



SCALING FOR GROWTH

How America's Industrial Transformation Creates Unparalleled Opportunities for Small Business



SUPPORTING AMERICA'S DOMESTIC SUPPLY CHAINS TO THRIVE

A budding industrial transformation in U.S. infrastructure and manufacturing is creating a surge in demand projected to generate trillions in GDP while boosting national security and economic competitiveness.

This industrial transformation, however, hinges on the capabilities of America's small and mid-sized businesses. To fully capitalize on investments in critical infrastructure and advanced technology sectors, we must provide the support small businesses need to build the capacity to strengthen domestic supply chains and create good jobs for American workers.

The Opportunity

Multiple geopolitical forces have converged to create a new paradigm fostering the industrial transformation. Tariffs and trade policy, geopolitical instability, global supply chain disruptions, and a growing desire for energy security and independence drive demand to reinvigorate U.S. infrastructure and manufacturing. This demand is fueling a surge in capital expenditures and infrastructure investment, reshoring and nearshoring, energy diversification and modernization, and a review of the established defense industrial base.

Industrial Transformation: A New Paradigm

Macro forces driving the industrial transformation have created enormous demand for infrastructure and manufacturing



The federal government has pledged trillions of dollars to renew the country's aging infrastructure and revitalize domestic manufacturing, catalyzing significant private sector investments nationwide. **The Infrastructure Investment and Jobs Act, the Inflation Reduction Act (IRA), and the CHIPS and Science Act together account for nearly \$2.4 trillion in public sector investments,** the largest U.S. commitment to industrial policy since the Cold War.

This commitment is expected to bring an additional trillion dollars in private investment, including in the energy, manufacturing, and semiconductor sectors.¹

In the eight months following the enactment of the IRA, companies announced more than \$150 billion in private investment for U.S. clean energy manufacturing and capital projects, more than the total investment made in the five years prior.²

¹ Includes spending from the Infrastructure Investment and Jobs Act, the Inflation Reduction Act, and the CHIPS and Science Act; Sources: Congressional Budget Office, JPMorgan; Credit Suisse
² Source: The American Clean Power Association

Further, **companies have invested more than \$270 billion in U.S. clean power projects in the two and half years since the IRA passed.**³

The CHIPS legislation has also spurred significant private sector development. Intel, which received \$8.5 billion under the CHIPS and Science Act, aims to become the world's second largest foundry by 2030. With CHIPS support, IBM, Micron, and Applied Materials have begun building a chip research and development

facility in New York. CHIPS funding also fueled the expansion of GlobalFoundries' Malta, New York, and Essex Junction, Vermont facilities.

A growing trend of reshoring and nearshoring expands small business opportunities even further. Companies such as GM and Honda have announced billions of dollars in investment for new or expanded U.S. manufacturing facilities. Public incentives and geopolitical risks, combined with the expectation

of more U.S.-centric trade policies, have motivated many multinational companies to reshore production, generating additional demand for the goods and services supplied by the nation's small and mid-sized businesses. **Every \$10 billion of manufacturing revenue moved back to the U.S. results in an estimated \$3.8 billion of CAPEX spending.**⁴

The macro conditions underlying these investments lay the groundwork for a structural

Industrial Transformation: Strategic Sectors

Infrastructure

Airports, Ports, and Waterways	Broadband Infrastructure	Electric Vehicle Infrastructure	Passenger and Freight Rail
Roads, Bridges, Major Projects	Power and Grid Infrastructure	Public Transit	Water Infrastructure

Manufacturing

Aerospace and Defense	Automotive and Mobility	Battery Manufacturing	Bio and Pharma Manufacturing
Clean Energy Manufacturing	Heavy Industry and Equipment	Polymers and Materials	Semiconductor Manufacturing

transformation in the makeup of the U.S. economy. Industrial policy investments in strategic sectors (including semiconductors and electronics, biomanufacturing, and other advanced technologies) are flowing primarily to economically distressed communities. This presents a reversal of the past several decades when a small number of urban centers captured

most of the nation's high-tech innovation growth.⁵

Under a modern industrial policy, U.S. investments in infrastructure, manufacturing, and emerging technologies have set the stage for the most significant economic transformation in a generation, driven by the country's small and mid-sized businesses.

³ Source: The American Clean Power Association ⁴ Source: Bank of America Global Research Institute
⁵ Source: White House; Congressional Business Office; Bank of America Institute; The Brookings Institution; Massachusetts Institute of Technology



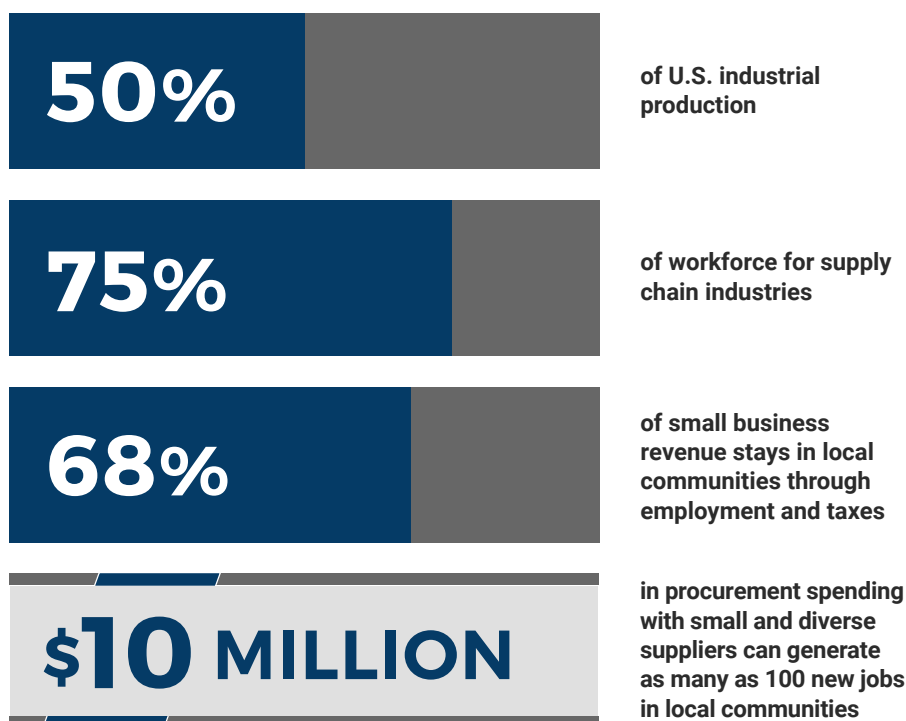
The Challenge

Capitalizing on the potential of the industrial transformation requires mobilizing the country's small business sector and building the capabilities for strong domestic supply chains that will create good jobs and boost local economies.

Small businesses are poised to play a significant role in the industrial transformation. Across the U.S., 3.7 million small and mid-sized companies supply goods and services to the government or other businesses, working across construction, manufacturing, transportation, and warehousing industries.

Small and mid-sized supplier firms contribute 50% of U.S. industrial production and employ 75% of the workforce for supply chain industries. Companies with fewer than 500 employees have also created approximately two-thirds of jobs over the past 25 years.⁶ Moreover, **nearly 70% of revenue generated by small businesses stays in local communities**, strengthening local economies and fostering economic mobility.

The Power of Small Business



Despite their role in industrial supply chains and communities, U.S. small businesses have been less productive than larger companies and small firms in other advanced economies.⁷ Small and mid-sized supplier businesses lack tailored business support and resources, have difficulty accessing adequate capital, and struggle to recruit and train skilled workers.

As a result, the U.S. small business sector lacks the capacity needed to fully participate in the industrial transformation underway. Without a deliberate strategy to support America's small businesses, we risk falling short of our national goals to build an economy rooted in opportunity and global competitiveness.

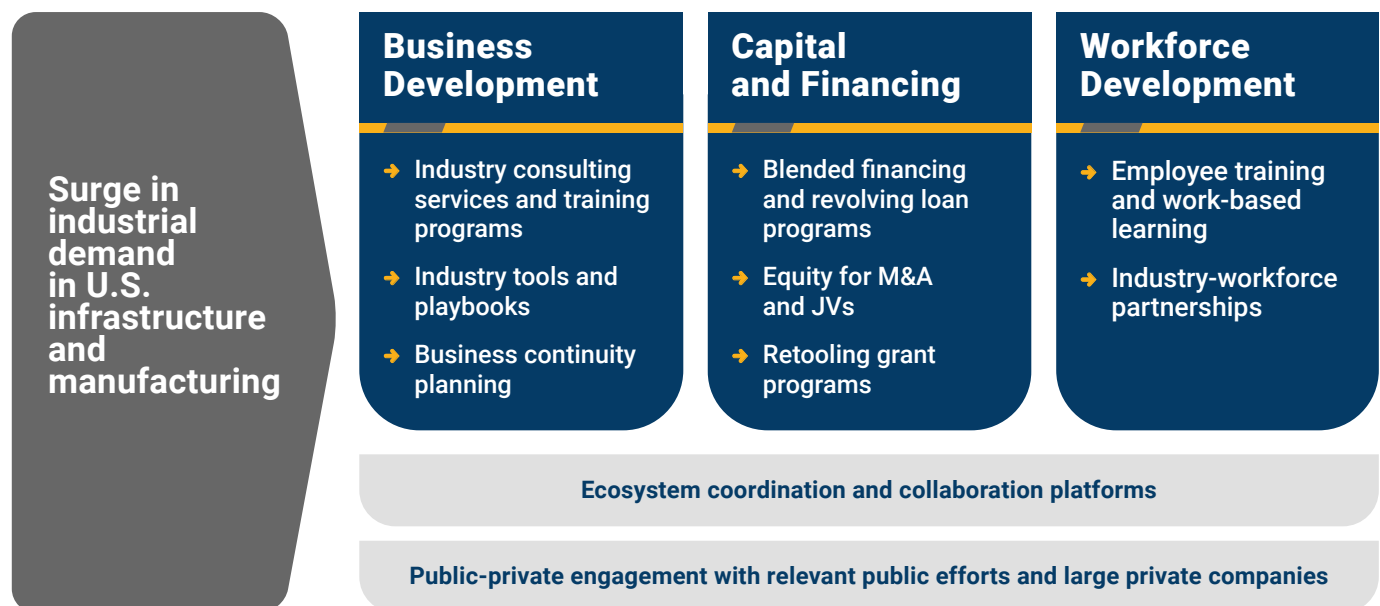
⁶ Source: U.S. Small Business Administration ⁷ Source: McKinsey Global Institute

The Solution

The Marshall Plan for Small Business

America needs a **Marshall Plan for Small Business** centered on business development, workforce development, and capital and financing to help small and mid-sized businesses benefit from the industrial transformation.

Core Pillars



Small businesses require support navigating evolving market conditions, optimizing production, and entering new markets. Consulting services, business continuity planning, and industry tools are essential to help them thrive in this new landscape.

Further, many jobs required for the industrial transformation pay well and do not require a college degree, creating a lower barrier to entry for American workers. Providing the tools that help small businesses recruit and train skilled workers builds the

necessary industrial capacity and capabilities while fostering greater economic opportunity.

Finally, expanding access to financing for working capital, research and development, workforce investments, and retooling or upgrading facilities will be critical to help small businesses compete in the industrial transformation. Some firms also will need financing for mergers and acquisitions or joint ventures to help them capitalize on emerging opportunities.

With support from the Gates Foundation, Next Street has established the Industrial Supply Chain Forum to bring together leaders across sectors to share ideas and approaches across the pillars of the **Marshall Plan for Small Business** to promote economic opportunity in the nation's industrial transformation.

The Forum establishes a platform for collaboration, dialogue, and knowledge sharing to highlight innovative policies and programs. By sharing best practices across regions and sectors, the Forum will equip small and mid-sized businesses to compete in and benefit from the industrial transformation, ultimately driving economic competitiveness and resilience throughout U.S. supply chains.

Industrial Supply Chain Forum Objectives

Develop & Execute

Develop and execute on scalable models across the pillars of the "Marshall Plan for Small Businesses": business development, capital and financing and workforce development

Build Knowledge

Build a knowledge network among stakeholders across industries, sectors, and regions to share insights, best practices and tools to accelerate inclusive industrial development

Elevate & Equip

Elevate and equip small businesses and their workers to compete in and benefit from the industrial transformation

Demonstrate Impact

Demonstrate impact of regional initiatives as models to reach national scale



About the Industrial Supply Chain Forum

Next Street's Industrial Supply Chain Forum aims to bring together public and private sector leaders to explore ideas and approaches to promote economic opportunities for small businesses and their workers in the country's industrial transition.

The Forum aims to accomplish the following:

- Introduce a platform for multi-stakeholder dialogue
- Share knowledge of innovative policies and programs
- Foster collaboration among public and private stakeholders
- Learn about best practices across industries and regions

About Next Street

For more than 20 years, corporations, governments, and philanthropies have hired Next Street to strengthen the small businesses they rely on.

We provide end-to-end solutions, powered by our proprietary technology and networks, for our clients to propel small businesses in their supply chains and communities.

We believe that with the right support, America's small business owners – from solo entrepreneurs to advanced suppliers – will be the engines driving new economic growth across the country.

Learn more

Scan to join **The Forum Newsletter** to receive the latest news, research and presentations, published articles, invites to special events and more.

