GROWTH-STAGE BUSINESSES IN THE DETROIT REGION

INSIGHTS AND SOLUTIONS TO FUEL ECONOMIC IMPACT

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DETROIT FUTURE CITY

NEI new economy initiative

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A business's or individual's photo appearing in this report does not mean that they participated in a focus group or interview or agree with the report's content or conclusions.

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EXECUTIVE SUMMARY

In the summer of 2025, Detroit Future City and New Economy Initiative conducted a series of focus groups and interviews with 22 growth-stage business owners in the Detroit region, primarily Oakland and Wayne counties. These are businesses that are beyond the startup phase and are looking to scale and grow. Growth-stage businesses play a critical role in local economies but tend to be more disconnected from business support networks. This study was designed to gain deeper insight into the needs of larger, growing businesses in the region and uncover solutions for how the business support ecosystem—along with policymakers, community development financial institutions (CDFIs), and other anchor institutions—can better support growth stage businesses in the region. Topics discussed with these businesses focused on:

- Access to capital
- Interactions with the business-support network
- Talent, hiring and workforce
- Technology
- Policy and interactions with government

Key findings in each of these areas are described in the table that follows.

Corktown and Downtown

Topic	Access to capital	Interactions with the business-support network	Talent, hiring and workforce
Challenge(s)	There is a lack of capital options with the flexibility necessary for growth-stage businesses. Entrepreneurs often do not have adequate time or support to navigate through the large amount of capital options available. This challenge is compounded by an aversion to risk stemming from past negative experiences with personal or business debt.	Identifying support services can feel like a full-time job, with many applications required and challenges transitioning between support organizations. Often, the business-support services offered do not align with the specific needs of growth-stage businesses, especially online-based companies.	Hiring and retaining skilled talent remains a persistent challenge across industries. Owners cited mismatched skills, high wage expectations, and misalignment with workforce development programs.
Solution(s)	• Pair funding with advisory support. (Immediate opportunity) • Catalog and publicize capital options offered in the region to help businesses identify what might be available to them. (Immediate opportunity) • Consider funding a pool of fractional Chief Financial Officers (CFOs) or financial advisors to support businesses. (Long-term change) • Expand capital options that are designed for growth-stage businesses. These include products with more patient repayment schedules, flexible terms of use, are quick on turnaround time, and have transparent application requirements. (Long-term change)	• Centralize offerings and applications from business-support organizations into one location. (Immediate opportunity) • Fund a pool of vetted advisors that can support business owners over time. (Long-term change) • Fund peer-to-peer networking opportunities for growth-stage businesses. (Long-term change)	• Facilitate feedback loops between workforce-development agencies and employers to drive program improvement. (Immediate opportunity) • Expand support services that equip entrepreneurs with tools to effectively manage their teams. (Immediate opportunity) • Increase the number of apprenticeship programs through partnerships with local education institutions and businesses. (Long-term change)

Immediate opportunities

Long-term change

Topic	**Technology**	**Policy and interactions with government**
Challenge(s)	The cost of buying technology and new equipment, combined with the time to learn or adopt it, creates a barrier for businesses who could benefit from incorporating new technology. Some owners also reported that managing multiple layers of technology and software in their business can feel overwhelming when combined with operating the rest of their business.	Government processes, including procurement, inspections, and regulatory enforcement are often complex and challenging to navigate.
Solution(s)	• Develop a pool of funds that can be used to help businesses with the initial purchase of new technology. In addition, funds set aside specifically to pay for professional setup and installation would be beneficial to owners less familiar or comfortable with technology.	• Ensure that opportunities for government contracts are clearly advertised and that procurement platforms are easy to navigate and helpful to businesses. • Increase and/or better market services that provide coaching and support for businesses interested in government contracts. • Expand services, such as The Detroit Economic Growth Corporation's District Business Liaisons, that are designed to help small businesses navigate government regulatory processes. In addition, utilize feedback from businesses to improve regulatory systems over time.

Immediate opportunities

Long-term change

Naturalicious

SMALL BUSINESSES ARE CRITICAL TO DETROIT'S ECONOMY

Small businesses are an essential component of the U.S. economy and the backbone of many cities' local economies. Small businesses[1] make up 99% of the firms across the country and employ nearly half of the nation's workforce.[i] Beyond providing wealth-building opportunities to entrepreneurs and their families, small businesses provide job opportunities to residents and shape and anchor communities across the country.

To better understand the needs of small businesses in the Detroit region, Detroit Future City (DFC) and the New Economy Initiative (NEI), in partnership with JFM Consulting, released *The State of Micro and Small Businesses in the Detroit Region* report in 2024. This report, based on a large survey conducted during the summer of 2023, found that small-business owners in Wayne, Oakland, and Macomb counties want to grow their businesses but face significant challenges around key issues, such as accessing capital and locating talent. Notably, out of 1,200 businesses that responded to the survey, 81% were sole proprietorships or had one to two full-time employees (microbusinesses), while only 30 businesses had 10 or more. **Though microbusinesses are a critical piece of the economy, it was clear that the voices of larger, growth-stage businesses still needed to be captured.**

WHAT IS A GROWTH-STAGE BUSINESS?

This report uses the term "growth-stage business" to describe companies that have moved beyond the startup phase and are looking to continue to grow. It includes businesses that are considered "second-stage businesses," as well as companies trying to get to that point. Second-stage businesses are generally described as businesses earning at least $1 million in annual revenue, and with 10 to 99 employees.[ii,2] For this study, the revenue bar was lowered, and outreach focused on businesses in Macomb, Oakland, or Wayne counties that met or worked towards the following criteria:

- 10 to 100 employees
- At least $250,000 in annual revenue
- Desire to continue to grow

[1] Generally, any business with fewer than 500 employees.
[2] This second-stage business definition comes from the Edward Lowe Foundation, but is also used by organizations such as the Michigan Economic Development Corporation (MEDC) to define programming.

Growth-stage businesses are often grouped with small businesses and included in small-business support efforts. However, they differ significantly from sole proprietorships or early-stage businesses because of their unique operational needs, as well as their potential for broader economic impact within a community. Growth-stage businesses supply jobs to their communities and generate significant sales, both of which can boost incomes and wealth for entrepreneurs and their employees, as well as the local and regional economy. Between 2005 and 2015, second-stage businesses accounted for only 17% of all U.S. businesses, yet supplied 37% of jobs and accounted for 36% of sales, according to the Edward Lowe Foundation and YourEconomy.[iii] In the 2025 Michigan Entrepreneurship Scorecard, the Small Business Association of Michigan (SBAM) emphasized the importance of "Stage Two" businesses[3], which accounted for 37.6% of Michigan's private-sector jobs in 2024 (excluding sole proprietorships).[iv]

The growth stage is also a critical point in a business' lifecycle. This period is when a business has progressed beyond the startup stage and has a group of full-time employees, as well as a different set of management, infrastructure, and capital needs as it continues to grow. These businesses are not yet at the point of being a major employer, which can open a different set of funding resources and incentives. Because of this, these businesses can find themselves in a service gap that hinders their ability to continue growing and having an impact.

Glamour Salon

[3] Defined as businesses with 10 to 99 employees.

GAPS IN SERVICES FOR GROWTH STAGE BUSINESSES

As the Detroit region continues to invest in its small businesses and regional growth, it will be imperative to invest in initiatives and capital that meet the needs of this important group of small businesses. Recent local and statewide research efforts have highlighted the gaps in services for growth-stage businesses. In general, these efforts show that larger, growing businesses tend to be less plugged into the business-support network and feel that there is a mismatch between the services and support offered, with the services that would be most beneficial to their business.

For example, in 2024, NEI conducted interviews with 14 second-stage businesses. During these interviews, what regularly came up was the mismatch between their needs and the services offered by Business-Support Organizations (BSOs) as well as difficulties accessing capital designed for the stage of their business.[v] Additionally, The Michigan Economic Development Corporation (MEDC) surveyed 759 businesses[4] across the state in 2023, and found that acquiring talent, succession planning, accessing capital, and adapting to technology were key challenges for growing businesses across Michigan.[vi] Along with these studies, the Edward Lowe Foundation often highlights the challenges that can arise for a second-stage entrepreneur as they navigate the staffing and management challenges that come with growing a company.[vii]

The conclusion from previous research is clear. Business-support networks are often effective at assisting startups and microbusinesses across a variety of industries. However, as businesses grow and entrepreneurs are faced with the complexity of growing their businesses, a mismatch between services offered and the services needed emerges, and at the same time, capital becomes harder to find.

This report builds off these previous studies by diving deeper into the needs and perspectives of growth-stage businesses. What emerges from these discussions goes beyond survey data—it reflects the vision, challenges, lived experiences, and hopes of these entrepreneurs. Together, their insights offer a roadmap for how the Detroit region and its business-support network, capital providers, philanthropy, and policymakers can help shape the region into a place where growth-stage companies can thrive.

[4] Nearly half of the businesses surveyed had 10 or fewer full-time employees.

Dequindre Cut

METHODOLOGY AND PARTICIPANTS

In the spring of 2025, NEI and DFC began outreach to connect with businesses that fit the following criteria:

- 10 to 100 employees
- At least $250,000 in annual revenue
- Desire to continue to grow
- Macomb-, Oakland-, or Wayne- county-based

Outreach was primarily conducted through NEI and DFC's network of nonprofit BSOs and connections to businesses. A key learning that occurred early in the project was that businesses that fit the criteria above tend not to be plugged into the support network, so additional outreach would be required. As outreach progressed, the criteria were allowed to be flexible, and focus groups and interview participants included businesses that fit the above, or were working hard to get there. Overall, 22 businesses ranging from four employees to 60 employees participated.[5] All businesses had, or were on track to meet, the $250,000 per year revenue threshold and expressed a desire to continue to grow their businesses. The businesses represented a wide variety of industries from hospitality to construction to beauty to tech. Most of the participants were business-to-customer companies, with some business-to-business companies also included.

Focus groups were 90 minutes long and in groups ranging from three to six participants, while interviews ranged from 30 minutes to 90 minutes. In both approaches, participants were asked a set of questions centered on five areas:

1. Access to capital
2. Interactions with the business-support network
3. Talent, hiring and workforce
4. Technology
5. Policy and interactions with government

Participants were assured that their names, or that of their businesses, would not be included in the report in order to get honest responses about the challenges they face and the support services available to them.

[5] After 15 interviews, the research team began to identify the same set of themes recurring across conversations, many of which line up with trends from national research on this topic.

The LED Lion

FOCUS GROUP AND INTERVIEW FINDINGS

GROWTH ISN'T JUST A CHOICE, IT NEEDS THE RIGHT CONDITIONS

Definitions of growth can vary from business to business, and it was important to ground these conversations by asking participants to define what growth means to them. Answers took a variety of formats, including specific goals, such as finding new customers and contracts, expanding to new locations or new markets, hiring more staff, and launching new products. Some business owners were focused on recovering from the impact of the COVID-19 pandemic, reducing burnout, untangling difficult financial challenges, or navigating franchisee models and rules. Others were starting to think about how to grow the business while also planning an exit or hiring someone to take over day-to-day operations.

Beyond specific objectives, themes arose around what it takes to grow, and what participants thought growth should feel like. These entrepreneurs are not afraid of growth; they are afraid of unsupported risk. Especially in an uncertain economic climate, growing a business is influenced by an entire system that needs to align to stimulate and support growth. The entrepreneur needs vision and drive to grow their business, but capital availability and cost, business-support services, workforce, and many other pieces need to create the conditions to support that growth.

When the supports above aren't accessible or optimized, business owners may choose to grow their companies slower than they might want or expect. If the support thins out as their business gets larger, and the entrepreneurship journey becomes lonelier as peers of a similar size and industry become less common, the choice for owners may be to slow down rather than rush into a decision that could harm the sustainability of the business.

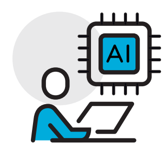
Understanding how to shift systems around capital, business support, workforce development, and local policy is critical to creating the conditions where growth-stage businesses can grow and thrive in the Detroit region.

The findings that follow are organized into five categories, each a critical component of the conditions needed for growth:

1 Access to capital

2 Interactions with the business-support network

3 Talent, hiring and workforce



4 Technology

5 Policy and interactions with government

IMMEDIATE OPPORTUNITIES AND LASTING IMPACT

This report contains several recommendations to address challenges that were raised by business owners during focus groups. In some cases, the recommendations target challenges that could be addressed immediately or that regional stakeholders are actively working on. In other cases, the recommendations seek to address policies and structures to create longer-term change. Each recommendation is flagged with a visual marker to note which category they fall under:

Immediate opportunities:
These solutions can be addressed immediately or have significant momentum already behind them.

Long-term change:
These strategies may require changes to policies, structures, or approaches that potentially take more time.

Avenue of Fashion

ACCESS TO CAPITAL

Accessing capital is a top challenge for entrepreneurs across industry and business stage. Without the appropriate capital, businesses will struggle to grow as quickly as they can or maximize their potential. Nearly every conversation with an entrepreneur for this project touched on a pain point or frustration around accessing capital, and the participants usually were able to identify an active opportunity they would pursue if the right capital product was available.

Navigating capital options is challenging

In addition to the negative experiences that increased risk aversion for this group, many participants discussed how the sheer number of options, and financial knowhow needed to navigate them, can be beyond reach for many entrepreneurs. One founder spoke about how on top of knowing the ins and outs of their individual industry, managing staff and daily business operations, navigating capital feels like an entirely new skill. This sentiment was echoed by others who may not have come into entrepreneurship with a business background.

They said, "I don't have enough financial knowledge to use debt to my advantage. And I don't have the time to learn another whole skill."

Grants are not immune to their challenges in this respect, as well. Participants regularly stated that the grant landscape in Detroit is highly competitive and that opportunities are hard to identify. One participant said centralizing grants for businesses into one place would be both helpful and challenging, because it would improve a business' ability to locate opportunities that are right for their particular situation, while also making an already competitive landscape even more so.

On top of learning how debt can impact a business or understanding how much debt can be safely taken on, there are many options thrown in the path of entrepreneurs that they have to make decisions about every day. Additionally, there may be financing tools better suited to a business that founders don't know about. Without the right lender connections or being plugged into the right network, these options can remain out of reach. This constant navigation and lack of support around identifying capital increases the risk aversion described above.

Entrepreneurs prefer growing without debt

Many of the entrepreneurs in this study spoke about risk aversion when it comes to using debt-based financing to grow their business. For some, this aversion came from starting their business using personal finances and having to work out of that hole. Others spoke about challenging financial decisions in their personal lives. A few participants had direct experience leveraging debt-based capital that didn't work out. One participant spoke about opening a brick-and-mortar location utilizing debt-based financing including a commercial mortgage and home equity loan. That venture did not work out, and the participant described the results: "I lost so much money. My lights got cut off. That's not supposed to happen to people like me." That experience shaped their perspective moving forward, with them adding, "If we can't do it with revenue, we'll have to get creative."

Many participants mentioned lending practices that started out positively, and then became more difficult to navigate, verging on predatory, as time went on. This came up frequently when dealing with large online fintech or e-commerce companies. For example, multiple businesses had received revenue-based financing from these companies, which is usually a non-dilutive, flexible form of capital useful to growth-stage businesses. However, when dealing with these large companies, the loans started out right-sized with fair repayment terms, but over time, the same lenders or new ones would offer higher loan amounts or new repayment terms than what the business could realistically or responsibly pay back. Owners also noted the need to vet each deal to ensure there were no hidden fees or other penalties included in the agreement, as well.

These experiences shaped participants' views on capital. Most expressed being interested in only grants or low- or zero-interest debt moving forward. If those tools weren't available, then they would only consider growth that could be funded by the company's revenue, which may ultimately limit the long-term ability or speed at which they grow.

More growth-stage capital is needed

Beyond risk aversion and navigating options, participants felt like the capital products available in the Detroit region often are not a great fit for growth stage businesses. For example, participants mentioned that requirements for capital and loans always seem to change, and that even in existing relationships with lenders, the type of information they are asked for and requirements shift from year to year. Some also mentioned slow turnarounds from application to distribution of funds.

Additionally, owners noted a desire for more flexibility in terms of both repayment timelines and what the funds from loans could be spent on. Businesses need to be nimble and flexible in the growth stage as they work to scale their companies; if capital cannot be flexible with them, it can create barriers to growth. Some owners talked about challenges with buying expensive equipment that might not have a payoff for months or years down the line (for example, heavy-construction equipment that can expand the type of projects that a firm can work on but costs hundreds of thousands of dollars). If there is not a lender or product willing to be flexible with their terms to facilitate this type of purchase, business owners may opt not to pursue the equipment or technology.

Throughout these conversations, owners felt that if they just had the right grant or capital product, their business could make a huge jump. One business owner, who is in the process of opening a second location and launching a new product, described how, with a grant in the ballpark of $50,000 to $75,000, they could finance the remaining aspects of the buildout and equipment they need to significantly grow the business. Many others described how a small grant of $10,000 to $25,000 could help them buy industry standard software they need to get their businesses running more efficiently, and then they could cover the cost moving forward. Others spoke about the need for more flexible products with patient repayment timelines for larger purchases, as mentioned above. Overall, these business owners felt that good options for capital seem to shrink as their businesses grow, and expressed a desire to see more products introduced to the region designed to support growing companies.

BUSINESS LABELS AND IDENTITY CATEGORIES

One challenge that arose during these conversations was around labels such as "minority-owned," "woman-owned," or simply "small business." Though these identity categories and certifications are often meant to increase access to lending, business owners raised concerns that these labels might also harm them. Several participants felt that because of this label, they were offered higher interest rates. Capital providers should ensure that these labels do not increase the cost of loans that businesses are getting access to.

One founder said, "Stop calling me a small business or a minority-owned business. You're costing me money."

ACCESS TO CAPITAL RECOMMENDATIONS

1. **Pair capital with support:** Where possible, lenders and capital providers should find ways to make processes less transactional and more advisory. One participant spoke about how they received both a loan and hands-on guidance from a Community Development Financial Institution (CDFI) staff member. This person not only connected them with the capital they needed but knew their business well enough to help them think through next steps and troubleshoot issues. This requires capital providers to have the capacity to follow their portfolio of clients and provide deeper support.

2. **Publicize and centralize capital options:** Continued investment is needed to develop and maintain a centralized, up-to-date catalog of capital products and programs available to businesses in the region, with clear designations for which opportunities apply to different business types and stages. This could cut down on the amount of navigation that time-strapped growth-stage business owners would have to do. There are some existing tools and organizations working on this challenge, including Detroit Means Business and the Detroit Capital Hub, which is a partnership between the City of Detroit, Detroit Economic Growth Corporation, and Loanwell.

Immediate opportunities

Long-term change

3. **Consider fractional Chief Financial Officer (CFO) or financial advisor models to build financial knowledge, help businesses locate capital, and support decision-making:** Develop a subsidized pool of vetted financial advisors with a wide range of industry knowledge. Businesses could utilize this pool of advisors for help with locating capital that fits their business, as well as support in understanding how to properly leverage debt.

4. **Align capital stacks to business needs:** Patient financing options that allow businesses to grow at their own pace, such as right-sized, revenue-based financing, recoverable grants, or contract- or milestone-based capital, should be funded and managed by organizations with the capacity to deploy capital in a supportive environment. For this business stage, capital providers should consider financing options beyond traditional products. Developing a pool of funds that is flexible enough to meet a business owner where they are at and can structure lending terms on a deal-by-deal basis to businesses with a proven track record and clear plan for how they would use the funds could be more effective than trying to fit a growing business into a specific lending product.


LIVE
YOUR
CURL
1422
OPEN
SHOP SMALL
GIVE BIG
Detroit
Dye
House

Corktown

INTERACTIONS WITH THE BUSINESS-SUPPORT NETWORK

The business support network includes nonprofits, incubators, technical assistance providers, CDFIs, and other organizations that offer support and/or financing to businesses. Nearly every participant in this project had engaged with the business-support network at some point during their entrepreneurship journey.[6] Many of these entrepreneurs had positive experiences and received critical support, especially at early stages. But they also reported a fragmented network and mismatched services for growth-stage businesses.

"You can find help to start," one said, "but growing is lonely."

Navigating business support resources can feel like a full-time job

Time and again, entrepreneurs shared stories about how business-support organizations (BSOs) in the Detroit region assisted their business in some way, especially when they were just starting out. In many cases, however, as businesses grow and change, the services that they need will also change, and it requires a range of support organizations to help a business grow. As one business owner put it, "Programs pitch themselves as one-stop shops, but they can't be." Owners described frustration with the lack of connectedness and cohesion across the business-support network. This showed up in two ways.

First, most BSOs require businesses to fill out an application to receive services. However, many participants stated that they regularly filled out applications for different organizations that have a lot of overlap in the information collected. This means that business owners are filling out multiple applications, many of them redundant, every time they interact with a new business-support organization, which becomes time consuming and frustrating.

Participants also discussed the need for better handoffs and tracking of businesses within the network. Because each BSO cannot be a one-stop shop, business owners often might need to engage multiple organizations,

[6] Most business outreach was done through NEI's partner network, which may drive the extent to which participating businesses were connected to business support organizations.

or transition from one support provider to another, as their business grows and changes. However, focus group participants spoke about how there is often a lack of handoff between support organizations when a business may need different services. This results in the business owner having to work on their own to find a new organization to connect with and makes it hard for support network organizations to track the success of their services if they are not coordinating with other BSOs in the region.

"It's the same application over and over," one said, "just tweaked a little."

Support services and business needs are mismatched

Beyond the lack of cohesion across providers, growth-stage business owners noted business-support services tend to dwindle after leaving the startup/microbusiness stage. Participants talked about how much of the support that they need is ongoing and industry-specific when trying to grow their companies. Often, the services offered are more oriented towards business basics or do not go as deep on complex topics that these business owners need. Tech companies, as well as businesses that only/mainly exist online, expressed a stronger disconnect in that those founders felt like many of the support services assume they are a brick-and-mortar business and are less helpful to those running a web-based company. As one participant put it, "They keep assigning us the same advisor who doesn't get our business."

Participants also expressed a desire for more ongoing mentorship; often, services take the format of a week or months-long workshop or boot camp, and once it's complete, the relationship ends. Ongoing support from someone who understands the owner's industry and specific business is far more valuable at this stage, as is peer-to-peer mentoring and networking. These entrepreneurs want long-term relationships, not transactional office hours.

"I need someone who's been where I'm going," one person said, "not someone reading from a workbook."

Mexicantown

BUSINESS-SUPPORT NETWORK RECOMMENDATIONS

1. **Catalog offerings and centralize applications, including pre-requisites:** Catalog the support services offered throughout the region, and design one universal application for businesses to use to apply for support. The catalog should include any prerequisites and note preferred industries or business stages so that owners can identify which opportunities they qualify for. This should cut down on the amount of time an owner spends looking for help rather than receiving it. Though no single tool currently fulfills all these functions, a variety of existing and emerging tools, including NEI's recently released MI Small Business Helper, are designed to assist businesses in finding the resources that they need and to provide a foundation to build off of. However, no existing tool in the ecosystem provides the universal application/intake process that focus group participants desired.

> **"I don't want to waste your time," one participant said, "but I don't know if I belong in your program until I already start the process."**

2. **Match services to business needs:** Assemble pools of vetted, experienced industry-specific advisors available to growth-stage businesses. These advisors should provide support on an ongoing basis to create the longer-term relationship participants desired. Some businesses noted that having an advisor temporarily assist during a transition period, like launching a new product, opening a new location, or planning for the future, would be beneficial, as the owner's attention is often drawn in many different directions.

3. **Fund peer networking and collaboration opportunities:** Identify ways to fund peer networks specifically for growth-stage businesses that can allow for long-term relationship-building, knowledge-sharing, and mentoring, especially within industries. These types of programs could be built or strengthened by business-support organizations or different affinity organizations across the region, such as chambers of commerce. Models that formally pair smaller businesses with larger, more established ones on projects would be impactful, especially because many already do this, often without compensation. Pairing a more established business with a less-established one usually builds the capacity of both organizations and provides valuable mentorship to the less-seasoned business.

Immediate opportunities

Long-term change

TALENT, HIRING, AND WORKFORCE

Participants shared that hiring and retaining skilled talent is one of the most persistent and emotionally taxing challenges to scaling a business. Regardless of industry, owners talked about mismatches in skills, inflated expectations for wages, and challenges with workforce-development programs.

Locating skilled talent is a persistent challenge

From restaurants to salons, construction firms to creative agencies, participants shared that properly trained talent is hard to come by. One restaurant founder noted that during a previous hiring process for a cook, many applicants lacked even basic cooking skills. In the creative sector, another founder observed a different challenge: workers transitioning from large media firms often had highly specialized experience but not the wide set of skills needed at a smaller firm to complete an entire project on their own. The founder noted, “I can’t hire someone just to monitor comments.”

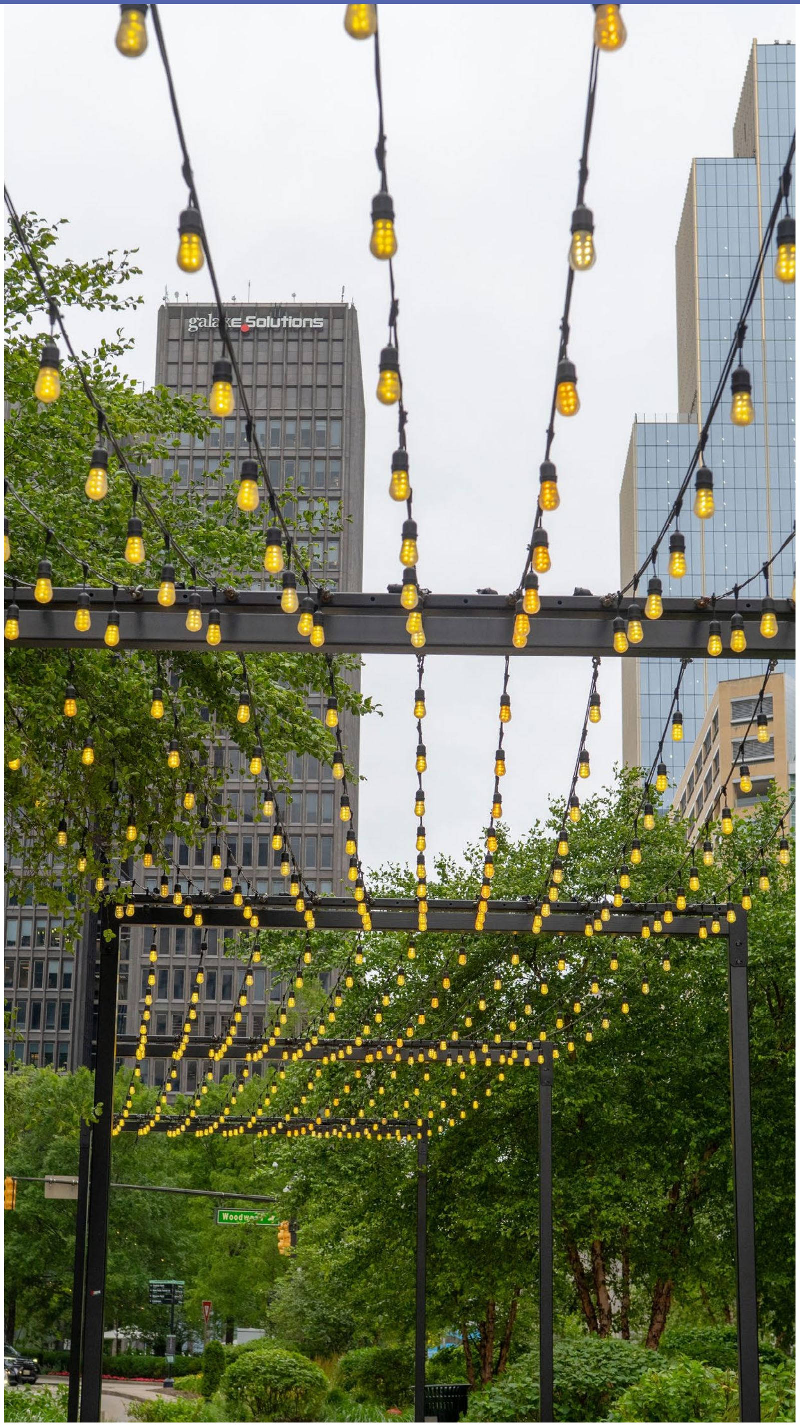
“Essential” or “soft skills” also came up during these conversations. Owners noted that when they were able to locate a technically skilled candidate, that person may not have had the temperament to thrive in a customer-facing role, or that they otherwise were not a fit for the company. Many participants settled on finding candidates who were a fit for the organization or personality-wise and then training them on technical skills. However, this takes away from the owner’s ability to scale the business as they otherwise would be able to if they had access to a more efficient talent pipeline.

Workforce development programs came up regularly during these discussions, as well. There was a sense that training through local workforce development agencies was missing the mark in terms of what small-business owners are looking for. Participants mentioned the workforce program graduates they worked with sometimes lacked practical hands-on experience; they wished that there was more on-the-job training included in workforce programs. In other cases, owners felt that graduates did not have the requisite professional or business skills. This is also a two-way street, however. If business owners are not regularly building and maintaining a relationship with workforce development programs (such as beauty schools or culinary schools), it may be difficult for those providers to adjust training or incorporate on-the-job learning into programs. Ultimately, many owners reported relying on personal networks and casting wide nets to find candidates for roles, with new hires often being fired or quitting until the right person was found.

Increased wage expectations are challenging for some industries

In some industries, especially restaurants and hospitality, the pandemic appears to have reshaped the pay landscape in a way that has created a sort of arms race for talent. Restaurant owners reported a shortage of qualified kitchen and customer service talent, exacerbated by candidates not wanting to work at pre-pandemic wage levels. This means that restaurants are competing for talent and further increasing pay.

Pay was also a concern for growth-stage businesses in other industries that compete with larger firms. Creative founders regularly navigate not being able to match the large compensation packages offered by bigger competitors and having to find creative ways to retain employees. This is a trend not only in the Detroit region, but nationally. A recent survey by the Federal Reserve Bank System of 143 small-business support organizations found that small businesses across the country find competing with larger companies on compensation and benefits to be challenging.[viii] Additionally, in a survey of more than 1,000 participants in Goldman Sach's 10,000 Small Businesses program, 66% of participants said that competing with larger companies on compensation was a key hiring challenge.[ix]



Woodward Esplanade

TALENT AND HIRING RECOMMENDATIONS

1. **Facilitate connections between growth-stage business and workforce-development agencies:** Identify ways for business owners and workforce-development agencies to collaborate directly on skills training and talent needs. Programs like the Electric-Vehicle Supply Equipment Technician Training, which is a partnership between a variety of workforce-development agencies (such as Michigan Central and Detroit at Work) and a private company (ChargerHelp!) is a potential model for how employers and workforce-development agencies can more directly collaborate on talent needs. The program delivers free training in the field of electric-vehicle charger maintenance at no cost to Detroit residents.

Nothing Bundt Cakes

Immediate opportunities

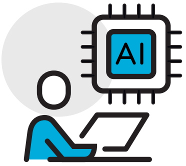
Long-term change

2. **Provide opportunities for founders to develop skills as managers:** A key challenge, especially when businesses become true second-stage businesses, is managing staff. As businesses become larger, finding the right talent to fill roles remains a challenge, but owners also must learn how to delegate responsibilities, elevate others to management and leadership, and even fire employees. The business-support network should consider ways to fund programming and peer-to-peer learning opportunities that are specifically geared toward helping entrepreneurs become great managers and support their employees. The Source in Grand Rapids, Michigan, seeks to address some of the challenges. The Source provides member businesses with resources and support geared towards helping employees navigate challenging circumstances in their personal lives. These types of services, as well as others that help entrepreneurs become great leaders, are critical for the growth of businesses in the Detroit region.

3. **Fund and facilitate apprenticeship and internship/externship programs:** Increase the number of programs that provide paid work experience opportunities that benefit both businesses and workers. Most of the participants for this project wanted to see more apprenticeship and internship opportunities in the region, but funding them can be challenging. A program like Wayne State University's Warrior Impact, which utilizes Federal Work-Study to provide internship opportunities for Wayne State University students at local startups, is an interesting model as students can gain valuable skills at no cost to the business.

Immediate opportunities

Long-term change



TECHNOLOGY

Adoption of technology is another key challenge facing businesses in the Detroit region across industries. Whether it be ubiquitous technology like AI and automation, or industry specific equipment and software platforms, businesses regularly shared ways in which technology is important for managing and growing their business but can be challenging to keep up with.

Generally positive views on technology

AI and automation regularly came up as tools that business owners are using to support their operations. A few credited AI directly with helping them grow/manage their business. One participant described AI being used to boost the capacity of coding and engineering teams, while another spoke about reducing the size of their executive team because of capacity created by AI. Some businesses utilized AI to help with the creation of employee handbooks and policies or developing job postings. Most businesses described at least some limited use of AI, such as using it for first drafts of social media content and copy-editing or for compiling or conducting research on a range of topics.

Other business owners did not have such a positive view. One participant, whose company buys back its carbon emissions, described having to use AI sparingly because of the heavy emissions associated with the technology. Other businesses, across a variety of industries, described having not found a strong use for AI within their business operations and preferred to do without it.

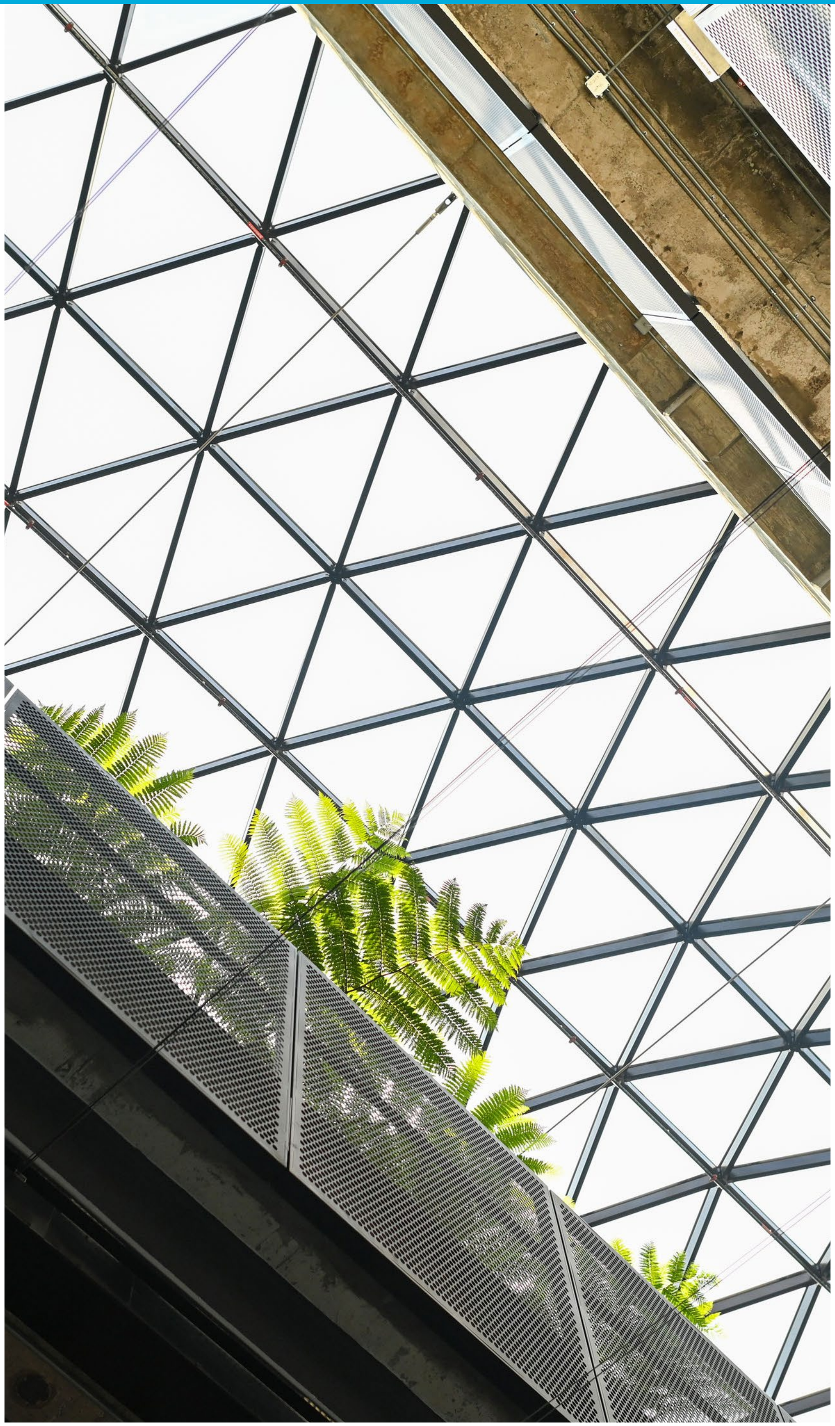
In addition to AI, business and industry-specific software and technology came up regularly. One business owner credited project-management software with helping them scale their business without needing to increase headcount, while in industries like restaurants and construction, there were companies that had or wanted the best-in-class project management/business-management software available to help scale their business. Many businesses had a piece of new high-tech equipment, for example 3D printers, they would buy if the funds were available.

Implementing and affording technology are key challenges

The ability to implement new technology, and the high cost of software and equipment are the two key barriers to growing tech infrastructure. Many growth-stage companies cannot yet afford dedicated IT employees. For the companies that were heavy users of AI or had successfully leveraged project-management or industry-specific software, the owner or a key staff member had to create time to learn the technology themselves. For owners without a strong tech background, or who are wearing many different hats, learning and setting up technology can be a barrier to harnessing its power.

As one owner put it, "It took me forever to figure out how to set up a simple inventory system." In addition to having the time to learn and integrate technology, one business owner also shared how working as a franchisee means that they are often forced to move at a larger company's pace in terms of adapting to technology.

Additionally, the cost of technology can be prohibitive. Time and again, participants noted initial software purchase costs being thousands of dollars, with many also requiring a yearly subscription. Often, these are industry-specific business-management software packages that are far and away the best option for businesses in that industry. In other cases, businesses owners were working to incorporate new equipment into their business, which also comes with a high upfront cost. When businesses can pay for the right technology, the benefit is clear. However, affording the cost in the first place was a key challenge for many participants.



Michigan Central

TECHNOLOGY RECOMMENDATIONS

Fund a technology grant pool for upfront software/technology costs: Develop a pool of funds that can be used to help businesses with the initial purchase of new technology. In addition, funds set aside specifically to pay for profession setup and installation of technology would be beneficial to business owners.

Backtalk Detroit

POLICY AND INTERACTIONS WITH GOVERNMENT

In each focus group interview, participants were asked about the role that government has in supporting growth-stage businesses. Overall, business owners described the ways in which governments can positively and negatively impact businesses through both policy and as customers.

NATIONAL ECONOMIC UNCERTAINTY

The main subject for these conversations taking place in the summer of 2025 was local policy, with some conversations around state policy and processes. A few participants mentioned challenges with the overall economic and political climate. There were concerns about how tariffs may impact southeast Michigan, and how that could spill into other businesses that depend on customers with disposable income. Businesses also expressed frustration with ongoing uncertainty around a potential recession. Multiple participants wished that something would just happen, recession or not, so that they could start to plan next steps rather than waiting in uncertainty.

Governments impact businesses both through their policies and as customers

Whether it was at the local or state level, participants described a variety of ways in which interactions with governments affected their business. On the positive side, most participants shared at least one instance in which an individual working within government, an elected official, or a certain program helped them work through complex government policy and/or systems, such as navigating permits, procurement, tax challenges, etc. Business owners regularly shared that a helpful individual within government can make all the difference.

One area of frustration, especially in Detroit, has historically been around procurement. Businesses that regularly bid for government contracts described a broken bid system/portal, needing to track multiple requests for proposals spread out across systems, difficulty parsing language in the bids, and complex applications. These challenges resulted in missed opportunities and wasted time for participants.

"Accessing City contracts was like finding where Jesus left his sandals."

In addition to procurement, permitting and inspection processes came up as an area of frustration. Businesses spoke about the amount of time it takes to get permits, especially for construction in the city of Detroit, sometimes waiting months for a permit that they felt should not take that long. Participants in and outside of Detroit spoke about intense permitting processes to host events, arduous annual inspection processes, or being ticketed for property violations without warning. Though some of these challenges and experiences may be unavoidable to some extent, the overwhelming sentiment was that governments have the power to make operating and growing a business in the region easier or harder depending on their posture towards businesses.

Though there continues to be a need for improvement, it is worth noting that a number of cities and counties are making a concerted effort to improve on these fronts and make it easier to start and grow a business in the Detroit region. The City of Detroit has several initiatives and improvements underway in this regard, including improving their procurement system, both through direct support from specialists that can help with navigating the bid system, as well as an upcoming new procurement platform designed to streamline the process.[x] Additionally, in the spring of 2025, the Detroit City Council and Mayor's Office announced licensing and permitting changes to help businesses, as well as a "Concierge Team" designed to help small businesses navigate City processes.[xi] The Detroit Economic Growth Corporation also has District Business Liaisons, who interface with business owners, capture their challenges and provide feedback to the City, and help them navigate government processes. Outside of Detroit, Oakland Thrive, which was launched in 2023 and created by Oakland County using American Rescue Plan Act funds, provides free business support services to small businesses in Oakland County.[xii] This is an example of a county using government funds to directly provide support to businesses.

The Red Hook

POLICY RECOMMENDATIONS

1. **Continue to improve procurement platforms:** Governments are important customers for local small businesses. Procurement offices should ensure that procurement platforms have all opportunities centralized in one location and that instructions, necessary requirements and qualifications are clear for business owners to understand. Additionally, consider user testing of City procurement processes and rules to ensure that platforms and application processes are not overly complex.

2. **Improve and market services that provide coaching for businesses interested in government contracts:** The local business-support network should identify ways to add and/or market services in the region that help businesses compete for government contracts. Organizations engaged in this work should establish and maintain strong connections with their respective local government procurement offices to ensure that the services they provide are informed by procurement policies and practices and are aligned with the needs of the business community. APEX Accelerators, which are run by the Department of Defense's Office of Small Business Programs, is a national network of offices that help businesses obtain government contracts; there are currently APEX Accelerators in Macomb, Oakland, and Wayne counties. Ensuring that these services are meeting the needs of businesses and that businesses know about them could be an easy starting point to help regional businesses obtain government contracts.

Immediate opportunities

Long-term change

3. **Enhance government support for businesses and reduce system barriers:** Adopt and/or expand existing supports to help businesses navigate city processes and regulations. Examples of this can be seen across the region, organizations and services such as the previously mentioned Oakland Thrive, District Business Liaisons, and Business Concierge Team all help business owners navigate government systems. In addition, utilize feedback from businesses that interact with these services to improve government systems and alter policies in the long term.

La Feria

Immediate opportunities

Long-term change

THE GROWTH-STAGE BUSINESS SUPPORT SYSTEM NEEDS TO BE REDESIGNED

These focus groups/interviews outlined key challenge areas across capital access, the business-support network, talent and hiring, adoption of technology, and policy. One additional takeaway from this process is that all the aspects above need to align collectively for a business to grow. Access to capital can get a business only so far if necessary talent isn't available to spend the money on, for example. For the Detroit region to become a place where growth-stage businesses can regularly reach second-stage and beyond, there is need for alignment across issue areas. The two recommendations below are aimed at enhancing cross-sector support for growth-stage businesses in the Detroit region:

1. **Explore public-private partnerships to fund ecosystem-wide capacity-building:** Rather than, or in addition to, time-limited cohort style programs, capital providers, business-support organizations, policymakers, municipalities, philanthropy, and others should explore cross-sector partnerships that allow for the pooling of funds to provide targeted assistance to growth-stage businesses in the form of advisory services, peer mentoring, and a pool of capital with flexible terms. Additionally, a public-private partnership could help address more complex, cross-sector challenges that require large amounts of capital, political alignment, and talent. One opportunity could be to create or identify affordable commercial spaces for businesses, which is an ongoing challenge across the country and came up in conversations for this project.[xiii]

2. **Create stronger connections between anchor institutions and growth-stage businesses:** The business-support network should consider ways to better connect large anchor institutions—such as universities, hospitals, and major corporates—with growth-stage companies in the region. Many of these companies have shared interest in the region's talent pipeline, infrastructure, and capital ecosystem, regardless of business stage. Major corporations could serve as mentors for growth-stage companies, open their networks and customers to smaller businesses, and provide direct financial support through grants and venture capital. Additionally, many growth-stage businesses view larger corporates as potential customers. One owner highlighted how impactful corporate procurement opportunities have been for their small business.

Farrow Group

CONCLUSION

A thriving region requires a thriving small-business community—and growth-stage businesses are a critical part. Both locally and across the country, growth-stage businesses are key employers and anchors in their communities. Into the future, these businesses have the potential to create large economic impacts, through both job creation and wealth generation, if proper capital resources and support services are available to them. As the Detroit region charts a path towards expanded economic opportunity, enhanced competitiveness, and job creation, investing in and supporting growth-stage businesses must be a central strategy. The conversations with the growth-stage businesses that contributed to this report highlighted both the strong foundation that exists in the Detroit region, and the unique challenges that growth-stage businesses face as they continue to expand. From capital access, to talent, policy, technology, and network alignment, these challenges can slow momentum and limit potential for entrepreneurs in the growth stage.

But these conversations also shed light on opportunities. Some opportunities are low-hanging fruit or areas where work has already begun, and some require deep systemic change over a longer period of time. Stakeholders across the region should take these learnings and evaluate their programs, funding mechanisms and the way that they partner across organizations in support of growth-stage businesses. Through improving the ecosystem surrounding and supporting these businesses, the Detroit region can create the conditions for these businesses to take their desire for growth and turn it into a reality where they can thrive.

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