

Self-Employment and Small Business Ownership
Minority Businesses in North Minneapolis

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Research Paper

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I. Introduction

Relative to their percentage representation in the population, African Americans are underrepresented in business ownership throughout most of the United States. Furthermore, the relatively few existing African American firms typically have lower performance measures than their White and other minority counterparts. This study focuses on racial disparities in business ownership relative to population in North Minneapolis, as it is home to the largest percentage of African American residents in Minneapolis. As we will show, North Minneapolis have disproportionately low levels of African American business ownership. Relative to their population, there are much fewer African American owned businesses in North Minneapolis when compared to the City of Minneapolis, the state of Minnesota and the nation overall.

Minority-owned businesses play a very important role in the communities they are located in as they stimulate the local economy through tax contributions and employment opportunities for community members. Considering the large number of African Americans in North Minneapolis, the lack of African American owned businesses has broad negative implications for the community. This study seeks to explore the depth of racial disparities in business ownership and how the Minneapolis Urban League (MUL) can close this gap. This report addresses small business ownership on the national, statewide, and local level, looking specifically at North Minneapolis and incorporating both quantitative and qualitative data to present findings. Recognizing MUL's resources and expertise, this study sets forth recommendations to spur economic development by assisting local business owners and entrepreneurs as well as provide evidence to policymakers and other decision makers that racial disparities in business ownership clearly exists and needs to be addressed.

This report is structured as follows: Part I introduces and lays out the rest of the report. Part II provides a summary of context surrounding small businesses in North Minneapolis. Part III discusses the value and contribution of minority-owned small businesses to the overall economy. Part IV describes the data and methodology used for this study while Part V discusses the main findings of our analysis and accompanying discussion. Recommendations emerging from such analysis are presented in Part VI and the final section concludes with the limitations of our research and next steps.

II. Context Surrounding Small Businesses in North Minneapolis

As stated above, the focus of this research includes the geographical area referred to as North Minneapolis. The City of Minneapolis officially defines North Minneapolis (or Near North) as including the following neighborhoods: Harrison, Hawthorne, Jordan, Sumner-Glenwood, Willard Hay, and Near North. (See *Appendix I* for map of North Minneapolis). For the purpose of this research report, we decided to focus on the core of commercial activity, including West Broadway, and which falls within the 55411 zip code (See *Appendix II* for zip code map).

North Minneapolis is home to the largest number of African American residents in Minneapolis. Although 85 percent of the Twin City Metro Area residents are White, only 19.7 percent of North Minneapolis residents identify as White. African Americans represent the largest resident group at 53.5 percent compared to a Metro Area average of 5.8 percent.ⁱ With larger than average sized households and an average age of 25 (compared to an average age of 36 in Minneapolis overall), it is a young population with many children.ⁱⁱ Unfortunately, North Minneapolis is also home to high levels of poverty and crime as well as lower levels of educational attainment than the City as a whole. Of individuals age 25 and older, 30 percent of North Minneapolis residents have less than a high school

degree compared to 9 percent for the Metro Area.ⁱⁱⁱ Additionally, North Minneapolis residents have half the buying power of the average Twin Cities household.^{iv}

As is commonly associated with high poverty areas, North Minneapolis has fewer employment opportunities and less economic activity than other areas in the metro with less poverty and crime.^v Further, our data analysis shows despite the large African American population, African American owned businesses are vastly underrepresented in North Minneapolis in relation to their population.

III. The Case for Minority Owned Businesses

Several studies in the field of economic development report a strong relationship between economic growth and business ownership. There is a growing body of evidence that the promotion of entrepreneurs and small businesses is a cost-effective strategic tool to transform urban cities. The role of small businesses in creating jobs, developing new markets and maintaining economic progress has received considerable attention from policymakers around the world. Below, we investigate the relation between minority self-employment and economic development.

To begin, in 2002 the journal of *Small Business Economics* published a study exploring whether deviations between the actual and the equilibrium rate of business ownership diminish the growth potential of an economy.^{vi} The study found strong evidence supporting a positive relationship between self-employment and economic progress, arguing that the creativity and independence of the self-employed contribute to higher levels of economic activity.

Another study published by the Small Business Administration in 2006, empirically investigated the contribution of small businesses to economic growth.^{vii} Having developed a unique data set for Houston, Texas, the authors performed urban economic analysis that focused on the role of firm size on the local economy. Their analysis builds upon the urban growth theory that “modern cities are developing not primarily through growth of the traditional city center, but instead growth is occurring through development of employment sub-centers, or mini-downtowns, outside of the traditional city center” (McMillen, 2004; McMillen and Smith, 2003; Lucas and Rossi-Hansberg, 2002).^{viii} The fundamental research question the authors posed is whether the growth of employment sub-centers is determined by large firms or whether small firms participate in the growth and support of these employment sub-centers. The results of the study showed that small firms are just as important for overall employment density as are large firms throughout the metropolitan economy. Additionally, there is strong evidence that “the success of small firms does not only lead to economic development of the firm itself but also for the entire local economy.”^{ix} Though North Minneapolis can be categorized as a part of the city center, the role of small firms in employment growth would hold true despite the location of such firms.

Finally and most recently, in writing *Disparities in Capital Access between Minority and Non-Minority-Owned Businesses*, Fairlie and Robb (2010) recognized the contribution of minority business enterprises (MBEs) to greater employment in the U.S. economy.^x The authors analyzed the data between 1997 and 2002 to investigate the role of MBEs in broad economic productivity. Despite large racial disparities in credit rates, networking opportunities, human capital investment, and family business background, the study showed promising progress for MBEs. Between 1997 and 2002, minority-owned firms not only employed workers at similar wages as non-minority firms, but MBE growth was higher than that of non-minority firms in terms of number of businesses, total gross receipts, number of employees, and total annual payroll.

As discussed above, minority owned businesses play a critical role in communities, providing employment opportunities and greater economic activity for the communities in which they locate. This potential economic development tool, paired with the challenges North Minneapolis faces, makes it important to understand the barriers to and dynamics of minority ownership of small businesses in North Minneapolis.

IV. Data and Methodology

To investigate the presence and nature of racial disparities in business ownership in North Minneapolis, we gathered data from four primary sources: Dun and Bradstreet (D&B); the Survey of Business Owners (SBO) as part of the American Community Survey led by the U.S. Census Bureau; surveys of minority owned small businesses in North Minneapolis; and interviews with community leaders working in North Minneapolis and the state.

Dun and Bradstreet

Using the 2011 Dun and Bradstreet (D&B) dataset, which provide data that lags one year, we employed quantitative techniques to investigate the differences in the characteristics of small businesses within North Minneapolis. The D&B Company maintains a database of millions of national and international firms, collecting information about firms' past experiences with banks, public utility payment histories, trade experiences with other firms in order to determine the credit ratings, among others.

D&B credit scores are designed to predict the likelihood of a firm being delinquent on payments.^{xi} This score is often required for government contracts and other major contracting opportunities. The U.S. Small Business Administration recommends small businesses apply for a D&B number to start their credit file and reviews the information regularly to ensure financial institutions or suppliers will base business decisions on accurate information.^{xii} Therefore, rates of registration with D&B are typically very high though may be bias toward businesses and industries that currently contract with government or other large entities.

D&B collects information beyond those related to credit. The D&B database includes information regarding a firm's industry, number of employees, location, date of start-up, annual receipts and minority status of the business owner. This dataset does not, however, distinguish one minority group from another. The Small Business Administration defines a minority-owned business as a for-profit enterprise that is owned, operated and controlled by minority group members. Ownership by minority individuals means the business is at least 51 percent owned by such individuals or at least 51 percent of the stock is owned by one or more such individuals.^{xiii} D&B abide by the same definition and measurement in determining minority-owned businesses.^{xiv}

The D&B data set used for quantitative analysis within the designated zip code (55411) in North Minneapolis contains information on 815 small businesses; 770 of these small businesses are non-minority owned, and 45 are minority owned small businesses. With this sample, we obtained disparity statistics and basic characteristics of minority and non-minority small businesses. The D&B data set was also used to obtain the statistical differences between the minority and non-minority small businesses in the City of Minneapolis.

Using phone numbers provided in the D&B data, we attempted to contact all 45 registered minority owned small businesses in North Minneapolis. The population sized totaled 36 after eliminating nine

businesses with disconnected lines. We screened and identified the race and ethnicity of 19 minority owned small businesses via phone calls. Of the firms screened, twelve small businesses are owned by African Americans, while six small businesses are owned by Asians, and one small business is owned by Hispanics. The response rate to the survey was 53 percent, a rate high enough to test for the statistical differences in means.^{xv}

Further, the response rate was high enough and included enough African American owned businesses to compare with minority owned businesses. This comparison allowed us to confirm that the African American owned businesses screened were statistically consistent in characteristics to the overall “minority” category for business owners in this sample. We can presume that, though the sample may contain a number of other racial categories, the sample is representative of African American owned businesses in the area. This relationship is likely due to the large percentage of African Americans in North Minneapolis and thus our sample.

To understand if observed differences in the D&B data between non-minority and minority owned small businesses in North Minneapolis are statistically significant we use t-test for significance. This statistical technique allows us to know whether minority firms’ characteristics differ from non-minority firms’ characteristics (e.g. sales revenues, employment size, and plant size) by statistically comparing the differences in the sample means for the selected characteristics. In sum, this technique explains statistically if minority and non-minority firms are different or the same in the variable characteristics analyzed (i.e. number of employees, sales revenue, and plant size).

Small Business Owners and the American Community Survey

To supplement the statistics obtained through the D&B database, we used recently released data from the 2007 Survey of Small Businesses Owners (SBO) and American Community Survey (ACS). The ACS provided the figures used in this study regarding the general population. It is an ongoing statistical survey by the U.S. Census Bureau, sent to approximately 3 million addresses per year.^{xvi} The 2007 SBO provided the small business figures used in this study for the nation and state. The SBO data were collected as part of the 2007 Economic Census from a sample of more than 2.3 million nonfarm businesses filing 2007 tax forms as individual proprietorships, partnerships, or any type of corporation, and with receipts of \$1,000 or more.^{xvii} Final estimates from the survey will be released on a rolling basis through June 2011. These datasets provide a broader picture of the presence and nature of racial disparities in business ownership for the state of Minnesota and nation overall. Though these recent datasets do not provide information about small businesses specific to a particular zip code or even city, they do offer detailed information about the businesses, including the specific race of the owner.

With this data, we calculated the percentage of White owned, minority owned and African American owned businesses of total small businesses as well as the percent change in the number of firms for each racial category from 2002 to 2007 for the nation and for Minnesota. Using the latest Census estimates from 2009, we compared the percent of the total population for the nation and state for which each racial category accounts, with the percent of business ownership each racial category accounted for as calculated by the SBO. If the percentage representation of the population for White, minority and African American respectively matches the percent representation in business ownership, then we would find no disparities. As seen in Table 1, that is not the case. We then compared the raw percent change in the number of firms nationally for each racial category to those of Minnesota to test for any differences between state and national trends.

Using a similar process, we used data from the SBO to obtain statistics for the annual receipts of businesses for White owned, minority owned and African American owned businesses as well as the percent change in receipts from 2002 to 2009 for the state and nation respectively. We then compared the percentage of total annual receipts for each of the respective racial categories to the percentage of firms for each racial category. This calculation illuminates any disparities in business performance, while controlling for disparities in the number of businesses for a particular racial category. We then compared the growth rate of annual receipts for each racial category between the nation and Minnesota to look for differences between national and statewide changes.

Small Business Owner and Community Leader Interviews

Using telephone and address information from the D&B database, we contacted and interviewed minority owned business owners and community leaders within North Minneapolis to obtain qualitative data to support and inform our quantitative findings. One primary inquiry of these interviews was what business owners and community leaders perceive as the main problems confronting African American business owners and whether those perceptions are supported by other literature and our quantitative findings. This mixed-methods approach describes the “what” of the problem through quantitative evidence as well as the “why” of the problem using qualitative data.

To strengthen rigor and increase feasibility of our qualitative analysis, we utilized ‘purposeful sampling’ to select information-rich cases in North Minneapolis. Purposeful sampling is a sampling technique, where subjects are selected because of a specific trait or characteristic they embody. As noted by Patton (2002), “The logic and power of purposeful sampling derive from the emphasis on in-depth understanding of information-rich cases.”^{xviii} He notes that what would be “bias” in statistical sampling can become the strength of qualitative research. Thus, our research with small business owners used ‘purposeful random sampling’ in order to maintain the credibility of our results. Our aim was to share minority business owners’ stories about their successes and struggles in opening and maintaining their business operations. We spoke with ten minority small businesses owners.

With limited resources and time to complete an extensive data collection demanded by an econometrics analysis, we intensely examined examples of minority small businesses in North Minneapolis. We obtained the contact information of minority small business owners from D&B database and systematized the information that would be included in small business surveys by developing a specific set of questions for each business owner we interviewed. We then randomly contacted small businesses whose responses were then recorded in-depth. Although purposeful sampling does not allow for the generalization of our results to the entire population of the minority owned small businesses in the City of Minneapolis or in the greater metropolitan area on the basis of 10 minority small businesses, the information we have collected is comprehensive for investigating North Minneapolis. Thus MUL should feel confident in reporting such findings to legislators that these stories offer meaningful and rich information. Overall, as Patton notes, “The purpose of a small random sample is credibility, not representativeness.”^{xix}

In addition to small business surveys, we conducted in-depth interviews with six North Minneapolis community leaders. Similar to the in-depth study of small businesses, we also utilized purposeful sampling to interview the community leaders involved in small business development, community development or other applicable areas. These individuals provided rich information regarding the minority small business ownership, self-employment in North Minneapolis and the context of North Minneapolis more generally. For this group, we applied ‘snowball or chain sampling’ to locate and

select information rich cases. We started the process by asking “who is knowledgeable about minority owned small businesses?” Our academic contacts with connections to North Minneapolis community leaders recommended a number of valuable names, which took on special importance. Our snowball sampling got bigger as we accumulated new information and referrals from our first interviewees.

V. Results

A. Quantitative Analysis

The following discussion addresses our quantitative analysis of racial disparities in business ownership and business performance. This discussion begins with an analysis of racial disparities in business at the Minnesota state-level based on data from Small Business Owners and American Community Survey; then moves to explain racial disparities based on D&B data, regarding business ownership and performance at the Minneapolis city-level; and finally describes the findings of racial disparities in business ownership and performance at the local-level for North Minneapolis, as defined above as the zip code of 55411.

1. Disparities in Business Ownership and Performance for the U.S. and Minnesota

In the United States, Non-Hispanic White’s make up 65 percent of the population, but own 91 percent of all businesses^{xx} – meaning that Whites are disproportionately more likely to own a business than their mere representation within the overall population would predict. Conversely, minorities and African Americans are disproportionately less likely to own a business than one would predict from their representation of the overall national population. This phenomenon holds true for the state of Minnesota.

Illustrating business ownership disparities, Table 1 portrays the percentage of African American-owned firms and Minority-owned firms in terms of total firms as well as the percent of total annual receipts attributed to minority and African American owned business respectively for the nation and specifically the state of Minnesota. The table compares such percentages to the percentage of people for each respective racial category in the given population (U.S. population and Minnesota population). These figures show that the percentage of African Americans in the general population is much lower for Minnesota than the nation as a whole – accounting for only 4.7 percent of the population in Minnesota, while making up 12.9 percent of the nation. Thus, the levels of African American ownership are lower in Minnesota than for the nation. However, even after controlling for the different population levels in the nation and state, the rate of African American business ownership in Minnesota is lower that of the nation. In Minnesota, African Americans own only 2.5 percent of businesses. More striking is that African American firms make up only 0.15 percent of total annual receipts for the state and 0.46 percent for the nation.

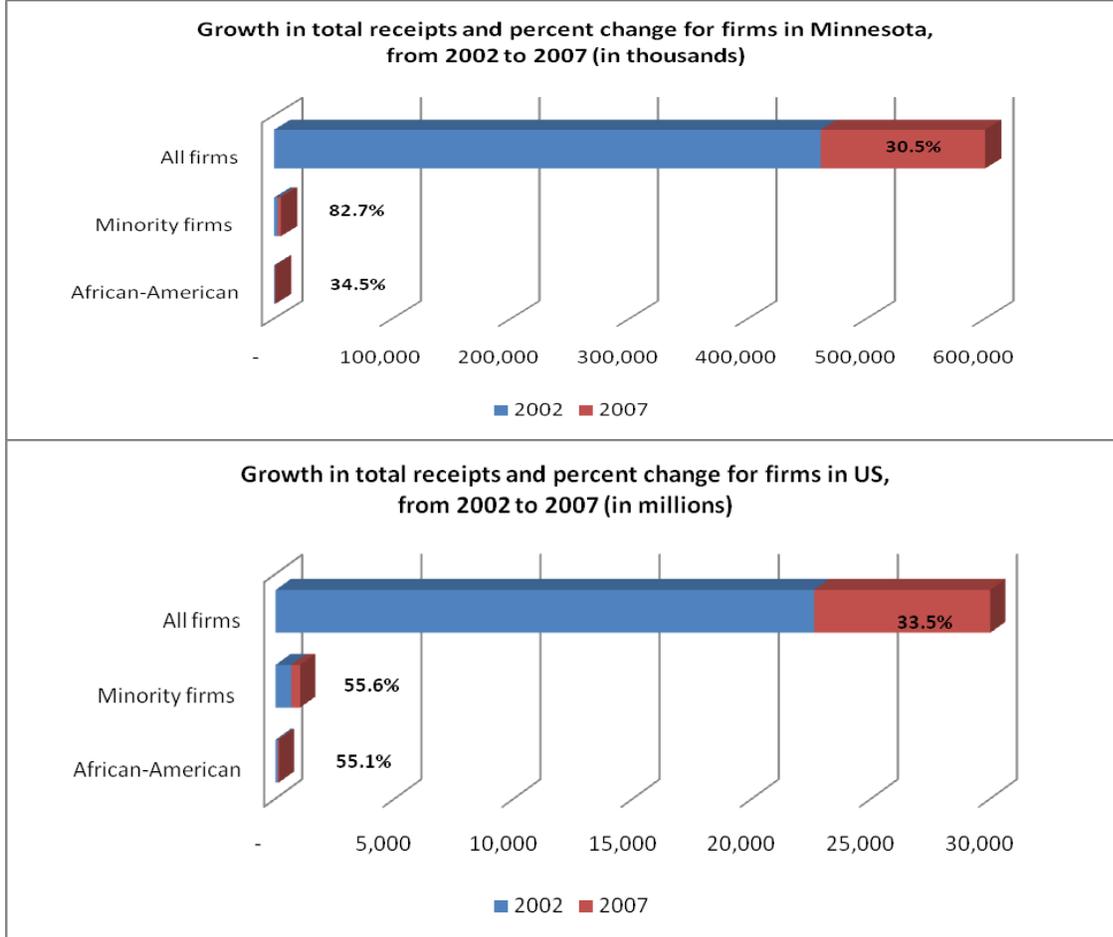
The percentage of Minnesotans who identified as being of a minority racial or ethnic group (11.4 percent) is lower than the national percentage (35 percent). Much like African American owned firms, there are lower levels of minority-owned firms in the state than in the nation; 6.3 percent of Minnesotan firms are minority-owned, while 21.3 percent of the entire nation’s firms are minority-owned. Even after controlling for the population differences between the state and the nation, the rate of minority businesses ownership is lower in Minnesota than in the nation. Similarly striking, minority owned firms account for only 0.97 percent of annual receipts in the state and 3.40 percent for the nation.

Table 1: U.S. and Minnesota - Percentage of Total Firms and Annual Receipts for African American and Minority Owned Firms, 2007 Survey of Business Owners

Location and Race of Firms	Firms (2007)	Receipts for firms with or without paid employees, 2007 (\$1,000)
Minnesota, African Americans		
Percent African American Firms in MN	2.50%	0.15%
Percent MN Population African American (2009 Estimate, Census.gov)	4.70%	
United States, African American		
Percent African American Firms in the U.S.	7.10%	0.46%
Percent U.S. Population African American (2009 Estimate, Census.gov)	12.90%	
Minnesota, Minority		
Percent Minority Firms in MN	6.26%	0.97%
Percent MN Population Minority (2009 Estimate, Census.gov)	11.40%	
United States, Minority		
Percent Minority Firms in the U.S.	21.30%	3.40%
Percent U.S. Population Minority (2009 Estimate Census.gov)	35%	

Using data from the Survey of Business Owners, Table 2 show that although African-American firms in Minnesota have higher growth rates than all firms in Minnesota at 34.5 percent compared to 30.5 percent, they have much lower receipt growth rates relative to minority-owned firms in Minnesota as well as African-American and minority-owned firms in the nation.^{xxi} Additionally, the higher growth rate is not significant in magnitude considering the relatively small number of African American firms. Mathematically, it is much easier to grow in percentage when starting from a smaller base of less than 700 million compared to a base of 400 billion. Overall the state's total annual receipts for this period grew by only 3 percentage points less than the national average (30.5 percent versus 33.5 percent) – not nearly enough to account for the 20.1 percentage points difference in the growth of annual business receipts among African American firms.

Table 2: U.S. and Minnesota - Growth in Total Annual Receipts for Firms, 2007 Survey of Business Owners



Although annual receipts for African American firms in Minnesota lag behind the national average, annual receipts among minority-owned firms in the state follow a different trend. The proportion of annual receipts for minority firms in Minnesota is about the same as the national proportion. However, minority firms in Minnesota have far outpaced the national average growth in annual receipts. Minnesota has seen a 82.7 percent increase in total annual receipts from 2002 to 2007, while the national average for the growth of minority business receipts for the same period is only 55.6 percent. These numbers show that even among minority firms, disparities exist for African American firms.^{xxii}

2. Disparities in Business Ownership and Performance for the City of Minneapolis - Dun and Bradstreet (D&B)

Parallel to the findings presented above, data from D&B supports the argument for racial disparities in business ownership and business performance in the City of Minneapolis. There are 53,616 small businesses in the City of Minneapolis that are registered in the D&B database. Of 53,616 businesses, only 878 businesses, i.e. 1.6 percent, are minority-owned, which points to the city-wide disparities in business ownership. According to American Community Survey of 2009, Whites make up 63 percent of the population in the City but own 98.4 of all small businesses, meaning that Whites are disproportionately overrepresented in business ownership.^{xxiii} The disparity statistic for non-minority to

minority firms is 36 for the city of Minneapolis, indicating that the non-minority business rate is 36 times that of the minority businesses rate (where the business rate is defined as businesses per household, or person).¹ Table 3 and 4 summarize the key performance characteristics of these businesses in the city. Corporate sales of non-minority businesses reported for the City of Minneapolis have a mean of \$1.10 billion with a maximum of \$408.21 billion, while minority-owned businesses' have an average corporate sales of only \$2.27 million with a maximum of \$616.03 million. Corporate sales include the sales of all locations of a particular company. Just as corporate sales of non-minority owned businesses are much higher, non-minority owned businesses are far more likely to have multiple locations. The number of locations is another measure of size – further evidence of disparities between minority owned and non-minority owned businesses. Another such measure is the number of employees. While non-minority businesses employ 10,112 employees on average at all sites with a maximum of 2,768,886, minority-owned businesses have an average of 39 at all sites with a maximum of 2000 employees. Although the average plant size of the firms appears somewhat similar, the range of the size of business facilities provides further evidence that minority owned firms tend to be considerably smaller than non-minority firms.

Table 3. Sales, Employment and Plant Size of Non-Minority Businesses in the City of Minneapolis (n=52,738)

Category	Mean	Maximum	Minimum*
Corporate Sales	\$1,103,077,876	\$408,214,000,000	--
Employment at All Sites	10,112	2,768,886	--
Plant Size	5823	1,500,000	--

*Information is missing. Values are recorded as zero.

Table 4. Sales, Employment and Plant Size of Minority Owned Businesses in the City of Minneapolis (n=878)

Category	Mean	Maximum	Minimum*
Corporate Sales	\$2,264,567	\$616,025,000	--
Employment at All Sites	39	2000	--
Plant Size	4368	2000	--

*Information is missing. Values are recorded as zero.

Table 5. Test for Significance of the Differences between White and Minority Small Businesses in the City of Minneapolis

Characteristics	Minority	White	Minority vs White
	Mean	Mean	P value*
Corporate Sales	\$2,264,567	\$1,103,077,876	0**
Employment at All Sites	39	10,112	0**
Plant Size	4368	5823	0**

*All tests are lower tail tests.

**Statistically significant at 5-percent level.

¹ Disparity exists when $\left[\frac{\text{(percent of small businesses/ percent population)}^{\text{non-minority}}}{\text{(percent of small businesses/ percent population)}^{\text{minority}}} \right] > 1$. Disparity in business ownership in North Minneapolis is evident because $\left[\frac{(98.4/63)^{\text{non-minority}}}{(1.6/37)^{\text{minority}}} \right] = 36 > 1$.

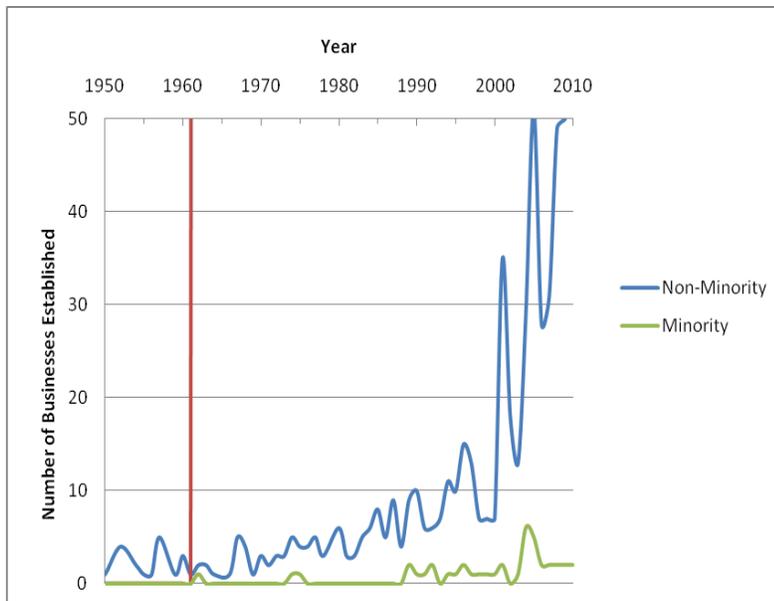
To support the differences in business operations presented in the tables above, it is essential to test for the statistical differences between the mean values of key business performance measures. Table 5 shows that the disparities between non-minority and minority-owned firms' characteristics measured in terms of corporate sales, employment level and plant size are statistically significant at 95 percent confidence level. In sum, these findings provide evidence that the minority businesses are not only underrepresented in business ownership relative to their size in the population of the city but their business performance is also significantly lower than that of non-minorities.

3. Disparities in Business Ownership and Performance for North Minneapolis - Dun and Bradstreet (D&B)

This section specifically addresses the racial disparities in business ownership and business performance of small businesses in North Minneapolis within the designated zip code (55411). The findings suggest that the state- and city-wide racial disparities in business ownership and business performance are also persistent at the neighborhood level.

Establishment of Small Businesses in North Minneapolis

Figure 1. Business Establishments in North Minneapolis



There are 815 small businesses in North Minneapolis that have a credit file with the D&B. Of these businesses, 770 are non-minority, and the remaining 45 are minority-owned. Although minorities make up 80 percent of the population in North Minneapolis, they own only 5.5 percent of all businesses (45 out of 815), providing evidence for minorities' disproportionate underrepresentation in business ownership relative to their representation in the neighborhood population. The oldest minority business still in existence in North Minneapolis dates back to 1962, while the oldest non-minority

business dates back much farther to 1874. This is not surprising considering that Jim Crow laws were still in existence in 1965. By the time the first minority-owned business was established in North Minneapolis, there were already 70 non-minority businesses in the neighborhood (see Figure 1 that indicates the first minority business as a red line). The biggest change in the number of minority-owned small businesses occurred during 2004 and 2005. Of 45 minority owned small businesses in North Minneapolis, six were established in 2004 and five were established in 2005. These businesses constitute 24 percent of the total number of minority-owned businesses. Despite the lack of data on 139 businesses, 48 percent of non-minority small businesses were established as of 2001 in North Minneapolis. Interestingly, the number of minority and non-minority businesses increased before the economic recession affected the City. As shown in Figure 1, although the number of White-owned

businesses increased recently, minority small businesses seem to stagnate in terms of new establishments.

Business Performance of Small Businesses in North Minneapolis

Delving specifically into North Minneapolis using D&B data, we compared minority owned and non-minority owned small businesses' characteristics in terms of sales amount, employment and plant size as seen in Table 6 and Table 7. Overall, non-minority businesses in North Minneapolis are shown to be larger than minority businesses in this area, having over three times the sales amount and employing a greater number of people. Closer analysis of minority firms indicates that the firm size is skewed, as seen in comparisons of the mean and median. Looking at Table 6, there appears to be a few minority owned small businesses that are unusually large with abnormally high sales revenue relative to the rest of the population. The average sales amount of 45 minority-owned small businesses in North Minneapolis is \$381,756 with a maximum of \$3,500,000. The maximum of \$3,500,000 might appear as an outlier for a typical minority-owned business, suggesting that the mean of \$381,756 is misleading. Thus, the median value should be taken into consideration as a measure of comparison to address the skewed data. When comparing the median value, there is indeed a larger difference between the sales amount of minority and non-minority businesses in North Minneapolis than what the comparison of means suggests.

D&B classifies the locations of businesses as headquarters, branch and single location. Headquarters refer to a location that has other locations such as branches, single locations, or other headquarter locations. Branch refers to a secondary location of the company that has no locations reporting to it. Single location refers to a subsidiary that has no locations reporting to it, or a company with only one location. The number of employees of minority owned business at the local site in North Minneapolis ranges from one to 28 with an average of five employees. Since all minority-owned firms in North Minneapolis are companies with only one location, the total number of employees at all site is indeed the total number of employees at the local site in North Minneapolis. None of the minority-owned small businesses has experienced a change in the number of employees over the last three years. These minority businesses have an average square footage of 3,076 plant size with a maximum of 18,000 square feet. Though D&B is missing data on 71 percent of the minority owned small businesses on whether they own or rent the business location, of the available data on 13 firms, seven small businesses own the business location while six rent the space.

Table 7 summarizes the basic characteristics of non-minority small businesses in North Minneapolis. Sales amount provides a snapshot of the company's financial size in terms of sales/revenue volume. The average sales amount of 770 non-minority small businesses in North Minneapolis is \$1,334,704 with a maximum of \$182,000,000 and a minimum of zero, which was reported for 50 non-minority businesses. Eighty-eight percent, i.e. 677, of all non-minority small businesses are a single location business, whereas nine percent are classified as a branch and three percent as headquarters. The number of employees of the non-minority businesses at the local site in North Minneapolis goes up to 525 with a mean of 12 employees. Non-minority small businesses have experienced a positive employment trend over the last three years with an average of a seven percent increase in the level of employment. These non-minority businesses have an average square footage of 6,322 plant size with a maximum of 115,000. D&B is missing data on whether 72 percent of non-minority small businesses own or rent the business location. According to the available data on 214 firms, 110 small businesses own the business location while 104 of them rent the space.

Interestingly, minority-owned firms are more likely to be owned by a female than for non-minority owned firms, as 38 percent of minority-owned small businesses are women-owned and only six percent of non-minority small businesses are women-owned.

Table 6. Sales, Employment and Plant Size of Minority Businesses in North Minneapolis (n=45)

Category	Mean	Median	Maximum	Minimum
Sales Amount	\$381,756 (\$613,667)	\$150,000	\$3,500,000	\$15,000
Employment at This Site	5	2	28	1
Plant Size	3,076	2,243	18,000	--

**Standard deviations are reported in the parentheses.*

Table 7. Sales, Employment and Plant Size of Non-Minority Businesses in North Minneapolis (n=770)

Category	Mean	Median	Maximum	Minimum
Sales Amount	\$1,334,704 (\$8,972,672)	\$120,000	\$182,000,000	--
Employment at This Site	12	2	525	--
Plant Size	6,322	2,770	115,000	--

**Standard deviations are reported in the parentheses.*

The disparities between non-minority and minority owned business operations become more apparent when we closely examine the basic characteristics of the minority small businesses that we screened for race and ethnicity via phone calls. The average sales amount of surveyed businesses in North Minneapolis is \$362,737 with a maximum of \$1,500,000, which are smaller than the numbers reported earlier for all minority owned small businesses in the neighborhood. Of these screened minority businesses, 12 are owned by African Americans. This suggests that the African American firms make up at least 1.5 percent of all businesses (12 out of 815) in the neighborhood but less than 4.7 percent.² The average sales amount of African American owned businesses is \$300,000 with a maximum of \$1,500,000, as seen in Table 8. These numbers suggest that the observed differences between African American and minority-owned businesses in the neighborhood are considerably small, and indicate that the African American businesses are indeed similar in key characteristics to the overall minority population in North Minneapolis.

Table 8. Characteristics of African American Owned Businesses in North Minneapolis (n=12)

Category	Mean	Median	Maximum	Minimum
Sales Amount	\$300,000	\$150,000	\$1,300,000	\$58,000
Employment at This Site	4	3	12	1
Plant Size	2,337	2,476	4,774	--

² We screened and identified the race and ethnicity of 19 businesses out of which 12 are African American and 7 are owned by other minority groups. If we assume that the remaining 26 businesses, which were not screened or identified for race/ethnicity, are all African American firms, then the maximum percentage of African American businesses in North Minneapolis can be 4.7 percent at most (i.e. (12+26)/815).

Table 10 provides evidence for racial disparities in business operations between minority owned and non-minority owned, as well as between African American owned and non-minority owned firms in North Minneapolis. Here we use a t-test for three variables of interest to see if the averages for each differ significantly from each other. Table 9 summarizes the average values of basic characteristics of twelve African American businesses that were identified by phone calls, as well as all minority-owned and non-minority small businesses in North Minneapolis, as discussed before. Specifically, Table 10 helps identify whether mean differences among non-minority owned, minority owned and African American owned small businesses are statistically significant on a combination of independent variables (i.e. sales amount, corporate sales, employment level and the plant size). The analysis provides further evidence for the racial disparities in business performance.

Table 9. Comparison of Mean Values of Sales Amount, Employment and Plant Size of Small Businesses

Mean Values	African American	Minority	White
Sales Amount	\$300,000	\$381,756	\$1,334,704
Employment at This Site	4	5	12
Plant Size	2,337	3,076	6,322

Table 10. Test for Significance of the Differences between Minority, Black and White Businesses

	African American vs Minority	African American vs White	Minority vs White
	P value*	P value*	P value*
Sales Amount	0,3652	0,0018**	0,0023**
Employment at This Site	0,1771	0**	0,0001**
Plant Size	0,1078	0**	0**

*All tests are lower tail tests.

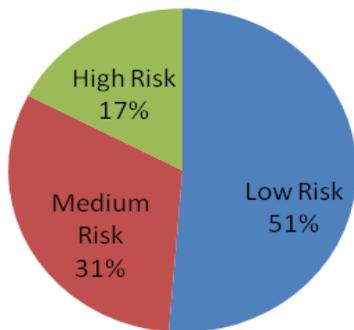
**Significant at 5-percent level.

The results first confirm that the sample of 12 African American owned businesses screened is statistically consistent in characteristics to the overall 'minority' category for business owners in the neighborhood. Since the response rate of 53 percent to our phone calls was high enough, as discussed in the methodology section, the results in Table 10 enable us to compare African owned businesses with minority owned businesses. The comparison indicates that there are no statistically significant differences between the two groups. The finding further suggests that the African American owned businesses screened are representative of the overall 'minority' businesses. The results also show that, at a 95 percent confidence level, there are statistically significant differences in business operations whether measured in sales amount, employment level at the local site and plant size, between both White and minority owned firms, and White and African American firms.

In addition to the key business performance measures, it is essential to examine the differences between minority and non-minority businesses in terms of their credit risk scores. Using statistically valid models and the most recent payment information, D&B assesses credit risk by predicting the likelihood of a firm paying in a delinquent manner (i.e. 90+ days past terms) over the next 12 months.^{xxiv} D&B defines a company 'high risk' if the indicators point to bankruptcy, misrepresentation or business determination. The determination of risk is included in the D&B dataset for each firm. In analyzing such

data, findings show that minority owned businesses are more likely to be in 'high risk' or 'medium risk' fields than non-minority owned small businesses.

Figure 2. D&B PreScreen Marketing Scores for Minority Businesses (n=42, 3 missing)



non-minority small businesses, 387 firms are classified as the 'low risk', 237 are considered 'medium risk' and 131 are ranked as 'high risk'.

Figure 2 illustrates the D&B marketing pre-screen scores of minority-owned small businesses. Sixteen firms are classified as the 'low risk' while 15 are considered 'medium risk' and 11 minority-owned firms are ranked as 'high risk'. Figure 3 illustrates the D&B marketing pre-screen scores of non-minority small businesses in North Minneapolis. Of 770

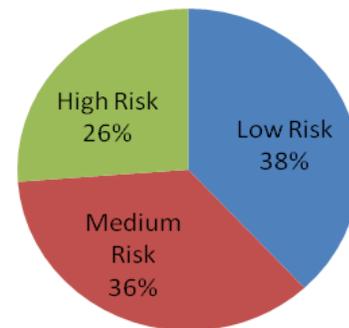


Figure 3. D&B PreScreen Marketing Scores for Non-Minority Businesses (n=755, 15 missing)

Discussion of D&B Findings

Minorities, specifically African Americans, are disproportionately under-represented in small business ownership in North Minneapolis relative to their percentage representation in the population. Although African Americans comprise 53.5 percent of North Minneapolis, they comprise less than 4.7 percent of business owners in North Minneapolis. As D&B does not provide racial/ethnic breakdown of minority business owners, we estimate the number of minority owned businesses to be between 1.5 and 4.7 percent, based on the number of African American firms and other minority firms screened. As discussed above, we find the overall category of minorities as being representative of African Americans for this neighborhood.

That said, minorities own 5.5 percent (45 out of 815) of businesses in North Minneapolis despite comprising over 80 percent of the population, whereas Whites own 94.5 percent of all businesses but comprise less than 20 percent of the population in North Minneapolis. Considering the levels of business ownership compared to the levels of representation in the population for North Minneapolis, a clear and striking disparity exists. The disparity statistic for non-minority and minority businesses is 70 for North Minneapolis, indicating that the non-minority business rate is 70 times that of the minority business rate (where the business rate is defined as businesses per household, or person.³ For every minority owned small business in the neighborhood, there are almost 17 non-minority businesses. Compared to the city-wide data, the disparity in business ownership in North Minneapolis (a disparity statistic of 70) is much greater than the disparity in business ownership in the City of Minneapolis,

³ Disparity exists when $[(\text{percent of small businesses}/\text{percent population})^{\text{non-minority}}] / [(\text{percent of small businesses}/\text{percent population})^{\text{minority}}] > 1$. Disparity in business ownership in North Minneapolis is evident because $[(94.5/19.7)^{\text{non-minority}} / (5.5/80.3)^{\text{minority}}] = 70 > 1$.

where the non-minority business rate is 36 times that of the minority businesses rate. Further, the disparity in business operations, including total sales, employment levels, and number of business locations illuminates the disproportionately lower business performance of minority-owned businesses in North Minneapolis. Overall, minority owned small businesses are considerably smaller than non-minority small businesses whether measured in terms of sales or employment. The average sales revenues of non-minority small businesses are almost four times higher than those of the minority businesses. Additionally, on average minority firms have five employees, while white firms have an average of twelve. While only 38 percent of the minority owned firms belong to the 'low risk' group according to the D&B criteria, the percentage is much higher at 51 percent for non-minority owned firms.

Several studies have found similar results throughout the United States, using various data and controlling for several factors that might impact business ownership across race and ethnic groups. The persistency of racial disparities in business ownership and operations is consistently evidenced. Based on a national representative sample from the Panel Data of Entrepreneurial Dynamics, Fairlie and Robb (2007) found that only 3.8 percent of African Americans are "self-employed business owners, compared to 11.6 percent of white workers" (Reynolds et al., 2004; Fairlie and Robb, 2007).^{xxv} Our findings also echo the Minneapolis 2010 NERA Disparity study, which found strong evidence for large, adverse and statistically significant disparities in business owner earnings and business formation in Minnesota.^{xxvi} The NERA study separated women owned businesses as well, to investigate potential disparities based on gender. Therefore, comparative statistics specify White males rather than simply White individuals overall. The results showed that African American business owners earn substantially less than non-minority male entrepreneurs with similar characteristics. The measured difference in business earnings is 40 percent lower for African Americans than comparable non-minority males.^{xxvii}

Also, the NERA study found substantial and significant disparities in business formation rates. The authors state that discrimination in credit markets and wealth distribution prevents African Americans from acquiring necessary capital, assets, skills and experience to start and sustain a business.^{xxviii} Holding all other factors constant such as individual characteristics, industry preferences, age distribution, geographic location, the business formation rates are 1.3 percentage point lower for African Americans than what would be expected in a race- and gender-neutral market place.^{xxix} In sum, the existing literature and our analysis show that the racial disparities in business ownership and business performance are persistent.

4. Industries of Representation

Using D&B data, the following section explores the industries in which non-minority and minority-owned small businesses in North Minneapolis are concentrated. First, the businesses are classified by industries or the services that they provide according to Standard Industrial Code (SIC) and North American industry Classification System (NAICS). Then the nature of the industries is discussed in terms of low barrier and high barrier sectors. The findings indicate that the primary industries in which the minority-owned businesses are concentrated tend to be low barrier, generating low revenues, and requiring less financial and human capital, which may compromise the business sustainability in the long run.

Standard Industrial Code (SIC)

The Standard Industrial Code (SIC) is a standardized numbering convention developed by the federal government that identifies an industry or service that a business provides.^{xxx} SIC codes classify business establishments according to their industries, by dividing all major economic activity into ten major divisions and then further classifying businesses from there. The first two digits in the SIC code represent a company's major industry concentration and its subdivision. The remaining digits break down the divisions into specific activities and sub-industries. If more than one SIC Code is listed, the first one is the company's primary line of business, with others comprising at least 10 percent of the company's revenue. D&B provides information on a maximum of six SICs for a company.^{xxxi}

D&B categorizes the SIC codes as follows:

1. Agriculture, Forestry, and Fishing (01-09)
2. Mining (10-14)
3. Construction (15-17)
4. Manufacturing (20-39)
5. Transportation and Public Utilities (40-49)
6. Wholesale Trade (50-51)
7. Retail Trade (52-59)
8. Finance, Insurance, and Real Estate (60-67)
9. Services (70-89)
10. Public Administration (91-97)

Table 11. Primary SIC of Minority Owned Businesses (n=45)

Primacy SIC	Frequency	Percentage
1521: Construction: Building Contractors: General Contractors and Single Family Houses	6	13%
5411: Retail Trade: Food Stores: Grocery Stores	3	7%
5812: Retail Trade: Eating Places	3	7%
1799: Construction-Special Trade Contractors: Special Trade Contractors, NEC	2	4%
5087: Wholesale Trade (Durable Goods): Service Establishment Equipment& Supplies Wholesale	2	4%
6531: Finance, Insurance and Real Estate: Real Estate Agents and Managers	2	4%
7349: Services: Business Services: Building Cleaning and Maintenance Services, NEC	2	4%
7389: Services: Business Services, NEC	2	4%
Other*	23	51%
Total	45	100%

*There are 23 different SICs under 'Other'.

Both minority-owned and non-minority owned businesses in North Minneapolis tend to concentrate in the services industry although there are differences in sub-sectors within the services industry. Thirty-one percent of the minority-owned small businesses in North Minneapolis generates their largest sales revenues from the 'Services' industry; while 25 percent generates their majority revenue from the 'Construction' sector. Following the construction and services sector is the retail trade industry, from

which 18 percent of minority-owned businesses generate their largest sales revenues. Table 11 summarizes the frequency of businesses under each industry segment in which the minority small businesses provide goods and services.

The majority of non-minority small businesses generate their largest sales revenues from the services sector – 50 percent of the non-minority businesses engage in the ‘Services’ sector. The second biggest group, 13 percent, generates their largest sales revenues from the ‘Retail Trade’ while 9 percent of non-minority businesses earn their greatest revenue stream from the ‘Construction’ sector. Table 12 summarizes the most common industry divisions in North Minneapolis among non-minority businesses.

Table 12. Primary SIC of Non-Minority Small Businesses in North Minneapolis (n=770)

Primacy SIC	Frequency	Percentage
7389: Services: Business Services: Business Services, NEC	78	10%
8661: Services: Membership Organizations: Religious Organizations	54	7%
8322: Services: Social Services: Individual and Family Social Services	29	3.8%
1521: Construction: General Contractors, Single Family Houses: Single Family Housing Construction	27	4%
5411: Retail Trade: Food Stores: Grocery Stores	19	2.5%
8211: Services: Educational Services: Elementary and Secondary Schools	19	2.5%
8351: Services: Social Services: Child Day Care Services	18	2.3%
5812: Retail Trade: Eating and Drinking Places: Eating Places	14	1.8%
7231: Services: Personal Services: Beauty Services	14	1.8%
6512: Finance, Insurance and Real Estate: Real Estate: Operators of Nonresidential Buildings	14	1.8%
7699: Services: Miscellaneous Repair Services: Repair Shop and Related Services, NEC	13	1.7%
6531: Finance, Insurance and Real Estate: Real Estate: Real Estate Agents and Managers	12	1.6%
8748: Services: Engineering, Research, Management, and Related Services: Business Consulting Services, NEC	12	1.6%
7359: Services: Business Services: Equipment Rental and Leasing, NEC	11	1.4%
2752: Manufacturing: Commercial Printing: Lithographic	11	1.4%
4212: Transportation and Public Utilities: Local Trucking Without Storage	10	1.3%
5999: Retail Trade: Miscellaneous Retail: Miscellaneous Retail Stores, NEC	10	1.3%
Other*	405	79%
Total	770	100%

*Industry segments under ‘Other’ have frequency less than 10.

Second Line of Business (SIC 2)

The majority of minority owned and non-minority owned businesses do not have a second line of business, meaning that most businesses have only one SIC number listed. A business has a specific SIC number for every activity comprising at least 10 percent of their sales revenue.^{xxxii} Specifically, secondary SIC codes refer to the additional industries or the second line of businesses in which the small businesses participate and generate at least 10 percent of their revenues. Only five minority-owned businesses, 11 percent, have a second SIC. Twelve percent of non-minority small businesses have a second SIC.

Of these five minority owned businesses with a secondary line of business, most are in ‘Manufacturing and Wholesale Trade’ industries, with one business focusing in the ‘Services’ sector. Out of these five small businesses with a second SIC, two of them have a third line of business in ‘manufacturing’ (i.e. printing, publishing and allied Industries, bookbinding) and the ‘Services’ sectors (i.e. management consulting services) and one minority-owned small business has a fourth line of business in ‘Manufacturing’, focusing specifically in printing, publishing and allied services.

Non-minority owned businesses tend to have second line of business in the ‘Services’, ‘Construction’, ‘Wholesale trade’ and ‘Retail Trade’ sectors. Twenty-five non-minority businesses that have a third line of business and four non-minority businesses in North Minneapolis engage in a fourth line of business.

North American Industry Classification System (NAICS)

The North American Industry Classification System (NAICS) was introduced in 1997 as a replacement for SIC Codes and now serves as the standard for Mexico, Canada and the U.S.^{xxxiii} Although the federal government no longer maintains the SIC system, D&B continues to use the SIC and NAICS codes. NAICS classifications more closely reflect the emerging sectors and new industries that shape the domestic and international economy. NAICS focuses on business processes rather than end products, which is the focus of SIC codes. NAICS also captures many service industries currently under-represented in the SIC system and is organized into hierarchical classification groups that build from the detailed industry level.^{xxxiv} (see *Appendix III* for the classification of the industries).

Table 13. Primary NAICS of Minority-Owned Small Businesses (n=45)

Primary NAICS	Frequency	Percentage
236115: Construction: Residential Building Construction: New Single-Family Housing Construction (except Operative Builders)	6	13%
445110: Retail Trade: Grocery Stores: Supermarkets and Other Grocery (except convenience stores)	3	7%
722110: Accommodation and Food Services: Full-Service Restaurants	3	7%
238990: Construction: Specialty Trade Contractors: All others specialty trade contractors	2	4%
531210: Real Estate and Rental Leasing: Office of Real Estate Agents and Brokers	2	4%
561499: Administrative Support, Waste Management and Remediation Services: Other Business Support Services: All Other Support Business Services	2	4%
561720: Administrative Support, Waste Management and Remediation Services: Services to Buildings and Dwellings: Janitorial Services	2	4%
Other*	25	55%
Total	45	100%

* There are 25 different SICs under ‘Other’.

Table 13 summarizes where minority owned businesses generate their revenues. Similar to SIC codes, minority-owned businesses tend to focus on ‘Construction.’ Specifically, 25 percent of minority-owned small businesses primary NAICS code is ‘Construction’, 16 percent are ‘Administrative Support, Waste Management and Remediation Services’, and 11 percent are ‘Retail Trade’. ‘Other Services’,

'Manufacturing', and 'Professional and Technical Services' industries also constitute a big share in businesses' revenue streams.

Table 14. Primary NAICS of Non-Minority-Owned Small Businesses (n=770)

Primary NAICS	Frequency	Percentage
813410: Other Services (except public administration): Religious, Grantmaking, Civic and Professional, and Similar Organizations: Civic Organizations	54	6.6%
611110: Educational Services: Educational Services: Elementary and Secondary Schools	47	5.8%
624410: Health Care and Social Assistance: Individual and Family Services: Child Day Care Services	23	2.8%
561990: Administrative, Support, Waste Management and Remediation Services: All Other Support Services	20	2.6%
236115: Construction: Residential Building Construction: New Single-Family Housing Construction (except operative builders)	19	2.5%
624190: Health Care and Social Assistance: Individual and Family Services: Other Individual and Family Services	19	2.5%
722110: Accommodation and Food Services: Food Services and Drinking Places: Full-service Restaurants	18	2.2%
445110: Retail Trade: Food Beverage Services: Supermarkets and Other Grocery (except convenience stores)	15	2%
531210: Real Estate, Rental, Leasing: Office of Real Estate Agents and Brokers	14	1.8%
541990: Professional, Scientific and Technical Services: All other Professional, Scientific and Technical Services	12	1.6%
323110: Manufacturing: Printing, Related Support Services: Commercial Lithographic Printing	11	1.4%
236115: Construction: Residential Building Construction: New Single-Family Housing Construction (except operative builders)	11	1.4%
561499: Administrative, Support, Waste Management and Remediation Services: Business Support Services: All Other Business Support Services	11	1.4%
813110: Other Services (except public administration): Religious, Grantmaking, Civic and Professional, and Similar Organizations: Religious Organizations	11	1.4%
812112: Other Services (except public administration): Personal Care Services: Beauty Salons	10	1.23%
484110: Transportation and Warehousing: General Freight Trucking, Local	9	1.2%
488999: Transportation and Warehousing: Support Activities for Transportation: Other Support Activities for Transportation	8	1%
531120: Real Estate and Rental and Leasing: Lessors of Real Estate: Lessors of Nonresidential Buildings (except miniwarehouses)	7	.9%
Other*	451	59%
Total	770	100%

*Industry segments under 'Other' have frequency less than 10.

Table 14 summarizes in detail the type of business divisions under each sector the non-minority small business operate. 'Other Services (except public administration)' makes up the largest industry for non-minority businesses with 17 percent of non-minority businesses in North Minneapolis having a primary NAICS code that falls within 'Other Services' industry. Twelve percent of non-minority businesses concentrate on 'Administrative & Support Services' as the main line of business, while 10 percent generate their largest revenues from 'Retail Trade' industry.

Similar to SIC coding, only five minority businesses located in North Minneapolis have a second NAICS code, which includes 'Manufacturing', 'Wholesale Trade' and 'Administrative Support, Waste Management and Remediation Services' industries. In terms of a third line of business, two minority-owned businesses earn at least 10 percent of their sales revenues from a third industry (i.e. manufacturing and professional, scientific and technical services). Twenty-two percent of non-minority owned businesses receive 22 percent of their sales revenue from a second industry, i.e. four percent from 'Manufacturing', and two percent from 'Retail Trade' industry). As for the third line of business, only 26 non-minority businesses have a third line of business.

Discussion: Low Barrier vs. High Barrier Sectors

The industries in which the small businesses operate may contribute to racial disparities in self employment and small business ownership in North Minneapolis. The industries in which minority businesses concentrate tend to be high risk for failure industries and have lower sales revenue. Moreover, these sectors require less financial and human capital, making them low barrier sectors.

In 2007 the Institute for the Study of Labor examined the causes of disparities between African Americans and Whites in business ownership and self-employment rates.^{xxxv} They explored whether the substantial differences in human- and financial-capital resources in different industry subgroups reflect differences in barriers to entry across industries. To investigate African American self-employment across industries, researchers classified small business fields into high-barrier and low-barrier fields. High-barrier fields require high financial and human capital investments such as manufacturing, wholesale, professional services, business services, finance, insurance, real estate, and entertainment industries. Low-barrier fields include personal services, repair services, construction and transportation.^{xxxvi} The authors presented retail as the borderline case, not clearly high-or low-barrier.

According to this research, African American self-employment tends to be concentrated in low-barrier fields, and one possible interpretation of this was that "potential entrepreneurs with lower educational attainment and net worth holdings tend to enter industries where lower owner education and household wealth levels prevail, and vice versa."^{xxxvii} However, the authors observed that African Americans are less likely than whites to enter into self-employment in both high-barrier and low-barrier lines of business, even after controlling for wealth, education, and other traits.

According to NAICS, while minority businesses generate their largest sales revenues from the 'Construction' industry, non-minority businesses generate revenues mostly from the 'Services' sector which tends to be high barrier industry. This contributes to the statistically significant differences between the business operations of minority owned and non-minority owned small businesses as presented earlier.

Some caution is warranted in interpreting the numbers presented in this report because the firms that register with D&B are different from the overall pool of businesses operating in North Minneapolis and

in the City as discussed in the limitations section of this paper. Nevertheless, the descriptive analysis of the business operations of our sample resonates with the previous studies that explore the racial disparities in business ownership

Following the Institute for the Study of Labor's convention of segmenting industries into high-barrier and low-barrier fields, it is evident that non-minority owned small businesses in North Minneapolis are overrepresented in the high-barrier field. Also inline with identification of industries according to SIC, these high-barrier industries in which the non-minority businesses are disproportionately represented are 'Professional and Business Services', 'Wholesale Trade' and 'Retail Trade', 'Manufacturing', 'Finance and Insurance' and 'Real Estate'. Meanwhile, minority owned small businesses are disproportionately represented in the low-barrier fields such as 'Construction', and 'Repair Services' (i.e. waste management and maintenance).

A direct comparison of industry segments according to SIC and NAICS, however, can be misleading and may result in misinterpretation. NAICS system was introduced to correct for the under-representation of some service industries under the SIC system, as noted earlier. According to SIC system, non-minority small businesses are overrepresented in the 'Services', a high-barrier industry, whereas non-minority businesses seem to be overrepresented in 'Other Services', a low-barrier industry as it mostly includes personal services, repair and maintenance, and civic organizations. As NAICS focuses on the process not the end product, the classification of industries is different as a result. Nevertheless non-minority businesses tend to be overrepresented in high barrier sectors and non-minority businesses tend to be overrepresented in low barrier sectors.

Industries of Opportunity for North Minneapolis

In addition to disparity statistics, a comprehensive understanding of the nature of the industries and the market potential for such industries which minority owned businesses concentrate is vital to any policy recommendations regarding small business development. Even a large investment in a stagnant industry may result in failure. Any policy targeted to enhance small business development should identify and invest in markets within the state and metropolitan area that provide the greatest opportunities for growth, upward mobility and moderate to high wages.

Table 15 illustrates the ten industries in the Minneapolis Metropolitan area that employ the greatest number of individuals according to the Minneapolis Chamber of Commerce. The table also shows the median wage for each of those industries. The current market make-up presented in this table may assist in further exploring the sustainability of the small business operations in North Minneapolis. For example, one can see that although an industry like leisure and hospitality provides many job opportunities, these opportunities do not provide wages sufficient to support the economic prosperity of African American individuals. Similarly, one should be cautious in interpreting the median wage for the 'Construction' sector where minority owned small businesses generate the largest sales revenues, because the total number of employees in the construction sector in North Minneapolis is too low to justify the median wage presented in the table. In addition, the seasonality of the construction industry outweighs the high median wage for the industry, meaning that wealth is less likely to accrue over the course of a year. Furthermore, consistent with the discussion of high- and low-barrier industries, the table suggests that non-minority businesses are also overrepresented in the high median wage and high employment generating industries, such as services, trade and manufacturing.

Table 15. Minneapolis Chamber of Commerce, Top Industries: Employment by Industry (2008)^{xxxviii}

Industry	Employment	Median Wage
Trade, Transportation and Utilities	328,060	\$15.18/hr
Education and Health Services	294,930	\$18.19/hr
Professional and Business Services	249,120	\$20.53/hr
Manufacturing	186,820	\$21.01/hr
Leisure and Hospitality	140,470	\$9.66/hr
Financial Activities	128,750	\$21.10/hr
Public Administration	86,980	\$24.79/hr
Construction	60,760	\$26.90/hr
Other Services	50,250	\$13.86/hr
Information	35,360	\$23.62/hr
Natural Resources and Mining	760	\$25.25/hr

Table 16 offers long-range projections of which high-paid industries will see the greatest growth in the coming years in the Minneapolis area. Table 16 displays the estimated number of individuals employed in each industry in 2006, the projected percent increase (growth) for each industry through 2016, and the median salary for each industry for 2009. A combination of the current market information with information regarding projected industries of growth is essential for effectively directing small business growth into vital industry sectors. Table 16 reports that management and technical consulting services, other support services, computer systems design and related services, and other professional and technical services are shown to have the highest growth potential. These projections, when paired with the industry concentrations by race discussed in the D&B data, indicate that non-minority small businesses have greater opportunities for sustainability and survival as they are already located in industries with high future revenues and employment potential.

Table 16. Industries of Highest Growth and Pay in Minneapolis 7-County Metropolitan Area – DEED Predictions^{xxxix}

Industry	Percent Change 2006 - 2016	Estimated Employment 2006	Median Annual Salary 2009
Management & Technical Consulting	53%	11,737	\$78,728
Other Support Services	48.10%	6,224	\$43,004
Computer Systems Design and Related Services	34.10%	24,231	\$92,092
Other Professional & Technical Services	33.80%	7,475	\$47,164
Offices of Real Estate Agents & Brokers	32.30%	5,018	\$52,572
Activities Related to Real Estate	29.00%	8,817	\$43,108

Management of Companies and Enterprises	18.70%	58,315	\$98,748
Depository Credit Intermediation	11.70%	24,624	\$60,528
Activities Relative to Credit Intermediation	28%	4,682	\$77,584
Insurance Agencies, Brokerages & Support	19.80%	13,540	\$68,640
Architectural and Engineering Services	19.00%	15,989	\$72,020
Offices of Dentists	18.50%	9,389	\$53,248
Medical Equipment and Supplies Mfg	13%	14,196	\$67,600
Accounting and Bookkeeping Services	12.80%	11,096	\$65,260
Leasers of Real Estate	12.80%	7,969	\$53,196
Electronic Markets and Agents/ Brokers	11.30%	21,276	\$83,512
Nonresidential Building Construction	11.80%	8,840	\$76,076
Building Foundation/Exterior Contractors	10.00%	11,740	\$51,428

Nevertheless, under-representation of minority small businesses in high barrier and high wage industries does not suggest that the pattern of small business ownership and self employment in North Minneapolis is path dependent. For example, according to SIC, five minority small businesses concentrate in ‘Manufacturing,’ while eight minority businesses engage in the ‘Retail Trade’ as the main industry group. Considering the total number of minority owned businesses in North Minneapolis, these numbers are significant. Also, there are a number of minority small businesses that engage in high growth industries such as ‘Business Services.’ These businesses have not only broken the convention of overwhelming representation of minorities in low-barrier industries, but also provide a successful example for the minority population to adapt and succeed.

B. Qualitative Analysis

The following discussion provides an analysis of our qualitative information, in which we combine in-depth interviews of six key community leaders and ten African American business owners in North Minneapolis. Throughout these interviews, several themes emerged as common points of concern. The following discussion presents an analysis of these themes along with outside research associated with each respective theme.

Emerging Themes from Survey of Minority Business Owners, Interviews with Community Leaders and Literature Review

Data analysis from Dun and Bradstreet provides quantitative information highlighting the problem while qualitative data provide a community perspective of the problem. To gain a better understanding of the unique challenges that minority business owners face, we surveyed business owners in North Minneapolis, specifically concentrating on the core commercial area bounded by the 55411 zip code. Dun and Bradstreet provided the contact information of 45 registered minority business owners, which was further narrowed to 36 after disregarding those with a disconnected telephone or inactive business

status. Of those 36, 19 were successfully screened to identify race/ethnicity, providing a response rate of 53 percent.

In addition to the survey of minority business owners, we conducted in-depth interviews with six community leaders including organizational leaders from the Minnesota House of Representatives, Office of Business and Community Economic Development at the University of Minnesota, Northside Economic Opportunity Network, Stairstep Foundation, among others.

Interviews with community leaders and surveys with business owner in North Minneapolis support our literature review findings, offering four common themes. These emerging themes are organized according to challenges minority business owners face including access to financial capital, availability of human capital, as well as place specific issues including real and perceived crime rates and transportation issues.

Challenges African Americans Small Business Owners Face: Access to Capital

Throughout interviews with community leaders of the North Minneapolis community, every single individual interviewed identified the lack of access to sufficient business capital as the biggest barrier to minority and African American business owners. Additionally, three minority business owners stated that one concrete way MUL could assist is by helping business owners secure access to capital. These interviews and surveys are supported by literature review.

Studies from the National Poverty Center (NPC) at the University of Michigan find that on average, African American-owned businesses have lower levels of startup capital than do White-owned and Asian-owned businesses. Moreover, NPC identifies startup capital as the most important contributing factor to worse than average outcomes for African American-owned businesses and better than average outcomes for Asian-owned businesses.^{xli}

There are several possible explanations for the disparities in startup capital. First, many entrepreneurs use personal and family wealth to finance business startup expenses. Personal wealth among African-Americans is one eleventh that of whites, restricting African-American's ability to adequately finance business startups through existing personal wealth accumulation. The median level of net worth for African American households is only \$6,166 implying that half of all African American households have less than \$6,166 in total wealth.^{xlii}

Recent research also indicates that African American businesses may face difficulties in small business capital markets. In 2005, SBA found that African-American and Latino firm owners had significantly higher rates of commercial loan denials than did White male firm owners.^{xliii} Perhaps as a result of these skewed denial rates, minority business owners are more likely to depend on loans from nonbank sources and less likely to have bank loans of any kind than their White counterparts. Nonetheless, on average African Americans have less access to family wealth through inheritances, loans and equity investments, making nonbank financing difficult to obtain as well.^{xliiii} These factors of wealth and loan availability contribute to the lower levels of startup capital among African American business owners than among White business owners and may explain why African American firms are not faring as well as White-owned and other minority owned firms. The recent financial crisis has further exaggerated the problem by drying up credit even more and reducing equity in homes.

Challenges African Americans Small Business Owners Face: Perception of Lack of Human Capital

Another prominent theme throughout the in-depth interviews with community leaders was the lack of human capital. Here, human capital refers to knowledge, experience, characteristics and skills needed to build a business. Further, this form of capital includes the personal connections and professional networks with people and entities that provide advantages in business ownership and performance. This type of capital includes knowledge gained in formal education and knowledge gained in informal education, such as exposure to business from family members or others within the community as well as connections and familiarity with financial institutions.

All but one community leader interviewed either directly expressed a lack of human capital or indirectly expressed such issue by stating the lack of technological know-how or need for other sorts of business-related training. One community leader illustrates a sentiment expressed across the majority of the interviews: “Business requires opportunities, meaning that someone might have the aspiration but access to or lack of capacity and expertise is much more decisive in shaping businesses.”

As expressed by interviewees, the dearths of informal education opportunities arise from the lack of access and sufficient interaction with technology, business leader mentors, and financial markets. As several community leaders described, this phenomenon is truly a result of long-term deficiencies in financial capital within the community, depriving the community of access to technology, business owners and financial markets. A community leader explains, “Minority owned businesses tackle with the issues of human capital, which is indeed the byproduct of capital deprivation.”

The concept of human capital in African American business is echoed by several studies examining of African American business ownership. Such studies find that “relatively low levels of education, assets, and parental self-employment are partly responsible for this difference”.^{xliv} One such study argues specifically that low exposure to “general and specific business human capital through exposure to businesses owned by family members” may contribute greatly to limited success for African Americans in business ownership.^{xlv} This study found that beyond formal education, the previous work experience in a family member’s business had a strong positive effect on small business outcomes, suggesting that “family businesses provide an important opportunity for family members to acquire human capital related to operating a business.”^{xlvi} This research concludes that the children of business owners are substantially more likely than others to become self-employed themselves.^{xlvii}

However, further analysis of small-business ownership among African Americans reveal little scholarly consensus. Rapid growth in the size and scope of “emerging” lines of black-owned small business has been documented by Timothy Bates.^{xlviii&xlix} A new African American entrepreneur has emerged: “this new entrepreneur is young, well educated, operating increasingly in nontraditional industries”.^l Both sides of this research provide empirically grounded studies in their assessments of entrepreneurship trends among African Americans.

Nonetheless, the generally lower levels of education – regardless of race - in North Minneapolis compared to the rest of the City may contribute to lower business ownership and lower business performance. As mentioned above, of individuals age 25 and older, 30 percent of North Minneapolis residents have less than a high school degree compared to 9 percent for the Metro Area.^{li} Previous research has suggests that one’s level of formal education is positively correlated with higher business performance and ownership.^{lii} This suggests that the gap in educational attainment for North Minneapolis overall may lead to lower business ownership and performance.

Challenges North Minneapolis Business Owners Face: Perception of Crime

In addition to issues African American business owners face due to race, there are issues they face specific to locating in North Minneapolis. There is a general perception that North Minneapolis is not a safe place which may detour both businesses and customers. One community leader interviewed stated that, “Most successful African American businesses are not interested in locating in North (Minneapolis) because of a concern for safety for their business and their customers, especially for those who provide a street-level product.”

When analyzing the city’s crime rate statistics in 2010, North Minneapolis does have a higher than average crime rate. However, its crime statistics fare similar to Lyndale and Marcy Holmes, which do not share the same negative perception as North Minneapolis. West Downtown is the worst neighborhood in terms of crime rate with nearly three times the number of crimes committed compared to the Whittier neighborhood, which has the second highest crime rate neighborhood in the area. Three of the business owners surveyed specifically stated that the perception of crime was higher than the actual crime level. According to the latest crime statistics of the City of Minneapolis, three of the neighborhoods in North Minneapolis (Willard-Hay, Jordan, and Hawthorne) are among the top ten neighborhoods with the highest crime rates in the city (see *Appendix IV* for the Minneapolis Neighborhoods with the highest crime rates).^{liii}

Challenges North Minneapolis Business Owners Face: Transportation

Another challenge North Minneapolis business face is attracting customers despite limited public transportation options. Market research and surveys of nearby residents found that many local residents bypass West Broadway in favor of shopping areas that are farther away but more accessible through public transit. Consumers leave North Minneapolis to buy goods even though they may face longer commutes and challenges, as 30 percent of households are without cars compared to 20 percent in Minneapolis overall.^{liv} However, the lack of public transportation within the neighborhood may be one reason for local residents to bypass West Broadway. One community leader noted that “it is much easier to ride the bus to Minnehaha and Lake than to go to Cub Foods in North for residents at 1700 and Plymouth [Senior Housing]. All buses take residents to downtown and MOA [Mall of America], but not to the locations within North – Broadway and Plymouth - forcing residents to spend money outside of their community.” Thus, one major challenge North Minneapolis businesses face is not only securing customers from outside the community but also securing customers within the community. The lack of convenient and accessible public transportation option within and around North Minneapolis limits public transportation-dependent residents’ to spend money in the local neighborhood stores.

Disparities due to Race versus Place

Home to high levels of poverty and crime as well as lower levels of education attainment than the Twin Cities Area, North Minneapolis businesses may be negatively impacted by the economic recession to a greater extent. North Minneapolis businesses may more heavily rely on residents outside the community as North Minneapolis residents have half the buying power of the average Twin Cities household and these residents may be harder to attract due to high crime perception and transportation issues. However, the disparities documented in this study are clearly racial disparities as seen from the overwhelming disparities between minority and non-minority business ownership and sales. A growing body of scholarly research supports this argument. For example, Fairlie (1999) and

Wainwright (2000) ruled out a number of alternative explanations about why the self-employment rate of African American males is one third of non-minority males and has remained roughly constant since 1910.^{lv} Immigration and an initial lack of business experiences are among those excluded explanations. Wainwright (2000) claimed that racial “disparities in business ownership are persistent even when such factors as geography, industry, occupation, age, education and assets are held constant.”^{lvi}

Hence, if the disparities that exist were due solely to place, there would be no difference in minority and non-minority business ownership and sales. Rather, differences would only exist between locations such as North Minneapolis, the Metro Area, the state and national. Both types of disparities exist, geographic and racial, but our analysis focuses on racial disparities. North Minneapolis has the opportunity to address such issues, being home to the largest African American population in the state as well as organizations, specifically MUL, committed to improving the economic outcomes of African Americans and people of color. Framing the issue as place-base, North Minneapolis specific, may be more attractive to funders and policymakers, while still allowing MUL to address racial disparities in business ownership.

VI. Recommendations

In deciding to locate their business in North Minneapolis, the majority of surveyed business owners stated that they chose the location because they grew up in North Minneapolis or they currently reside there. There is a strong sense of pride in locating in North Minneapolis as well as desire to contribute to the community. Thus, the Minneapolis Urban League has the opportunity to help spur economic development by assisting local business owners and entrepreneurs. MUL already has strong name recognition within North Minneapolis. All business owners surveyed were aware of MUL, but only three had actually used MUL services. Of those three, only one would recommend MUL services. MUL has the opportunity to translate its strong name recognition into a positive one within the business community.

The information gained from this study offers one primary recommendation:

MUL should include in its current workforce solutions program, efforts to address barriers to self employment within the minority, and specifically African American, community in North Minneapolis.

Minority business ownership is a strong economic and community development tool that brings vitality, opportunity and positive role models to the community. North Minneapolis would benefit greatly from the presence of more strong minority-owned businesses. These businesses have the potential to lessen the financial “leak” of purchasing power within the community, provide jobs for the disproportionately low-income residents, improve the image and perception of crime, and offer residents positive examples of entrepreneurship and business success.

A growing body of research also shows that the promotion of entrepreneurs and small businesses is a cost-effective strategic tool to transform urban cities. The role of small businesses in creating jobs, developing new markets and maintaining economic progress has received considerable attention from policymakers around the world. There is strong evidence that “the success of small firms does not only lead to economic development of the firm itself but also for the entire local economy.”^{lvii} The positive relationship between self-employment and economic progress is also undeniable because the creativity and independence of the self-employed contribute to higher levels of economic activity.^{lviii}

Throughout our research findings, we identified several different barriers to self-employment specific to the minority and African American community. Such barriers, including lack of access to capital and lack of human capital within the community, were also echoed in the in-depth interviews with community leaders and business owners of North Minneapolis. However, the interviews with such individuals also illuminated barriers that are not identified in previous research, such as perception of crime, transportation challenges and a mismatch of market demand and industry. Therefore, it is critical that an organization with strong community ties and local knowledge, such as MUL, work to address the broad, general difficulties as well as the unique obstacles of business ownership in North Minneapolis.

To most effectively incorporate self employment into existing Workforce Solutions programming, we offer the following three suggested practices:

1. *MUL should act as a “convener” organization to identify and connect key organizations (Office of Business and Community Economic Development, NEON, and Black Chamber of Commerce) and individuals to form a network of mutually beneficial relationships.*

As MUL does not currently have programs for small business and self-employment development, they may not have the capacity to create a new comprehensive program in the immediate future. Rather, according to several community leaders, MUL’s role is better positioned as a convener, specifically one who can connect businesses to each other and training services within the community. The African-American Chamber of Commerce may be one good community leader to partner with as membership includes current business owners who are familiar with the challenges of opening and operating a business. The Office of Business and Community Economic Development and NEON may serve as other potential partners as they have existing training programs in place along with the technical skills and staff needed to provide training and education to business leaders.

As the convener of interested organizations and entrepreneurs, MUL can utilize its space within North Minneapolis as a location for gatherings, trainings and other events. Further, MUL can use its network of connections to community organizations, community leaders, businesses and entrepreneurs to facilitate interactions that would otherwise not occur.

2. *MUL should focus on key industries with high growth and high wage potential for the community. Such industries include: Management & Technical Consulting, Professional and Technical Services, and Support Services.*

A comprehensive understanding of the market potential for various industries within Minnesota and the Minneapolis metropolitan area is a vital component to any policy recommendations regarding small business development. Even a large investment in a stagnant industry will result in failure. The Minneapolis Urban League must be highly strategic and targeted to identify and invest in emerging markets within the state and metropolitan area. Moreover, to support MUL’s mission of creating economic success and prosperity, MUL must identify markets that provide opportunities for upward mobility and moderate to high wages. Specific industries that we believe MUL should support minority business owners include Management of Companies and Enterprises, Computer Systems Design and Related Services and Management and Technical Services. These industries do not only have large earning potential, but are also more labor-intensive to encourage employment and there is a base of existing firms that can be built upon.

Leaders and professional associations within these key industries should be identified and considered the highest priority group to connect with entrepreneurs and business owners in the North Minneapolis community.

VII. Limitations and Next Steps

One major limitation of this research was the low number of minority small business owners surveyed in North Minneapolis. Although the information from Dun and Bradstreet provided rich data, it may not have included all minority business owners. The D&B database is a national database of firms containing information about firms' past experiences with banks, public utility payment histories, trade experiences with other firms in order to determine the credit ratings. This database, though extremely large, may contain some bias because firms must seek out D&B membership. Firms likely to seek out a DUNS number (obtained through the registration process) are those with good credit histories and those hoping to contract with government agencies, as most government agencies require a DUNS number of all contract recipients. It is possible that more minority-owned businesses are either not pursuing government contracts or do not want their credit rating posted due to undesirable credit histories. If so, the D&B database may disproportionately underestimate the presence of minority owned small businesses. The survey response rate was very strong, but the small pool of minority owned businesses in the area inherently led to a small number of survey responses.

Further, determining a rigorous and robust statistical relationship between the racial category of business owners and the characteristics of firms within dataset presented many methodological obstacles. Procedures to allow for matching of the characteristics of the firms and the owners of the firms⁴ to the existing disparity statistics using multivariate techniques are limited. In addition, resource and time constraints added more limitations on the ability to collect detailed data from the minority small businesses in North Minneapolis on their characteristics.

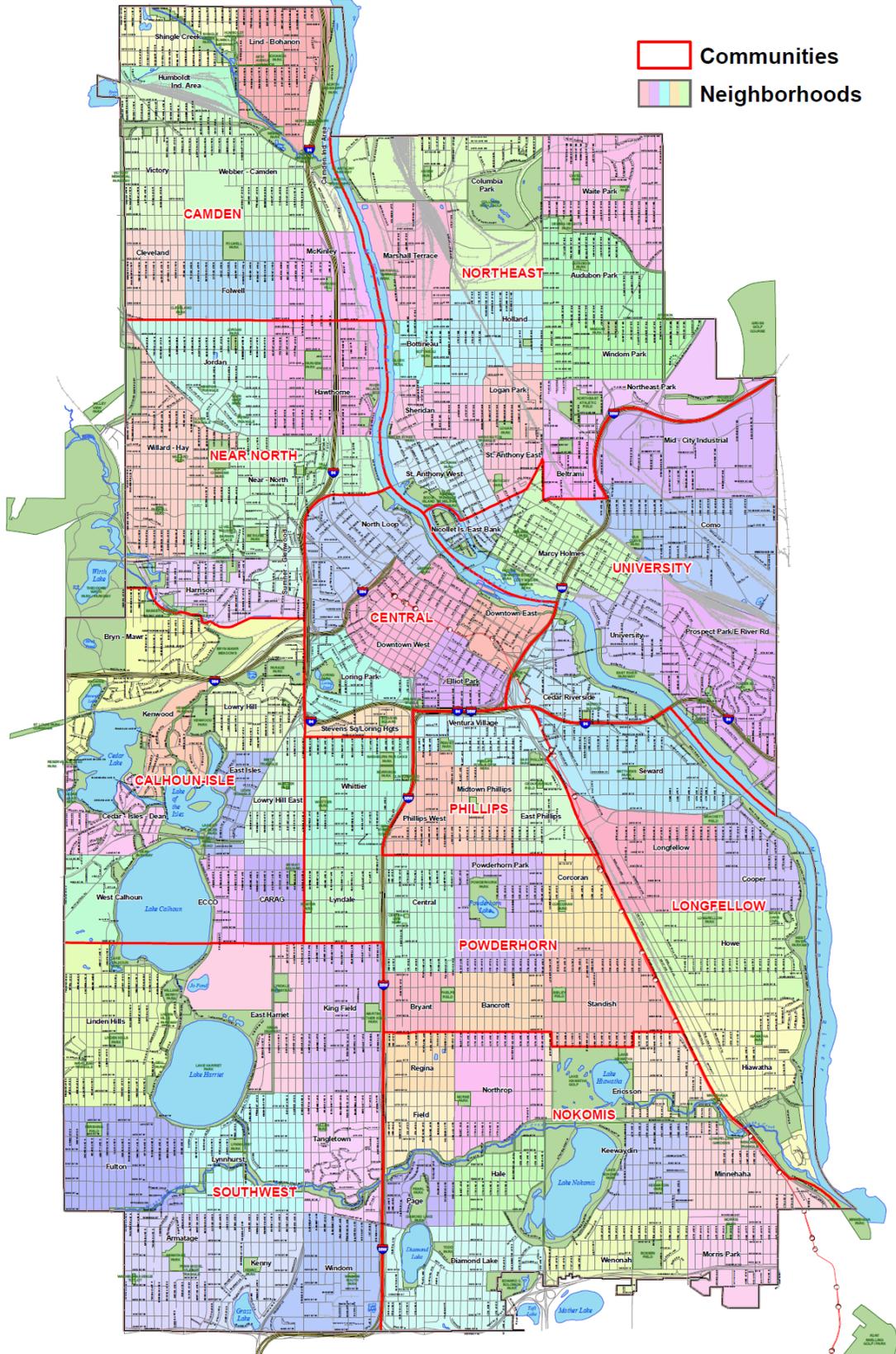
Finally, this study was limited by time and resources. Further research that expands upon the information already collected would add greater insight into the subject matter. For instance, due to limited time and resources this study does not address the change (either growth or decline) in minority-owned businesses in North Minneapolis. Nor does this study address how minority businesses were impacted by the recession in comparison to non-minority businesses. The aforementioned information could help guide associated efforts, programming and partnerships. Additional data sets are necessary for such longitudinal research.

Due to the limitations of this study as discussed above, we recommend further, ongoing research. In fact, this research may provide a pilot study to drive the formation of a more in-depth and long-term investigation into the role of minority-owned small businesses in the community, obstacles such businesses face, and how MUL might assist in overcoming these obstacles. Specifically, we recommend additional interaction with business owners and entrepreneurs in the community using interviews, focus groups and/or surveys to obtain rich qualitative data. If possible, we also recommend that MUL, a partner organization or other third party purchase and analyze the D&B database of businesses in

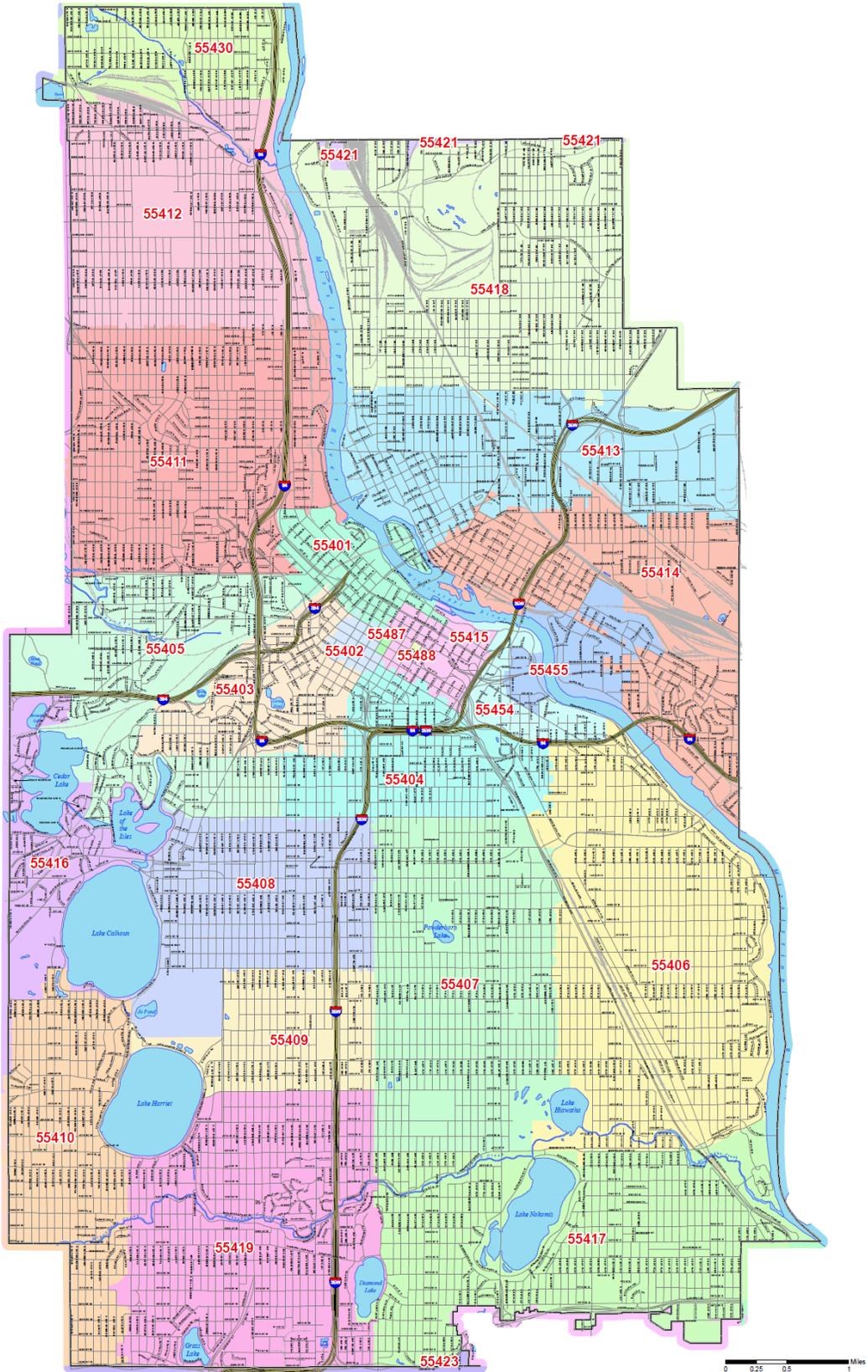
⁴ Firm characteristics are the size of the firm, financial indicators (debt-to-asset ratio or profits-to-asset ratio), credit history of the firm, a credit risk score developed by Dun & Bradstreet, geographic location of the business, the number of financial institutions that firm uses, as well as reported delinquencies, or any legal judgments. Owner's characteristics are age, gender, marital status, education, managerial experience, total liquid assets, income at the time of loan origination, net-housing worth (used as collateral), and any reported personal bankruptcy.

coming years and for years prior to the recent financial crisis to gain insight about how minority business ownership changes over time.

APPENDIX I: City of Minneapolis by Neighborhood



APPENDIX II: City of Minneapolis by Zip Code



APPENDIX III: NAICS

NAICS codes classify the industries as follows:

1. Agriculture, Forestry, Fishing & Hunting
 - a. 111: Crop Production
 - b. 112: Animal Production
 - c. 112: Animal Production
 - d. 114: Fishing, Hunting & Trapping
 - e. 115: Support Activities For Agriculture & Forestry
2. Mining
 - a. 211: Oil & Gas Extraction
 - b. 212: Mining (Except Oil & Gas)
 - c. 213: Support Activities For Mining
3. Utilities
 - a. 221: Utilities
4. Construction
 - a. 236: Construction of Buildings
 - b. 237: Heavy & Civil Engineering Construction
 - c. 238: Specialty Trade Contractors
5. Manufacturing
 - a. 311: Food Manufacturing
 - b. 312: Beverage & Tobacco Product Manufacturing
 - c. 313: Textile Mills
 - d. 314: Textile Product Mills
 - e. 315: Apparel Manufacturing
 - f. 316: Leather & Allied Product Manufacturing
 - g. 321: Wood Product Manufacturing
 - h. 322: Paper Manufacturing
 - i. 323: Printing & Related Support Activities
 - j. 324: Petroleum & Coal Products Manufacturing
 - k. 325: Chemical Manufacturing
 - l. 326: Plastics & Rubber Products Manufacturing
 - m. 327: Nonmetallic Mineral Product Manufacturing
 - n. 331: Primary Metal Manufacturing
 - o. 332: Fabricated Metal Product Manufacturing
 - p. 333: Machinery Manufacturing
 - q. 334: Computer & Electronic Product Manufacturing
 - r. 335: Electrical Equipment, Appliance & Component Manufacturing
 - s. 336: Transportation Equipment Manufacturing
 - t. 337: Furniture & Related Product Manufacturing
 - u. 339: Miscellaneous Manufacturing
6. Wholesale Trade
 - a. 423: Merchant Wholesalers, Durable Goods
 - b. 424: Merchant Wholesalers, Nondurable Goods
 - c. 425: Wholesale Electronic Markets & Agents & Brokers
7. Retail Trade
 - a. 441: Motor Vehicle & Parts Dealers

- b. 442: Furniture & Home Furnishings Stores
 - c. 443: Electronics & Appliance Stores
 - d. 444: Building Material & Garden Equipment & Supplies Dealers
 - e. 445: Food & Beverage Stores
 - f. 446: Health & Personal Care Stores
 - g. 447: Gasoline Stations
 - h. 448: Clothing & Clothing Accessories Stores
 - i. 451: Sporting Goods, Hobby, Book & Music Stores
 - j. 452: General Merchandise Stores
 - k. 453: Miscellaneous Store Retailers
 - l. 454: Nonstore Retailers
8. Transportation & Warehousing
- a. 481: Air Transportation
 - b. 482: Rail Transportation
 - c. 483: Water Transportation
 - d. 484: Truck Transportation
 - e. 485: Transit & Ground Passenger Transportation
 - f. 486: Pipeline Transportation
 - g. 487: Scenic & Sightseeing Transportation
 - h. 488: Support Activities For Transportation
 - i. 491: Postal Service
 - j. 492: Couriers & Messengers
 - k. 493: Warehousing & Storage
9. Information
- a. 511: Publishing Industries (except internet)
 - b. 512: Motion Picture & Sound Recording Industries
 - c. 515: Broadcasting (except internet)
 - d. 517: Telecommunications
 - e. 518: Data Processing, Hosting & Related Services
 - f. 519: Other Information Services
10. Finance and Insurance
- a. 521: Monetary Authorities - Central Bank
 - b. 522: Credit Intermediation & Related Activities
 - c. 523: Securities, Commodity Contracts & Other Financial Investments & Related Activities
 - d. 524: Insurance Carriers & Related Activities
 - e. 525: Funds, Trusts & Other Financial Vehicles
11. Real Estate, Rental and Leasing
- a. 531: Real Estate
 - b. 532: Rental & Leasing Services
 - c. 533: Lessors Of Nonfinancial Assets (Except Copyright Works)
12. Professional, Scientific and Technical Services
- a. 541: Professional, Scientific & Technical Services
13. Management Of Companies & Enterprises
- a. 551: Management Of Companies & Enterprises
14. Administrative & Support, Waste Management & Remediation Services
- a. 561: Administrative & Support Services
 - b. 562: Waste Management & Remediation Services
15. Educational Services

- a. 611: Educational Services
 - i. 6111: Elementary & Secondary Schools
 - ii. 6112: Junior Colleges
 - iii. 6113: Colleges, Universities & Professional Schools
 - iv. 6114: Business Schools & Computer & Management Training
 - v. 6115: Technical & Trade Schools
 - vi. 6116: Other Schools & Instruction
 - vii. 6117: Educational Support Services
- 16. Health Care & Social Assistance
 - a. 621: Ambulatory Health Care Services
 - b. 622: Hospitals
 - c. 623: Nursing & Residential Care Facilities
 - d. 624: Social Assistance
- 17. Arts, Entertainment & Recreation
 - a. 711: Performing Arts, Spectator Sports & Related Industries
 - b. 712: Museums, Historical Sites & Similar Institutions
 - c. 713: Amusement, Gambling & Recreation Industries
- 18. Accommodation & Foodservices
 - a. 721: Accommodation
 - b. 722: Food Services & Drinking Places
- 19. Other Services (Except Public Administration)
 - a. 811: Repair & Maintenance
 - b. 812: Personal & Laundry Services
 - c. 813: Religious, Grantmaking, Civic & Professional & Similar Organizations
 - d. 814: Private Households
- 20. Public Administration
 - a. 921: Executive, Legislative & Other General Government Support
 - b. 922: Justice, Public Order & Safety Activities
 - c. 923: Administration Of Human Resource Programs
 - d. 924: Administration Of Environmental Quality Programs
 - e. 925: Administration Of Housing Programs Urban Planning & Community Development
 - f. 926: Administration Of Economic Programs
 - g. 927: Space Research & Technology
 - h. 928: National Security & International Affairs

Appendix IV. Minneapolis Neighborhoods with Highest Crime Rate in 2010^{lix}

Neighborhood	Total	Homicide	Rape	Robbery	AggAssault	Burglary	Larceny	AutoTheft	Arson
Downtown West	2146	2	23	109	146	65	1762	36	3
Whittier	805		11	88	78	144	385	97	2
Willard - Hay	655	4	8	57	102	183	226	61	14
Marcy Holmes	623	1	10	22	23	155	348	61	3
Jordan	617	4	12	80	90	175	180	69	7
Hawthorne	567	3	13	74	70	91	251	57	8
Longfellow	554		7	38	26	80	366	36	1
Lyndale	484		9	49	29	51	298	47	1
Central	480	1	13	49	62	120	168	67	
Elliot Park	439		12	28	50	45	276	28	
Near - North	436	2	15	52	69	101	140	50	7
Folwell	432	2	10	53	73	132	116	38	8
Loring Park	411		9	31	28	58	267	17	1
Ventura Village	377	1	15	84	58	47	133	37	2
Lowry Hill East	375	1	3	17	15	36	277	25	1
Powderhorn Park	375	2	7	53	32	78	146	52	5
Seward	373	3	9	35	19	91	166	48	2
Cedar Riverside	352		8	23	33	25	235	26	2
Midtown Phillips	346		7	61	31	61	142	42	2
Webber - Camden	336	4	6	25	47	117	106	30	1
Como	329		2	4	5	126	156	35	1
Prospect Park - East River Road	320		7	12	2	65	202	32	
Hiawatha	303		1	7	3	78	188	25	1
Phillips West	297	1	7	40	35	67	117	30	
East Phillips	289	1	13	36	64	39	95	35	6
North Loop	285		3	13	9	31	218	11	
Holland	279	1	8	39	22	69	113	25	2
Howe	273		2	10	11	103	110	33	4
Corcoran	272		5	23	24	50	136	29	5
Lind - Bohanon	245	1	4	16	35	92	79	15	3
Steven's Square -Loring Heights	242		9	23	25	37	121	26	1
Standish	236		5	18	11	93	88	19	2
McKinley	230		3	24	28	93	62	14	6
King Field	220		1	13	13	80	95	18	
CARAG	213		3	10	8	44	127	21	
ECCO	211		3	9	4	53	132	10	
Victory	210	1	4	7	11	103	66	18	
Harrison	205		6	10	28	55	85	19	2
Wenonah	201		5	8	18	78	73	19	
Minnehaha	200			2	2	69	111	16	
Windom	194		11	9	19	36	104	15	
Cleveland	188	2	7	20	22	60	50	26	1

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