

**BUSINESS
RETENTION
&
EXPANSION
Strategies
Program**

ETHNIC CHAMBERS

Business Retention and Expansion Summary Report

December 2010

Leadership Team:



Sponsors:

Otto Bremer Foundation
City of Minneapolis
Ramsey County
City of Saint Paul



Ethnic Chambers

Business Retention and Expansion Strategies Program

Summary Report
December 2010

Written by:

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Ethnic Chambers Business Retention and Expansion Program

Communities recognize that helping existing businesses survive and grow is a vital economic development strategy. The Ethnic Chambers Business Retention and Expansion Program (BR&E) is designed to help ethnic businesses thrive and expand. While the attraction of new businesses and new business start-ups are important components of any economic development strategy, research has shown that 40 to 80 percent of new jobs in a community are created by existing businesses rather than by new businesses.

The Ethnic Chambers BR&E Program is a comprehensive and coordinated approach to assisting existing businesses. Visiting current businesses and learning their concerns is only one component of the process. The BR&E program builds awareness of issues that businesses face and builds capacity for the community to address these issues. The program assists members of the ethnic business community in working together to provide solutions to business concerns.

Objectives

The Ethnic Chambers BR&E Program has 10 objectives, all related to ethnically owned businesses:

- Demonstrate to local businesses that the community appreciates their contribution to the economy;
- Help existing businesses solve problems;
- Assist businesses in using programs aimed at helping them become more competitive;
- Develop strategic plans for long-range business retention and expansion activities;

- Build community capacity to sustain growth and development;
- Represent the concerns of members of the ethnic chambers of commerce in the program's geographic area;
- Develop case examples to inform community leaders and the policy development process;
- Improve public relations with chamber members;
- Strengthen collaboration among local area development agencies, governments, citizens, educators, ethnically owned businesses, and the ethnic chambers of commerce;
- Improve local leaders' understanding of the strengths and weaknesses of their community's business climate.

Sponsorship

Sponsors of this program are Ramsey County, Minnesota American Indian Chamber of Commerce, Minnesota Black Chamber of Commerce, Minnesota Hmong Chamber of Commerce, Pan African Chamber of Commerce, Vietnamese American Business Association, and the Hispanic Chamber of Commerce of Minnesota. Funding for the project was provided by the Otto Bremer Foundation, the City of Minneapolis, Ramsey County, and the City of Saint Paul.

Ethnic Chambers BR&E History

In late 2007, Val Vargas, Executive Director of the Hispanic Chamber of Commerce of Minnesota and Claudia Cody, Regional Extension Educator, University of Minnesota Extension, developed the Ethnic Chambers BR&E Program to represent the ethnic business community in the four metropolitan Minnesotan counties of Anoka, Dakota, Hennepin, and Ramsey. Val Vargas volunteered to be the overall coordinator and fiscal agent of the project. She implemented the initial program outreach to other ethnic

chambers in the program area. The first Ethnic Chambers Leadership Team meeting took place on October 29, 2007.

Business Visits

Businesses were selected to be interviewed from the membership lists of the participating chambers of commerce. Three sample pools were identified based on size, business sector, and region. A stratified random sampling method was applied to each pool. The goal was to draw a maximum of 30 and a minimum of five businesses out of each chamber's membership list.

Businesses were visited from July 2008 through January 2009. Two members of the task force participated in each business visit. The task force is a group of individuals recruited by the leadership team to help execute the BRE program, including conducting business visits, reviewing surveys for warning flags, and selecting projects for implementation.

In total, 61 businesses participated in the BR&E visits.

Warning Flag Review

The Ethnic Chambers Task Force met on March 3, 2009 to review the surveys for any immediate warning flag issues that could be addressed on an individual business basis. Because of this process, the Minnesota Department of Employment and Economic Development (DEED) was able to follow up and provide assistance to many of the participating businesses. Other business issues were addressed as necessary.

State Research Review

Following the warning flag review, the surveys were forwarded to University of Minnesota Extension staff for data entry

and tabulation. The results were then shared with the Ethnic Chambers State Research Review Panel, a team of economic development professionals, University of Minnesota faculty, and task force members at the state research review meeting on April 3, 2009. The team reviewed survey results for strengths, weaknesses, opportunities, and threats, and then suggested projects the task force might consider to address these issues.

Research Report Development

Following the state research review panel meeting, Extension staff prepared a full research report. The report presented four overarching strategies the Ethnic Chambers Task Force might adopt to address general issues reported by the businesses. Under each of these strategies, the report provided a list of potential projects based on the suggestions of the State Research Review team.

This summary report highlights key information from the full report. A copy of the full research report is available from the Val Vargas at the Hispanic Chamber of Commerce of Minnesota.

Task Force Retreat

A five-hour task force retreat was held on September 22, 2009 in Saint Paul, Minnesota. At this retreat, Extension staff delivered copies of the written research report and presented a summary of its contents to task force members. The presentation included an overview of demographic changes in the ethnic community, the economy related to ethnic businesses, the composite results of the business surveys, and the four strategies.

Task force members then reviewed and discussed potential projects in the written report and developed a few new

potential projects of their own. The Task Force then winnowed the potential projects down to four priority projects. These priority projects are featured in this summary report. If you have ideas, time, or other talents to contribute to these projects, then please contact one of the people listed.

Ethnic Chambers BR&E Program People

Leadership Team

The Ethnic Chambers BR&E Program Leadership Team is responsible for the overall coordination of, and also participates fully in, the program. Current and past leadership team members are:

Val Vargas, Overall Coordinator- CEO, Hispanic Chamber of Commerce of Minnesota

Barbara Davis – President (former), Minnesota Black Chamber of Commerce

Tran Nhon – Vietnamese American Business Association

Henry Ongeri – President, Pan African Business Alliance

Irene Rodriguez – Senior Program Officer, African American Action Council

Alice Smoot Gentry (deceased) – Inclusiveness in Contracting Program, Ramsey County

Pam Standing - Executive Director, Minnesota American Indian Chamber of Commerce

Seng Tchaa – Minnesota Hmong Chamber of Commerce

Ethnic Chambers BR&E Task Force

Many community leaders participated as task force members. This group addressed warning flag issues, set priorities for action and will assist in implementing the chosen projects. Task force members (listed below) also participated in business visits. The leadership team is also part of the task force.

Andrew Amoroso, U.S. Small Business Administration

Cheryl Beaumier, State of Minnesota

Michael Belaen, Saint Paul Chamber of Commerce

Anita Bellant, Metropolitan Airports Commission

D. Thomas Brogden, Hiway Federal Credit Union

Angela Burkhalter, Minority Business Development and Retention

Colette Campbell Stuart, Hennepin Technical College

Mark Cooper, Metropolitan Economic Development Association

Randy Czia, Small Business Administration

Lao Lu Hang, Minnesota Hmong Chamber of Commerce

Robert Hoenie, Minnesota Department of Employment and Economic Development (DEED)

Renee Hogoboom, Minnesota State Colleges and Universities Office of the Chancellor

Joe Klein, Minnesota DEED

Michou Kokodoko, The Federal Reserve Bank of Minneapolis

Carl Kuhl, Office of (former) United States Senator Norm Coleman

Susan Larson, Hospitality Minnesota

Roger Lowe, State of Minnesota

Ehren McGeechan, US Bank

Laura Miller, Minnesota DEED

Jim Moritz, Minnesota DEED

Ellen Muller, Planning and Economic

Development Office, City of Saint Paul
 Burke Murphy, Minnesota DEED
 Helen Ng, Charities Review Council
 Clarice Olson, State of Minnesota
 Jacob Olson, Office of (former) United States Senator Norm Coleman
 Greg Paquin
 Jody Pepinski, Minnesota DEED
 Natalia Pretelt, MCCD
 Tom Reese, State of Minnesota
 Rita Rodriguez, Metropolitan Council
 Judy Romlin, Milestone Growth Fund
 Linda Sapp, American Indian Economic Development Fund
 Kathi Schaff, Grow Minnesota
 Mike Schaitberger, State of Minnesota
 David Siegel, Hospitality Minnesota
 Jake Spano, Office of United States Senator Amy Klobuchar
 Trish Stevens, Hospitality Minnesota
 Chris Stoehr, Minnesota DEED
 Linda Tabor, Minnesota Department of Human Services
 Tyrone Terrill, City of Saint Paul
 Terrell Towers, Minnesota DEED
 Chao Vang, Hiway Federal Credit Union
 Larry Walker, Immigrant Community Roundtable
 Emily Wang, City of Minneapolis

Businesses Visited

Task force members visited 61 businesses as part of the Ethnic Chambers BR&E Program. These businesses are greatly appreciated for their willingness to help the task force understand their needs. Survey responses are confidential, yet it is important to credit businesses for participating. Following is the most complete list available of participating businesses.

ABC Gift Services
 African American Chronicle

Altin Paulson
 A-Sign Printing
 Bald Eagle
 Blackheart Publishing
 Bouquets by Carolyn
 Chippewa Graphics
 Chuckuemeka & Associates
 DeYoung Consulting
 Eagle Clan Enterp.
 Eagle Employment
 Elliot Contracting
 Estes Funeral Chapel
 Favorable Treats
 Foster Mayers Company
 Garza Tax Service
 Girasol- The Spanish Corner
 Go Fetch Mechanical
 International Ethnic Communication
 Ken Davis Products, Inc.
 Keystone Computer Solutions
 La Loma Tamales /
 Cafeteria La Loma, Inc.
 Lee Manufacturing
 Magda Service Cleaning
 Manny's Tortas-Minneapolis
 Masaba Travel & Tours LLC
 Mega Souk, Inc.
 Meyer Contracting
 Minnesota Best Enterprises
 Minnesota Black Pages
 Minnesota Spokesman Recorder
 Publishing Co.
 Mt Global Wines
 New Star Limo & Taxi Services
 Olu's Home
 Organizational Development Services
 Peter Deng & Associates
 Premier Risktech Services, also Fifth
 Quarter Enterprise, Inc.
 Rhino Auto Repair
 Simply Signs
 Somos Inc
 Soulful Crosswords
 Spectrum Custom Design
 The Custom Tree
 Unica Communications
 Van Zandt Distributing
 Venus Directions
 Williams Engineering

Consultant

Claudia Cody, University of Minnesota Extension, served as the BR&E consultant for the Ethnic Chambers BR&E Program. Her services included coaching and advising the leadership team, conducting volunteer visitor training with the task force, assisting the leadership team in business selection, facilitating the warning flag review meetings, and participating in the state research review panel meeting.

State Research Review Panel

As noted, the panel reviewed the tabulated survey results and suggested potential actions that might be taken by ethnic community leaders in response to local business concerns. Participants of the April 3, 2009 meeting were: Minnesota Department of Employment and Economic Development:

- Ed Dieter, Minnesota Trade Office
- Joe Klein, Business Services
- Laura Miller, Business Services
- Kyle Uphoff, Labor Market

University of Minnesota Extension
Center for Community Vitality:

- Claudia Cody, Extension Educator
- Michael Darger, Program Leader
- Liz Templin, Extension Educator
- Brigid Tuck, Analyst/Writer

University of Minnesota:

- Kaye Husbands Fealing, Hubert H. Humphrey Institute of Public Affairs
- The Honorable Judge LaJune Lange, Roy Wilkins Center, Humphrey Institute
- Lee Munnich, Humphrey Institute

- Ward Nefsted, Department of Applied Economics
- Craig Taylor, Office for Business and Community Economic Development

Ethnic Chambers Task Force:

- Barbara Jo Davis, Minnesota Black Chamber of Commerce
- Rico Her, Minnesota Hmong Chamber of Commerce
- Luke Matusovic, Hispanic Chamber of Commerce of Minnesota
- Alice Smoot Gentry (deceased), Ramsey County
- Val Vargas, Hispanic Chamber of Commerce of Minnesota

Other:

- Candace Campbell, Private Consultant

Ethnic Chambers Economic and Demographic Profile

An economic and demographic profile of the ethnic communities in Anoka, Dakota, Hennepin, and Ramsey counties was prepared for the research report and presented at the Ethnic Chambers Task Force Retreat on September 22, 2009. Rachel Vilsack of the Minnesota Department of Employment and Economic Development wrote the profile, which contains statistics on population, employment, income, commuting means, and educational attainment related to the ethnic population in the four counties. A copy of the profile can be viewed in the full research report.

Ethnic Chambers BR&E Survey Results

Following are the results of the survey of the 61 businesses visited. The results include a summary of the businesses' characteristics and discussion of the priority projects selected by the task force. Survey results related to those projects are included in this summary report. Additional survey results, including four strategic themes, are in the full research report.

Characteristics of Businesses Visited

Businesses were selected for visitation from the membership lists of the participating ethnic chambers. Therefore, it is not surprising that 93 percent of the visited businesses were owned and operated by a minority (see Chart 1). In addition, 44 percent were also owned and operated by a woman and 2 percent by an individual with a disability.

The businesses visited by the Ethnic Chambers BR&E Task Force members were primarily under local ownership; in fact, 98 percent of the businesses indicated they were locally-owned and operated. Of these businesses, 81 percent had one location while 17 percent had multiple locations. None of the surveyed businesses were franchises.

Businesses were also predominately family-owned, as shown in Chart 2. On average, each business had four individuals relying on it for income. Further, younger businesses (founded in the last 10 years) were more likely to be operated exclusively outside the home and to be family-owned than more established businesses (older than 10 years).

Chart 1: Business Owner Status

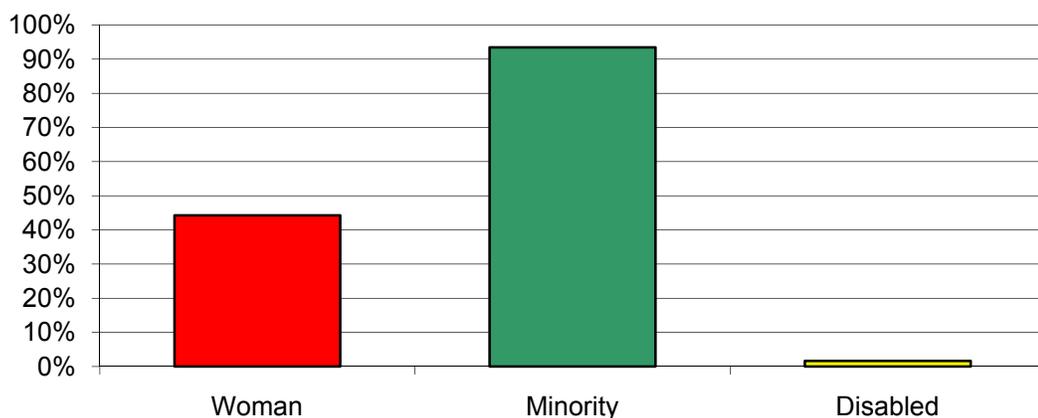
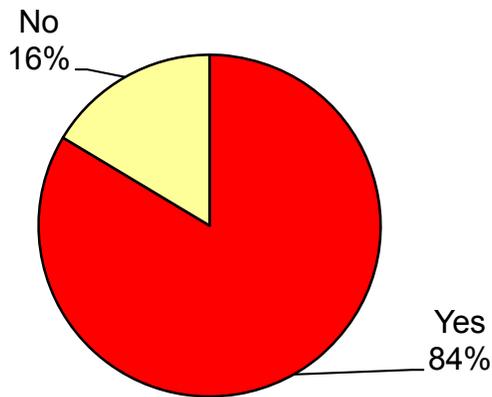


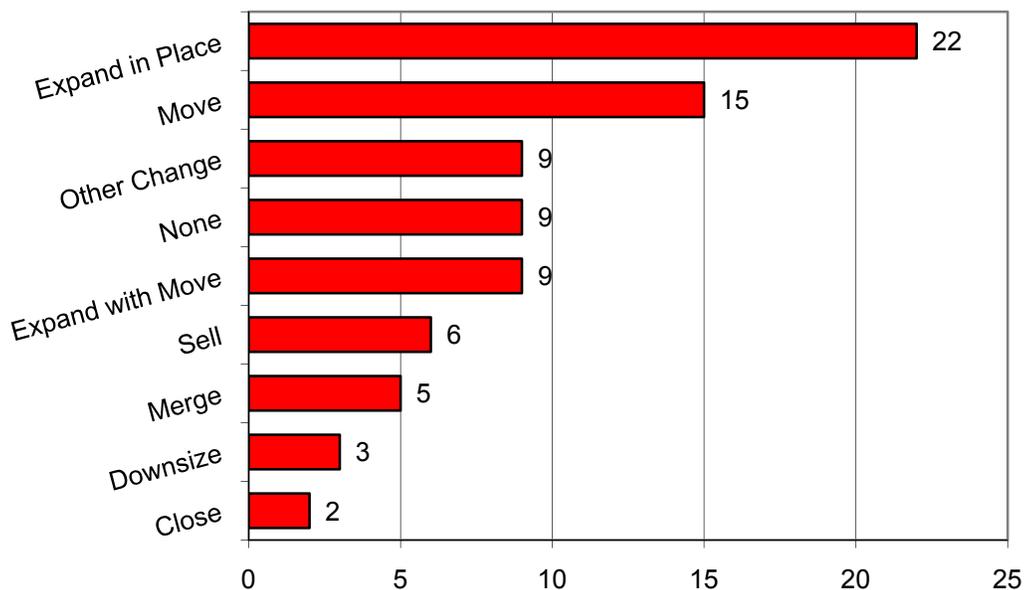
Chart 2: Is this Business Family-Owned?



The surveyed businesses employed a total of 885 full-time employees, 100 part-time employees, 52 seasonal employees, and 99 contract workers. Overall, employment by ethnic businesses was up nearly 200 jobs from three years prior. Most of that gain was in full-time employment. Businesses further reported fewer seasonal and contract employees versus three years prior. In a quarter of the businesses, the owner was the only worker in the business.

Despite the early signs of a slowing economy (the surveys were conducted in late 2008/early 2009), only five businesses indicated they were planning to close or downsize. Conversely, 31 businesses were planning to expand, either at the current location or a new location. Fifteen businesses were planning to move in the future (see Chart 3).

Chart 3: Future Plans



Ethnic Chambers BR&E Priority Projects

The following four priority projects were selected at the Ethnic Chambers Task Force Retreat held in Saint Paul on September 22, 2009:

1. Advocacy
2. One Stop Shop Access to Funding
3. Repository
4. Joint Council Service Center

Priority Project #1: Advocacy

Increased exposure can help businesses generate profits. Exposure to customers, to other businesses, to new business opportunities, and to decision-makers provides businesses with avenues to generate more revenues and correspondingly, the potential for greater profits. Thus, working together to increase overall exposure is potentially valuable to each individual ethnic business.

Related Survey Results

Businesses surveyed indicate a lack of

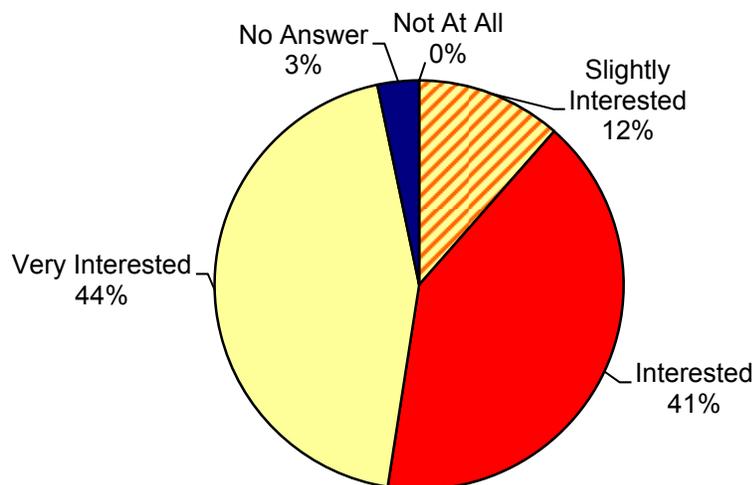
trust and a general dissatisfaction with traditional economic development in the Twin Cities. Thirty-four percent of businesses report that lack of trust in public and private institutions was a “moderate” or “large” barrier to growth of their business. In addition, many of the traditional economic development service providers received unsatisfactory ratings from ethnic businesses.

Business owners are enthusiastic about doing business with members of other ethnic chambers. Chart 4 shows that 85 percent of businesses are “interested” or “very interested”.

Project Committee Plans

This project committee seeks to raise awareness about the importance of ethnic businesses in the Twin Cities and the entire state. The committee intends to host a kick-off event to introduce the newly formed Minnesota Ethnic Chambers Joint Council. The project will also help create connections between the minority business community and state officials, including the Governor’s Office and the Minnesota

Chart 4: Interested in Doing Business with Members of Other Ethnic Chambers of Commerce?



State Legislature. The project also aims to build excitement and cohesion around ethnic businesses.

Committee members include: Emily Wang (City of Minneapolis), Burke Murphy (DEED), Colette Campbell Stuart (Hennepin Technical College) and Lao Lu Hang (Hmong Chamber). For more information or to offer assistance, please contact one of the committee members.

Priority Project #2: One Stop Shop Access to Funding

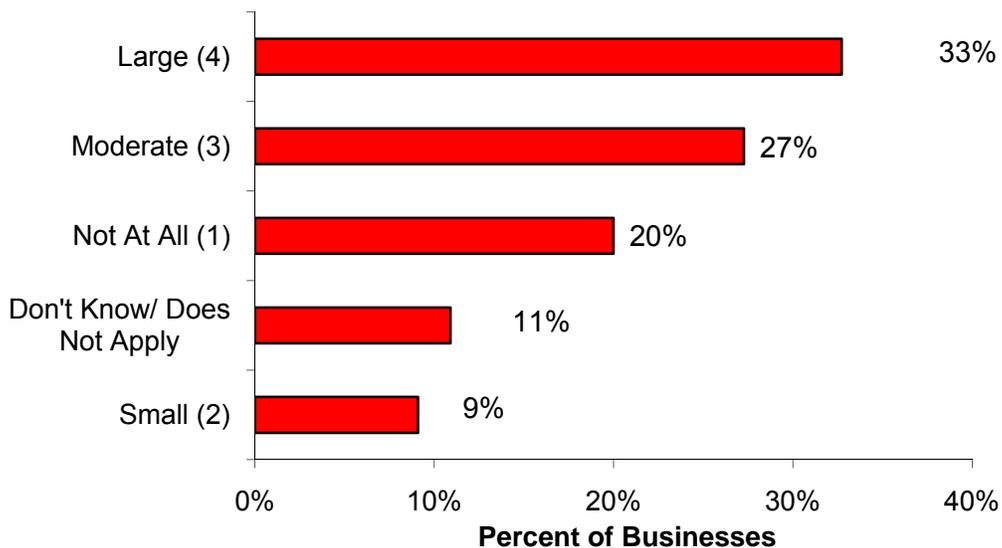
Businesses rely on credit and capital to properly exploit and develop opportunities. Without accessibility to favorable terms and conditions for credit, businesses are hindered and may eventually fail. Conversely, businesses that do have access to favorable credit can flourish. A properly maintained financial portfolio that balances equity and debt financing can allow a business to achieve and sustain growth and profitability over its lifetime. However, obtaining access to credit can be difficult for ethnic businesses.

Related Survey Results

Ethnic businesses report that access to capital was the biggest barrier to their growth. On a scale that values a “large” barrier as 4, a “moderate” barrier as 3, a “small” barrier as 2, and 1 as “not at all a barrier”, access to equity capital received an average score of 2.82 and access to debt capital an average of 2.54. Of the 37 factors rated, these are the two highest scores.

Chart 5 reveals the degree to which surveyed businesses view access to equity capital as a barrier to efforts to grow the business. A third of surveyed businesses find it to be a “large” barrier to growth. Just over a quarter have found it to be a “moderate” barrier. Twenty percent of businesses have not experienced difficulty growing due to equity capital. Both start-up and established businesses report access to equity capital as an issue for growth. Forty percent of businesses established in or before 1994 reported access to equity capital as a “large” barrier while 45 percent of businesses established

Chart 5: To What Degree Has Access to Equity Capital Been a Barrier to Your Efforts to Grow Your Business?



since 2005 report it as a “large” barrier.

Project Committee Plans

The goal of this project is to create resources for commercial lenders and bankers. These resources would be targeted to all commercial lenders but particularly to those with limited experience regarding minority businesses. The resources would assist commercial lenders in offering further guidance and advice to minority businesses that are not currently eligible for a commercial loan. Resources might include alternatives to traditional loans for which the businesses might qualify and/or next step contacts to help businesses become loan eligible. The committee hopes to identify and increase collaboration among lenders, bankers, and other service providers that might be able to help minority businesses. This could both enable service providers to become more efficient and provide a clearer path for minority businesses.

Committee members include: Ehren McGeechan (US Bank), Ellen Muller (City of Saint Paul), Judy Romlin (Milestone Growth Fund), Michael Belaen (Saint Paul Chamber of Commerce), Natalia Pretelt (MCCD), Robert Hoenie (DEED) and Terrell Towers (DEED). For more information or to offer assistance, please contact one of the committee members.

Priority Project #3: Repository

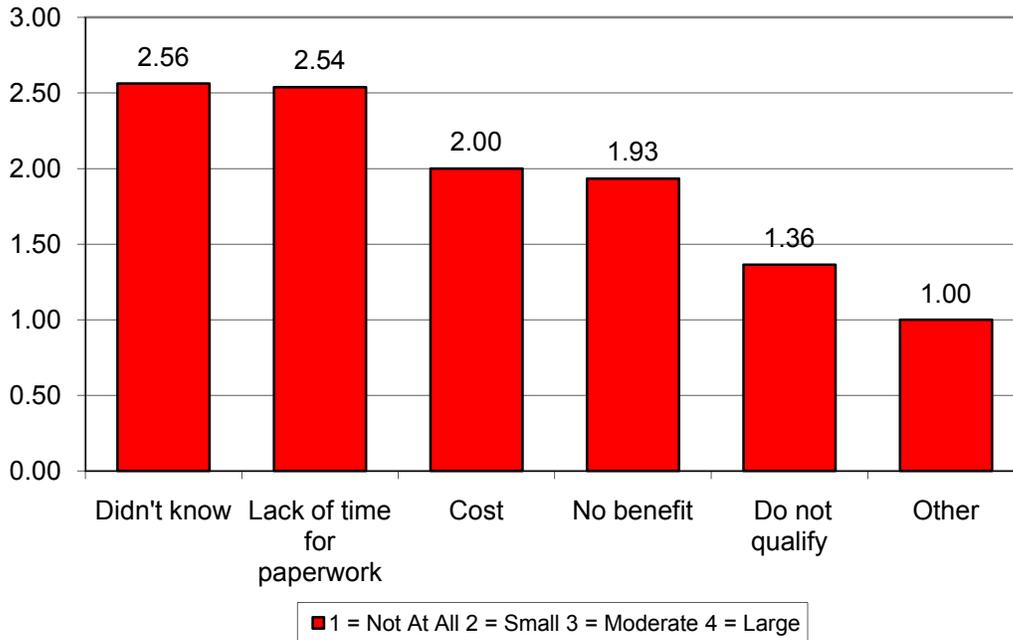
Without a market for its goods and services, a business cannot grow and thrive. A business must know and be able to access its potential market, as well as continue to develop its current market. There are many resources available to assist ethnic businesses in this process. However, businesses often are unaware of these resources or are unsure how to access them. Further, some opportunities, such as government contracts, require certification for ethnic businesses.

Related Survey Results

Thirty-four percent of businesses surveyed cite difficulty in obtaining information on contracting opportunities as a “moderate” or “large” barrier to their growth. A quarter of businesses find a lack of access to established business and social networks a hindrance.

Forty percent of businesses lack certifications needed for government and other agency contracts, primarily because they are unaware of the certifications or do not have time to complete the paperwork. On average, businesses rated “did not know” and “lack of time for paperwork” as small to moderate barriers to certification, as illustrated in Chart 6.

Chart 6: Barriers to Certification



Project Committee Plans

This project’s goal is to create a centralized location of resources for ethnic businesses. This repository could take the form of a website or other online gathering location. The locale would provide information on contracting opportunities as well as other educational material. Private and public organizations could post information about open contracting opportunities, and/or service providers could post educational information about certification and compliance issues. In sum, the repository would be a place where business owners could easily obtain a wealth of information. This project will require collaboration among the service providers as well as local governments. This project also seeks to leverage the experiences of successful ethnic businesses, perhaps through mentoring.

Committee members include: Mark Cooper (Metropolitan Economic

Development Association), Laura Miller (DEED), Randy Czia (Small Business Administration), Anita Bellant (Metropolitan Airports Commission), Larry Walker, Kathi Schaff (Grow Minnesota) and Val Vargas (Hispanic Chamber of Commerce). For more information or to offer assistance, please contact one of the committee members.

Priority Project #4: Joint Council Service Center

Ethnic Chambers of Commerce serve an audience of businesses determined by the ethnicity of owners, rather than by their locations. Thus, these businesses share a common purpose derived as much from identity, as from geography. As a result, multiple ethnic chambers of commerce, with different memberships, are operating in the Twin Cities metropolitan area. While each of these chambers faces unique challenges, they all face a set of

common challenges. Coming together in the form of a Joint Council of Ethnic Chambers allows each chamber to efficiently address common challenges together while continuing to serve the individual needs of their member businesses. Sharing a joint office space in the form of a service center further allows the chambers to work together and capitalize on synergies among the organizations.

Related Survey Results

Business owners surveyed indicate an interest in a collaboration of their individual chamber with other ethnic chambers of commerce. Chart 7 illustrates that over two-thirds of businesses are ‘interested’ or ‘very interested’ in attending events sponsored by a consortium of ethnic chambers of commerce. Only 3 percent of respondents are “not at all” interested in the idea.

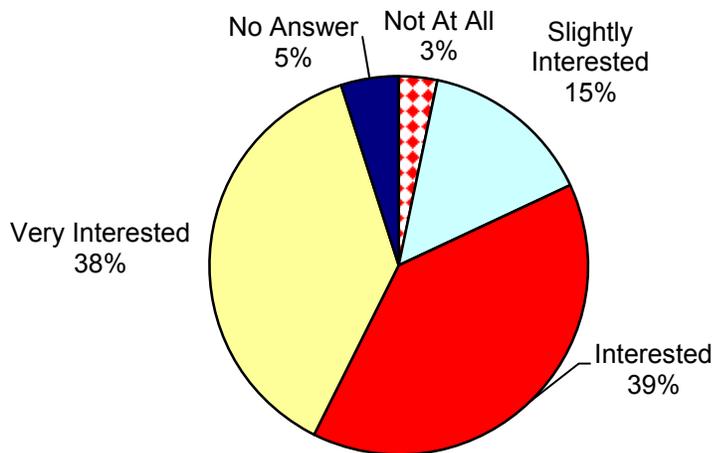
Businesses surveyed also cite some services that a joint council could organize and offer. They include: a buying club (67 percent), an advertising cooperative (62 percent), an insurance

group plan (62 percent were interested in a health plan), and a back-room accounting service (43 percent).

Project Committee Plans

This project is centered on a vision of ethnic chambers of commerce sharing a service center. The service center would provide office space for each of the participating chambers. Chambers would share a reception area, while also occupying individual spaces. Each chamber would also retain its own mission, identity, and board of directors. The facility would house a boardroom, training space, computers, and other information technology for all to use, as well as a “hotel” for businesses. The hotel for businesses would include office space open to all members and would house phones, copiers, computers, and other items needed by businesses. Business staff could “drop in” and use the office space as necessary. The chambers would then share backroom support systems, such as accounting and information technology while maintaining their own privacy. A joint service center could allow individual chambers to be more efficient, as well

Chart 7: Interested in Participating in an Event Sponsored by a Consortium of the Seven Ethnic Chambers of Commerce?



as increase their ability to meet their members' needs.

Committee members include: Hispanic Chamber of Commerce of Minnesota, Minnesota American Indian Chamber of Commerce, Minnesota Hmong Chamber of Commerce, and Vietnamese American Business Association. For more information or to offer assistance, please contact one of the committee members.



The Ethnic Chambers BR&E Program Task Force selected the priority projects. This summary report was prepared by Brigid Tuck, University of Minnesota Extension Center for Community Vitality, Community Economics. Editorial assistance was provided by Claudia Cody and Michael Darger of University of Minnesota Extension. Task force members also contributed to this report.

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