Michigan Center for Employee Ownership

RURAL READINESS GRANT; CASE STUDY: ALPENA, MI.
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Executive Summary

With support from the Rural Readiness Grant through the Michigan Department of Labor and Economic Opportunity, this case study examines business ownership dynamics in Alpena County, Michigan. With a focus on succession risk, demographic pressures, and long-term economic resilience.

Through a detailed analysis of local business ownership patterns, firm age, and workforce characteristics, this report highlights how employee ownership can serve as a strategic tool to stabilize businesses, preserve jobs, and strengthen rural economies for future generations.

Alpena County presents a compelling case for examining the role of ownership structure in shaping long-term economic outcomes. With an aging population, a concentrated industry base, and a growing number of businesses approaching ownership transition, the region reflects broader rural economic challenges. This study evaluates both the risks associated with traditional ownership transitions and the opportunity presented by employee ownership models as a pathway to sustain local enterprises and strengthen community wealth.

Case Study Statement

This case study examines the evolving economic landscape of Alpena County, Michigan, where local leaders and community partners are actively working to refresh the region from a traditional rural economy into a vibrant place to live, work, and visit. As momentum builds around downtown revitalization, tourism, and small business growth, the long-term sustainability of existing local enterprises remains a **critical** factor in sustaining this progress.

At the same time, Alpena faces increasing risk of business closures driven by an aging business owner population, limited succession planning among small and mid-sized firms, and a concentrated local economy where the loss of a single employer can have outsized effects. These pressures are compounded by broader economic constraints, including elevated poverty rates and workforce limitations in rural areas.

Without effective ownership transition strategies, there is a risk that longstanding local businesses may be lost during this period of transformation. **With 324 businesses with owners 55 and older,** Alpena is particularly at risk for the upcoming Silver Tsunami approaching.

This case study explores how strengthening business continuity through models such as employee ownership can help preserve legacy businesses while supporting Alpena's broader efforts to grow, modernize, and thrive. By implementing employee ownership as a succession plan, Alpena can help solidify existing businesses for generations to come.

Community Context:

This analysis draws on a combination of federal, state, and locally sourced data to provide a comprehensive view of Alpena County's business and economic landscape. Key data sources include the U.S. Census Bureau, regional economic datasets, and national research on business ownership trends, supplemented by industry reports and prior studies on employee ownership. These have been compiled to help share the landscape for Alpena's landscape and strong case for employee ownership as a viable retention plan.

Alpena County is a rural Northern Michigan community with:

- A population of ~28,800 that is flattening
- A median age of 47.8, with 26% of residents over 65
- A workforce of approximately 12,000 individuals
- Key industries in manufacturing, healthcare, and retail

Economic indicators show:

- Median household income of ~$53,950
- Poverty rate of ~18%
- High homeownership (~80%) but relatively low asset values

Alpena by the numbers:

- Labor Force Participation Rate: 54% (state average: 62%)
- 2023 ALICE Households: 29% (state average 27%) Households in Poverty: 17% (state average 14%)
- Median Household Income: $51,909 (state average: $69,183)
- Median Household Income: $51,909 (state average: $69,183)

Community Context continued:

Aging Business Owners in Alpena:

- 62% of business owners are 55+ and older
- 324 businesses with owners 55+ and older
- 3,000 employees among these businesses
- $94,000,000 in payroll/year at risk
- $466,000,000 in revenue/year at risk

*Represent jobs and economic activity at immediate risk in the event of business closure

According to Project Equity study: The Silver Tsunami of retiring business owners in the US - Project Equity | Tableau Public

Of those Business owners:

- 200 are between the ages of 55-64
- 115 are over 65+
- 30 Owners between the ages of 25-34
- 32 Owners between the ages of 35-44
- 128 Owners between the ages of 45-54

According to the U.S. Census Bureau: AB1700CSCBO: Annual Business ... - Census Bureau Table

How does Employee Ownership help Alpena?

Employee ownership is a proven economic development tool that supports business stability, workforce retention, and long-term community wealth.
Job Stability in Economic Downturns

Employee-owned firms are up to **four** times less likely to lay off workers, helping stabilize local employment during economic shocks and reducing strain on public systems.

Workers in employee owned companies have greater access to retirement benefits and wealth-building opportunities, including higher rates of participation in retirement plans compared to the general workforce.

ESOP structures offer significant tax advantages that allow more capital to be reinvested into wages, operations, and business growth rather than external shareholders.

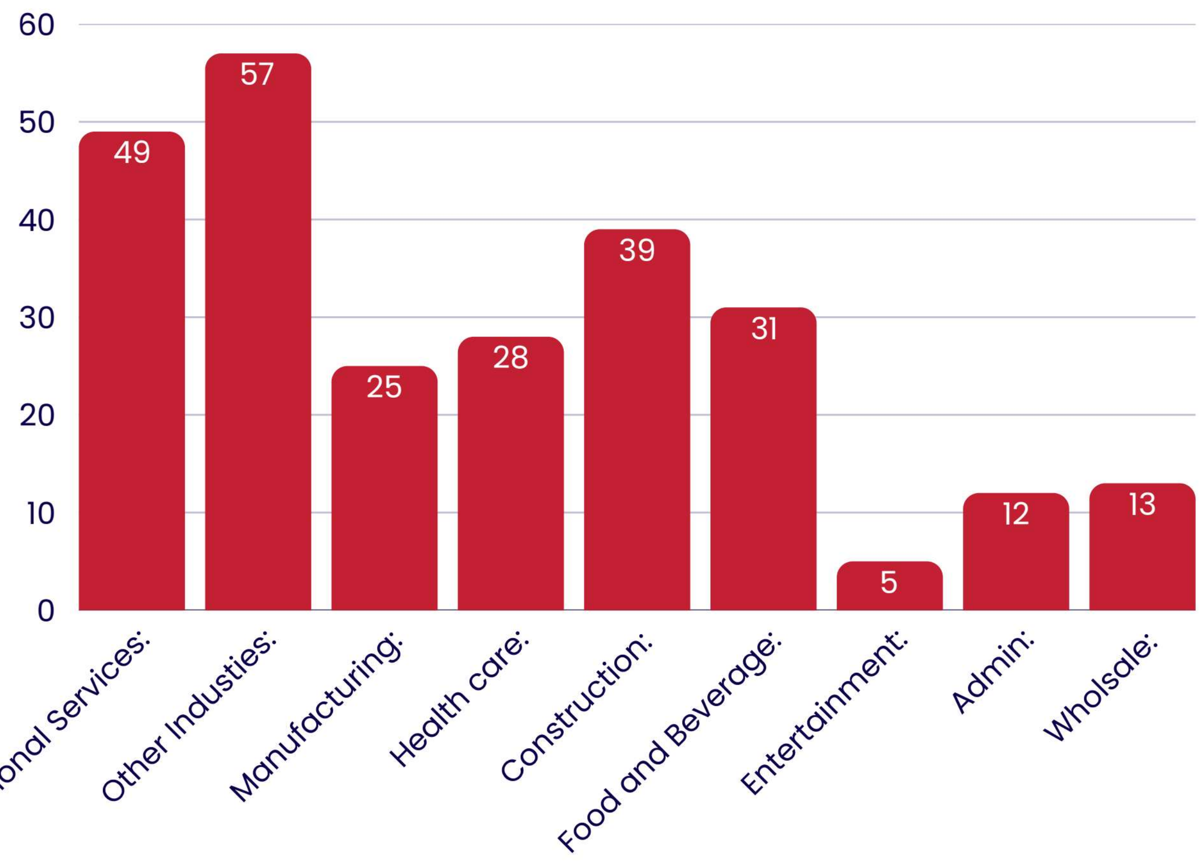
Employee-owned firms show **2–4%** higher productivity growth and improved long-term financial performance, strengthening regional competitiveness.

Employee ownership reduces turnover by **20–50%**, lowering hiring costs and preserving skilled labor—especially important in rural and aging labor markets.

Employee ownership helps **close wage and wealth gaps,** with higher earnings observed among women and employees of color compared to non-employee-owned firms.

Project Equity Silver Tsunami study: Alpena,MI.

The industry breakdown shows that the 324 at-risk businesses are not concentrated in one sector but spread across Alpena County's core economy. Including manufacturing, healthcare and social assistance, construction, retail trade, professional services, and transportation. This matters because it demonstrates that the "Silver Tsunami" is a system-wide risk, not an isolated issue. When ownership transitions impact multiple essential industries at once, the ripple effects can disrupt supply chains, reduce access to critical services, and weaken overall economic resilience. The data below reinforces that business succession is not just a private business concern but a regional economic development issue that requires coordinated, cross-sector solutions.



Decorative Panels International (DPI), also known as Alpena Hardwood, was a long-standing manufacturing company in Alpena County with operations dating back to the 1950s. The company was acquired by Westwood Products, a firm backed by private equity investors including Sole Source Capital and Five Points Capital and shocked the public by closing their doors. Laying off their employees immediately, due to the private equity acquisition.

Key Events

- Acquisition finalized in 2024
- Plant closure announced on February 22, 2024
- Timeline reflects a rapid transition from acquisition to shutdown

Outcomes

- Approximately 150–200 employees were laid off
- Closure occurred within 7 months of acquisition
- Community response included public concern and local protests
- Closure attributed to financial and operational challenges

Economic Impact

- Local unemployment increased to approximately 8% following the closure (compared to typical rates of 4–5%)
- Loss of a major employer in a small, concentrated economy
- Disruption to the regional manufacturing base
- The 90-acre site is currently undergoing redevelopment under new ownership

Key Observations

This case illustrates the potential risks associated with ownership transitions that prioritize financial restructuring and short-term returns. In smaller and more concentrated economies, rapid ownership changes can result in abrupt closures with significant local economic consequences.

DPI Closes: Plant with history dating back to 1950s shuts down | News, Sports, Jobs - The Alpena News

Panel Processing Inc., a manufacturer operating within a similar industry, transitioned to an Employee Stock Ownership Plan (ESOP) in 2002. About Panel - Panel Processing Inc. The company has maintained employee ownership for over two decades.

Organizational Profile

- Six operating locations (three in Michigan and three in other states) with over 500 employees
- 150 active employee-owners
- 292 total plan participants
- Has grown to the #1 panel processor in North America with $500M in national sales in 2025

Outcomes

- Sustained business operations and long-term continuity
- Expansion across multiple states
- Ongoing employee participation and engagement in ownership

Economic Impact

- Preservation of jobs and operational stability
- Continued reinvestment in the business
- Contribution to regional economic activity

Key Observations

This case demonstrates how employee ownership can support long-term business stability and align the interests of employees and the organization. ESOP structures are designed to prioritize continuity, workforce retention, and sustained growth, particularly in industries where institutional knowledge and workforce experience are critical.

The contrast between these two cases highlights the role of ownership structure in shaping business outcomes:

- Timeline Orientation: Short-term investment horizons vs. long-term continuity
- Workforce Impact: Job loss vs. job preservation
- Community Impact: Economic disruption vs. economic stability
- Business Strategy: Financial restructuring vs. sustained operational growth

Ownership transition strategies are a critical factor in determining whether businesses remain viable contributors to local economies. In rural and economically concentrated regions such as Alpena County, promoting alternative ownership models (such as employee ownership) may reduce closure risk and support long-term economic resilience.

This case study identifies a clear opportunity to address these risks through proactive ownership transition strategies, including employee ownership.

Risks Without Intervention

- Continued business closures driven by an aging ownership base
- Loss of locally owned enterprises and essential services
- Job displacement and workforce instability
- Reduced economic resilience in a concentrated rural economy

Opportunities with Employee Ownership

- Preservation of locally rooted businesses and community assets
- Viable succession pathways for retiring business owners
- Increased workforce stability and employee retention
- Creation of long-term wealth-building opportunities for workers
- Strengthening of local economies through sustained operations

Alpena County's economy is characterized by a strong reliance on locally owned businesses and a limited number of key industries, including manufacturing, healthcare, retail, and tourism. Local reporting highlights that small, locally owned businesses serve as a primary driver of economic activity in the region, particularly within Alpena's growing downtown and service sectors .

At the same time, the county's economic base remains relatively small, with approximately 978 total businesses and a GDP of $1.37 billion . This scale amplifies the impact of business closures, as the loss of even a single employer can represent a meaningful disruption to the local economy.

Recent data also points to positive economic momentum. Employment has shown modest growth, and per capita income has increased significantly from 2020 to 2024 .In addition, state-supported redevelopment initiatives are driving new investment in housing and commercial infrastructure, with over $5 million committed to revitalization projects in Alpena .

However, these gains remain fragile. The county's economic concentration, combined with susceptibility to external shocks. Alepna has suffered from major employer closures to severe weather disruptions. The county's economic structure increases its vulnerability to business closures due to several compounding factors. The local economy is highly concentrated, with some industries represented by only one or two firms, limiting redundancy and resilience. Small businesses (many of which are locally owned) are particularly sensitive to regulatory changes, infrastructure constraints, and rising operating costs. Additionally, seasonal employment patterns contribute to economic instability, while external shocks have demonstrated the region's fragility, as evidenced by unemployment rates peaking near 17.9% during the COVID-19 pandemic.

In this environment, business closures have impacts that extend beyond individual firms. The loss of a single business can disrupt entire sectors, reduce access to local services, and weaken the broader regional economy.

Policy Opportunities

To address these gaps and strengthen economic resilience in Alpena County and similar regions, the following policy actions are recommended:

- Expand Funding for Feasibility and Transition Support
- Increase access to grants and low-cost capital for business owners exploring employee ownership transitions.
- Integrate Employee Ownership into Economic Development Strategy
- Embed employee ownership into state and regional economic development plans, particularly in rural and high-risk areas.
- Enhance Technical Assistance Infrastructure
- Support organizations that provide education, outreach, and transaction support to business owners and employees.
- Incentivize Business Transitions to Employee Ownership
- Explore tax incentives, financing tools, or procurement preferences that encourage transitions to employee ownership models.

Policy Rationale

Investing in employee ownership aligns with broader economic development goals, including:

- Preserving existing businesses and jobs
- Supporting rural economic stability
- Promoting workforce participation and wealth-building
- Maximizing the return on existing public investment in community revitalization

In communities like Alpena, where economic growth efforts are already underway, policy support for employee ownership ensures that progress is not undermined by preventable business closures.

The findings from this case study underscore the critical role that ownership structure plays in shaping business continuity and economic stability in rural communities such as Alpena County. The closure of Decorative Panels International (DPI), a manufacturing facility with roots dating back to the 1950s. Their closing resulted in the loss of more than ~150 jobs and sent ripple effects throughout the regional economy, impacting not only workers but also suppliers, small businesses, and community confidence . Local economic development leaders noted that the loss of income from displaced workers would likely affect other businesses and industries across the region, illustrating the interconnected nature of Alpena's economy .

At the same time, Alpena continues to demonstrate resilience and forward momentum, with ongoing redevelopment efforts, workforce recovery, and a clear commitment from local leaders to strengthen the region's economic future. This juxtaposition highlights a pivotal moment: while the community is actively investing in growth and revitalization, the loss of legacy businesses due to inadequate succession planning presents a significant risk to sustaining that progress.

The comparison between the DPI closure and the long-term stability of an employee-owned manufacturer operating in the same industry reinforces our key finding. Ownership transitions are not neutral events. They are decisive moments that can either preserve or disrupt local economies. In regions with concentrated industries and limited workforce capacity, these outcomes are amplified.

Alpena County's experience demonstrates that business succession is not only a private decision, but a matter of public economic importance. As communities across Michigan work to revitalize their economies and attract new investment, preserving existing businesses (and the jobs, skills, and identity they represent) must be a central component of that strategy.

Employee ownership provides a proven, scalable approach to achieving this goal. By enabling locally rooted businesses to transition ownership without relocation or closure, it supports workforce stability, retains institutional knowledge, and builds long-term wealth within the community.

In this context, employee ownership should be considered a strategic economic development tool. This can help ensure that as Alpena grows and evolves, it does so without losing the legacy businesses that have long sustained it.

Prepared with support from the Rural Readiness Grant through the Michigan Department of Labor and Economic Opportunity, this work reflects a shared commitment to strengthening the long-term economic resilience of Michigan's rural communities. We are grateful for the state's investment in forward-looking strategies that help local leaders better understand emerging risks, support small businesses, and explore innovative solutions such as employee ownership. **This partnership makes it possible to turn data into action**, ensuring that communities like Alpena are not only prepared for ownership transitions, but positioned to grow, adapt, and thrive for generations to come.

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Resources

Data & Economic Indicators

- U.S. Census Bureau
- Annual Business Survey (ABS) & County Business Patterns
- https://data.census.gov
- Data USA
- Alpena County Economic Profile
- https://datausa.io
- United For ALICE
- ALICE Household Data – Michigan
- https://www.unitedforalice.org
- LotsCap
- Alpena County Economic & Industry Data (2024)
- https://lotscap.com

Business Ownership & “Silver Tsunami” Research

- Project Equity
- The Silver Tsunami of Retiring Business Owners (Tableau Dashboard)
- https://public.tableau.com
- National Center for Employee Ownership
- ESOP Research & Workforce Outcomes
- https://www.nceo.org

Employee Ownership & Policy Research

- Employee Ownership Expansion Network
- https://employeeownership.net
- Michigan Center for Employee Ownership
- https://www.miceo.org
- SECURE Act
- Section 1042 & ESOP-related tax provisions

Local & Regional Context

- The Alpena News
- DPI Closure Coverage
- https://www.thealpenanews.com
- Michigan Department of Labor and Economic Opportunity
- Rural Readiness Grant Program
- https://www.michigan.gov/leo
- Michigan Economic Development Corporation
- Revitalization & Investment Announcements
- https://www.michiganbusiness.org

Company Case Examples

- Decorative Panels International
- Closure and acquisition case (2024)
- Panel Processing Inc.
- https://www.panel.com

This case study draws on a combination of federal data, state reports, local reporting, and national research on business ownership and employee ownership.