

LATEST DATA ON MINORITY BUSINESSES IN MINNESOTA, 2015

This report provides the latest data and analysis on minority owned businesses in Minnesota using data from the Survey of Business Owners, 2012

Bruce P. Corrie, PhD

Concordia University-St. Paul

corrie@csp.edu



Samuel Myers, Jr., PhD

University of Minnesota

myers006@umn.edu



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MINORITY OWNED BUSINESSES, MINNESOTA, 2012

Three facts need to be emphasized in interpreting the data:

1. The results we have obtained are from a sample and for small samples there are often large standard errors.
2. The results are termed "preliminary" by the US Department of Census and we will report any revisions in our December program.
3. For some subgroups the number of observations are too small for reporting due to census confidentiality rules

In 2012 there were 47,565 minority businesses with \$8.7 billion in sales, employing over 63,000 people with an annual payroll of \$1.7 billion.

Minority business created more jobs than the largest employer in Minnesota – the Mayo Clinic (39,000 jobs, estimate of DEED).

The Number of minority businesses grew faster than non minority businesses

While the number of minority businesses grew by 53 percent during the period 2007-12, the number of non-minority businesses declined by 3 percent.

Sales of minority businesses grew at a faster rate than non minority businesses

While minority businesses achieved a 58 percent growth in sales during the period 2007-12, non-minority business sales grew by only 30 percent

Minority business job growth increased at a higher rate than non-minority businesses

While minority businesses achieved a 68 percent growth in jobs during the period 2007-12, non-minority business jobs grew by only 10 percent.

Annual Payroll of minority businesses grew at a faster rate than non minority businesses

While minority businesses achieved a 71 percent growth in payroll during the period 2007-12, non-minority payroll grew by only 24 percent

Average sales of minority firms were lower than non minority firms and they grew at a lower rate than non minority firms.

While minority businesses achieved a 3 percent growth in average sales during the period 2007-12, non-minority payroll grew by 33 percent.

Average sales of minority firms in 2012 was \$183,000 while the average sales of non-minority firms were \$638,000

MINORITY FEMALE OWNED FIRMS, MINNESOTA, 2012

In 2012 there were 20,510 minority female owned businesses with \$1.5 billion in sales, employing almost 14,000 people with an annual payroll of \$350 million.

The Number of minority Female owned businesses grew faster than female owned businesses

While the number of minority female businesses grew by 78 percent during the period 2007-12, the number of non-minority businesses grew by 19 percent.

Sales of minority female owned businesses grew at a lower rate than female owned businesses

While minority businesses achieved a 55 percent growth in sales during the period 2007-12, female owned business sales grew by 68 percent

Minority female owned business job growth increased at a higher rate than female owned businesses

While minority female owned businesses achieved a 79 percent growth in jobs during the period 2007-12, Female owned business jobs grew by only 39 percent.

Annual Payroll of minority female owned businesses grew at a faster rate than female owned businesses

While minority female owned businesses achieved a 98 percent growth in payroll during the period 2007-12, female owned business payroll grew by only 54 percent

Average sales of minority female owned firms were lower than female owned firms and they declined during the period 2007-12.

While minority female businesses declined by 13 percent growth in average sales during the period 2007-12, female owned business grew by 41 percent.

Average sales of minority female businesses in 2012 was \$76,000 while the average sales of female owned business were \$197,000

MINORITY VETERAN OWNED FIRMS, MINNESOTA 2012

In 2012 there were 3,217 minority veteran owned businesses with \$484 million in sales, employing almost 4,114 people with an annual payroll of \$143 million.

The Number of minority Veteran owned businesses grew faster than Veteran owned businesses

While the number of minority veteran businesses grew by 130 percent during the period 2007-12, the number of veteran businesses grew by 6 percent.

Sales of minority Veteran owned businesses grew at a lower rate than Veteran owned businesses

While minority veteran businesses achieved a 73 percent growth in sales during the period 2007-12, veteran owned business sales grew by 0.2 percent

Minority Veteran owned business job growth increased at a higher rate than Veteran owned businesses

While minority veteran owned businesses achieved an 85 percent growth in jobs during the period 2007-12, veteran owned business jobs grew by only 12 percent.

Annual Payroll of minority Veteran owned businesses grew at a faster rate than Veteran owned businesses

While minority veteran owned businesses achieved a 106 percent growth in payroll during the period 2007-12, veteran owned business payroll grew by only 12 percent

Average sales of minority Veteran owned firms were lower than Veteran owned firms and they declined during the period 2007-12.

While minority veteran businesses declined by 25 percent growth in average sales during the period 2007-12, veteran owned business declined by 5 percent.

Average sales of minority veteran businesses in 2012 was \$151,000 while the average sales of veteran owned business were \$562,000

GROWTH BY INDUSTRY

The fastest growing industries for minority firms were mining, utilities, wholesale trade, transportation and warehousing, management and other services.

The number of minority owned firms in five out of 18 industries more than doubled between 2007 and 2012. The growth rates, measured by rates of change in the number of firms, were higher for minority-owned firms than all firms for all 18 of 2-digit industries reported. In eight of the industries, including construction, there was negative growth overall but positive rates of growth among minority-owned firms.

The relative representation of minority owned firms increased from 2007 to 2012 in nine out of 18 industries covered.

The representation of minority owned firms in utilities increased from .53 to 1.33; the representation of minority owned firms in transportation and warehousing increased from 1.91 to 2.36; the representation of minority owned firms in mining, quarrying, and oil and gas extraction increased from 0.13 to 0.24; the representation of minority owned firms in managerial services increased from 0.09 to 0.11.

Table 1: Minority Businesses, Minnesota, 2012

Meaning of Race code	Year	Number of firms with or without paid employees	Sales, receipts, or value of shipments of firms with or without paid employees (\$1,000)	Number of firms with paid employees	Sales, receipts, or value of shipments of firms with paid employees (\$1,000)	Number of paid employees for pay period including March 12	Annual payroll (\$1,000)
All firms	2012	489,494	694,788,651	109,736	677,657,170	2,422,065	113,609,544
Minority	2012	47,565	8,722,470	5,651	7,619,296	63,360	1,765,131
Female	2012	158,827	31,308,946	18,622	27,385,394	195,755	5,522,582
Female Minority	2012	20,510	1,549,938	1,484	1,230,196	13,942	349,923
Veteran	2012	45,939	25,795,266	9,514	24,146,710	123,513	4,658,402
Veteran Minority	2012	3,217	484,645	239	403,505	4,114	143,425
Nonminority	2012	432,380	275,778,339	96,442	259,915,275	1,162,815	44,516,744

Source: Survey of Business Owner, 2012, preliminary estimates

Table 2: Changes - Minority Businesses, Minnesota, 2007- 2012

Meaning of Race code	Percent Change 2007-12 (Number)	Percent Change 2007-12 (Sales)	Percent Change 2007-12 (Jobs)	Percent Change 2007-12 (Payroll)	Percent Change 2007-12 (employee firms Number)	Percent Change 2007-12 (employee firms sales)
All firms	-1%	16%	2%	13%	-5%	16%
Female	19%	68%	39%	54%	18%	69%
Female Minority	78%	55%	79%	98%	46%	55%
Veteran	6%	0.2%	12%	12%	2%	-1%
Veteran Minority	130%	73%	85%	106%	27%	64%
Nonminority	-3%	30%	10%	24%	-1%	31%
Minority	53%	58%	68%	71%	30%	57%

Source: Survey of Business Owners, 2012, preliminary estimates, author calculations

Table 3: Changes – Average Sales, Minnesota, 2007- 2012

Meaning of Race code	Average sales 2007 (\$1,000)	Average sales 2012 (\$1,000)	Change average sales (\$1,000)	Percent Change in Average Sales 2007-12
All firms	1202	1419	217	18%
Female	140	197	57	41%
Female Minority	87	76	-11	-13%
Veteran	592	562	-31	-5%
Veteran Minority	201	151	-50	-25%
Nonminority	479	638	158	33%
Minority	178	183	6	3%

Source: Survey of Business Owners, 2012, preliminary estimates, author calculations

Table 4: Minority Businesses, Minnesota 2007

Meaning of Race code	Year	Number of firms with or without paid employees	Sales, receipts, or value of shipments of firms with or without paid employees (\$1,000)	Number of firms with paid employees	Sales, receipts, or value of shipments of firms with paid employees (\$1,000)	Number of paid employees for pay period including March 12	Annual payroll (\$1,000)
All firms	2007	496,657	597,102,937	115,988	581,740,801	2,381,498	100,357,049
Minority	2007	31,074	5,524,673	4,363	4,853,645	37,805	1,033,307
Female	2007	133,260	18,624,013	15,819	16,157,605	140,384	3,583,007
Minority Female	2007	11,547	999,922	1,016	794,512	7,810	176,987
Veteran	2007	43,480	25,744,025	9,319	24,330,561	110,364	4,143,864
Minority Veteran	2007	1,397	280,952	188	246,476	2,221	69,719
Nonminority	2007	443,844	212,767,329	97,142	198,853,511	1,061,780	35,994,084

Source: Survey of Business Owners, 2007

Table 5: Growth Rates for MBEs vs. All FIRMS BY Industry, Minnesota, 2007 to 2012

	MBE firm growth rate	Total firm growth rate
INDUSTRY		
Agriculture, forestry, fishing and hunting (606)	65%	2%
Mining, quarrying, and oil and gas extraction	250%	19%
Utilities	314%	7%
Construction	33%	-15%
Manufacturing	63%	-5%
Wholesale trade	101%	-5%
Retail trade	33%	-11%
Transportation and warehousing (607)	93%	1%
Information	54%	-6%
Finance and insurance (608)	6%	-5%
Real estate and rental and leasing	14%	7%
Professional, scientific, and technical services	60%	3%
Management of companies and enterprises	100%	1%
Administrative and support and waste management and remediation services	30%	-1%
Educational services	30%	12%
Health care and social assistance	30%	-1%
Arts, entertainment, and recreation	70%	12%
Accommodation and food services	34%	1%
Other services (except public administration) (609)	111%	5%

Source: Authors' calculations from the 2007 and 2012 (preliminary) Survey of Business Owners

**Table 6: Representation Ratios of MBEs by Industry,
Minnesota, 2007 to 2012**

	MBE Representation Ratio 2007	MBE Representation Ratio 2012
INDUSTRY		
Agriculture, forestry, fishing and hunting (606)	0.30	0.31
Mining, quarrying, and oil and gas extraction	0.13	0.24
Utilities	0.53	1.33
Construction	0.52	0.53
Manufacturing	0.49	0.54
Wholesale trade	0.40	0.54
Retail trade	0.83	0.80
Transportation and warehousing (607)	1.91	2.36
Information	0.70	0.74
Finance and insurance (608)	0.73	0.53
Real estate and rental and leasing	0.55	0.37
Professional, scientific, and technical services	0.97	0.97
Management of companies and enterprises	0.09	0.11
Administrative and support and waste management and remediation services	1.41	1.19
Educational services	1.19	0.89
Health care and social assistance	1.70	1.44
Arts, entertainment, and recreation	1.02	0.99
Accommodation and food services	1.97	1.68
Other services (except public administration) (609)	1.21	1.57

Source: Authors' calculations from the 2007 and 2012
(preliminary) SBO

SPONSORS/RESPONDENTS

African Development Center

African Economic Development Solutions

Asian Economic Development Association

Aurora Saint Anthony Development Corp

City of Minneapolis-CPED

Concordia University – College of Business and Technology

Everybody In

Hmong American Partnership

Latino Economic Development Center

Metropolitan Economic Development Association

Minnesota Black Chamber of Commerce

Minneapolis Consortium of Community Developers

Minnesota Indian Business Alliance

Neighborhood Development Center

Nexus Community Partners

North Central Minority Supplier Development Council

City of Saint Paul – HREE0 Minnesota

State of Minnesota – Department of Human Rights, Administration

Wilkins Center, Humphrey School, University of Minnesota

COMMENTS

"While minority firms are well-placed in growing sectors of the economy we think very significant strategic advances can be made by positioning minority firms for leadership in sectors that will rapidly expand soon – such as the renewable energy and green jobs economy," said Sam Grant, Executive Director, Everybody In.

We are our own greatest agents of change. We must remove barriers and create visibility and continuously shine a spotlight on the economic value, job creation, and importance of minority owned business in Minnesota," said Pamela Standing, Executive Director, Minnesota Indian Business Alliance. "These are not revolutionary ideas. They are evolutionary ideas which embrace their place in the Minnesota economic landscape so they continue to have the opportunity to realize their full potential."

"Little Mekong, Little Africa and Rondo Cultural District show how cultural assets can be a key economic development strategy in low income neighborhoods," said Nieeta Presley, Executive Director, Aurora Saint Anthony Development Corporation. "Minority businesses are diamonds in the rough that will sparkle given the right conditions."

"Our experience shows that our member businesses are playing a significant role in the Minnesotan economy and have at least a \$2.5 billion impact on the local economy," said Duane Ramseur, President of the North Central Minority Supplier Development Council.

"100 percent of our clients were unbankable and benefited from our loan and technical assistance programs. They have a 95 percent loan repayment rate," said Teshite Wako, Chief Operating Officer, Neighborhood Development Center.

"We can close the wealth gap through growing our minority entrepreneurs," said Noel Nix, aide to Ramsey County Commissioner Toni Carter.

"Through our work we have broken down barriers to success for our entrepreneurs and opened out new avenues such as the Little Mekong Business and Cultural District," said Joo-hee Plompun, Business Director of Policy and Advocacy, Asian Economic Development Association.

"One thing we find consistently is that as minority businesses grow they hire from the community bringing jobs and wealth to minority communities. I support minority entrepreneurs because they are our economic future," said Jan Jordet, Senior Director, Metropolitan Economic Development Association.

"The study we partnered with Concordia University and funded by the McKnight Foundation showed that our business owners wanted help with marketing and growth. We also have to work hard to build the next generation of entrepreneurs," said Gene Gelgelu, Executive Director, African Economic Development Solutions.

"Diversity is essential to growth and prosperity," Human Rights Commissioner Kevin Lindsey and Vice Chair of the Governor's Diversity and Inclusion Council said. "We appreciate the role of community leaders engaging in forums that highlight the successes, opportunities and challenges for these innovative entrepreneurs as they are critically important to the long-term success of Minnesota."

"The Dayton Administration strong support for minority business development is reflected in the newly created Office of Equity and Procurement. In early 2015, we established the Contracting Practices Committee which serves as the steering committee for the Office. It is made up of industry leaders, business owners, agency heads and various community stakeholders. This Committee shares input, feedback and drives partial accountability for the state's progress in contracting practices," said Assistant Commissioner Alice Roberts-Davis, Department of Administration.

"We are finding new areas of growth in business development especially in agriculture. We have helped many Latino farmers purchase farms in rural Minnesota. Farmers in rural areas welcome the opportunity to transfer ownership of their farms to a fellow-farmer rather than a huge corporation," said Mario Hernandez, Vice President, Latino Economic Development Corporation.

"We need to remember that all the evidence point to the need to build capacity of organizations serving minority businesses. Our recent conference provided evidence from experts that the existing capacity is not enough to help minority businesses grow and expand," said Keith Baker, Board member, Everybody In

"I look forward to exploring details about what specific mechanisms and actions can help minority businesses grow and expand and the appropriate interventions at each stage," said Professor Phil Hampton, Chair of the Finance Program, Concordia University.

"Entrepreneurship support is a very important strategy to build wealth in immigrant and refugee communities," said Bo Thao, Executive Director of the Coalition of Asian American Leaders.

"We welcome the opportunity to serve minority entrepreneurs and see their potential in Minnesota," said Bruce Strong, State Director, Small Business Development Centers.

"Cultural Intelligence is needed in serving minority entrepreneurs. Organizations such as the African Development Center and African Economic Development Solutions are needed to serve entrepreneurs who find difficulty accessing mainstream resources. It is time to move from studies and reports to concrete actions," said Nasebu Sareva, Executive Director, African Development Center.

"We see the potential in the immigrant communities and have launched many successful programs including our new transportation project, " said Kazoua Kong Thao, Chief Deputy Director, Hmong American Partnership. "We are working to close the gap between the needs of the economy and our community's assets."

"The data affirms what we see happening in our communities," said Michael Fondungallah, Minnesota Black Chamber of Commerce. "We need to continue to support the growth of these businesses through strategies such "Little Africa" and greater utilization of these businesses in public projects."

"We have noticed a significant growth in spends as it relates to MBEs for the City of Saint Paul. In 2008, \$4.8 million dollars went to local small businesses for the City of Saint Paul; of which \$1.1 million dollars, or .86% went to local MBEs. In 2014, over \$180 million went to local small businesses; of which \$23.4 million dollars, or 5.35%, went to local MBEs. We have also seen a growth in the number of MBEs certified in CERT," said Tisdira Jones, City of Saint Pau l

