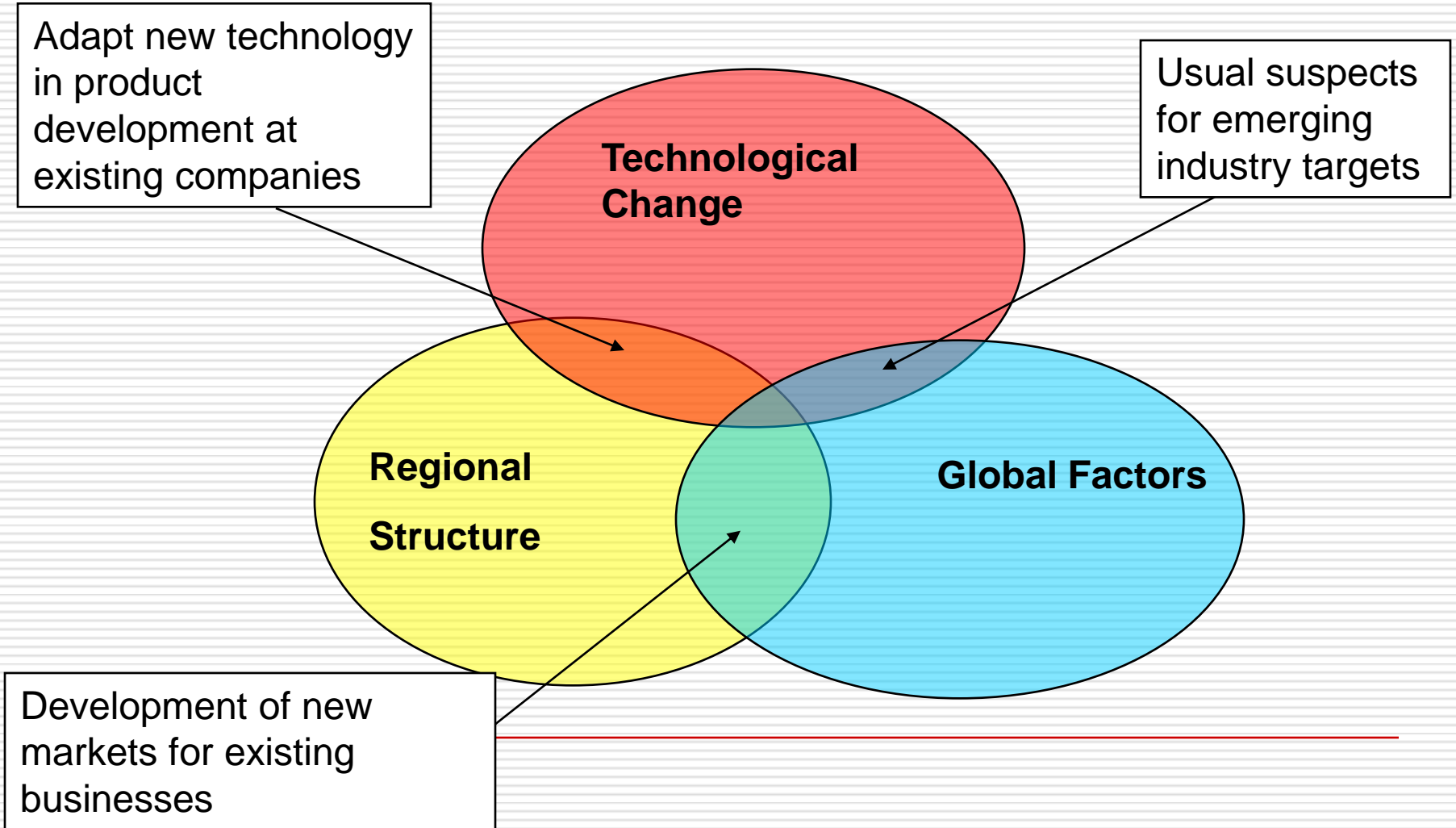
# Interaction Between Factors

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# Emerging Industry Opportunities

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# Conclusions & Recommendations

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- Avoid jumping on the bandwagon in trying to attract the next best thing.
    - Competition is fierce—32 states are going after life sciences.
    - If industry clusters matter at all, then it is risky to go after industries that are currently not in the region.
    - Many of the usual suspects are top heavy with highly educated professionals, meaning that “job chains” that reach the underemployed and unemployed will not be created.
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# Conclusions & Recommendations (cont'd)

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- Work to develop an innovative culture:
    - Development of Creative Third Places
      - Sharing of tacit knowledge
      - Requires an environment of trust
      - Requires the constant injection of new blood and ideas
      - *West Michigan Brainstorming*
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# Conclusions & Recommendations (cont'd)

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Acquire an understanding of innovation:

- Innovation process occurs in three steps:
    - Idea generation
    - Product development
    - Marketing
  - The problem is that firms may not be equally good at all three.
    - Good ideas are not developed.
    - Developers do not have the time to come up with good ideas.
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# Conclusions & Recommendations (cont'd)

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Work with firms to explore new opportunities

- Create SWOT (Strengths, Weaknesses, Opportunities, Threats) design and engineering evaluation teams that are available to regional firms interested in exploring new products and markets.
    - By invitation only.
    - All findings held in confidence.
  - Draw upon a strength of the region—its wealth of manufacturing designers and engineers.
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# Conclusions & Recommendations (cont'd)

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- Work toward the creation of an attractive location for professional workers.
    - This is beyond the means of economic development.
    - And yet, it is becoming clear that in the knowledge-based global economy, “amenities” cities will outperform “productive” cities, especially in developed countries.
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# Last Words

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- In the future the success of the WIRED Region will likely depend upon its
    - Human Capital
    - Physical Capital and
    - *NETWORK CAPITAL*—the ability to develop ideas and the partnerships necessary to bring them into fruition.
  - This is WIRED's challenge.
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