



UNIVERSITY OF MINNESOTA | EXTENSION

EXTENSION CENTER FOR COMMUNITY VITALITY

# Willmar Area Minority Business Report

An analysis of the experiences of local minority-owned businesses, based on a representative survey

Prepared for the Kandiyohi Economic Development Commission

Presented/Authorred by Adeel Ahmed, Extension Educator, University of Minnesota

In partnership with:  **The EDACENTER**  
at the University of Minnesota, Crookston

# Willmar Area Minority Business Survey

AN ANALYSIS OF THE EXPERIENCES OF LOCAL MINORITY-OWNED BUSINESSES, BASED ON A REPRESENTATIVE SURVEY

December 18, 2012

Presented/Authoried by Adeel Ahmed, Extension Educator, University of Minnesota

**Report Reviewers:**

Scott Chazdon, Evaluation and Research Specialist, Extension Center for Community of Vitality, University of Minnesota

Ben Winchester, Research Fellow, Extension Center for Community Vitality, University of Minnesota

**Report Editor:**

Mary Vitcenda, Educational Materials Coordinator, Extension Center for Community Vitality

**Partners/Sponsors: University of Minnesota Crookston EDA Center**

The EDA Center at the University of Minnesota, Crookston is one of more than 40 university centers nationwide, supported by the Economic Development Administration, U.S. Department of Commerce. The EDA Center conducts applied research, provides direct technical assistance and delivers educational programs to economic development agencies that support the economy of economically-distressed communities throughout Minnesota.

Contact Adeel Ahmed with any questions at [ahme0004@umn.edu](mailto:ahme0004@umn.edu) or (320) 203-6050

© 2012 Regents of the University of Minnesota. All rights reserved. University of Minnesota Extension is an equal opportunity educator and employer. In accordance with the Americans with Disabilities Act, this material is available in alternative formats upon request. Direct requests to the Extension Store at 800-876-8636. ♻️ Printed on recycled and recyclable paper with at least 10 percent postconsumer waste material.

# Table of Contents

<b>EXECUTIVE SUMMARY</b>	<b>1</b>
<b>INTRODUCTION</b>	<b>2</b>
<b>METHODOLOGY</b>	<b>4</b>
<b>FINDINGS</b>	<b>5</b>
The Minority-Owned Business Community	5
Experiences Running a Business	5
Experiences with Public Business Resource Providers	6
Changes, Growth and Challenges	6
Use of Web-Based Technology	7
Challenges within the Community	8
<b>DISCUSSION AND RECOMMENDATIONS</b>	<b>9</b>
<b>REFERENCES</b>	<b>10</b>

## EXECUTIVE SUMMARY

Many small towns across the United States are experiencing rapid rates of ethnic diversification. Newcomers are renting and buying property, as well as opening up businesses on Main Street. One such place is Willmar, Minnesota, which experienced a 46 percent increase in Latinos and a 260 percent increase in Somalis between 2000 and 2010. As new residents arrive, they bring their entrepreneurial spirit, and many become business owners. In fact, in a study conducted by University of Minnesota Extension, one-quarter of surveyed new residents (regardless of ethnicity) in West Central Minnesota cited the opportunity to start a new business or purchase an existing business as one of their primary motivations for moving to the region. With this growth, the minority, or ethnic, business community is looking to understand itself and explore its role in the greater Willmar business community and economy.

Research was undertaken to determine the experience of owners in running a business and their experience with public business resource providers. The research also explored the training needs of owners and employees, the challenges they faced in running a business, and to what extent they were utilizing Internet and computer technology. Additionally, the research wanted to uncover the overall community environment in which the business operated.

Fifteen minority small business owners were interviewed. Broadly speaking, they enjoyed living and doing business in the small town environment, but could use help developing their English speaking skills; training in basic business skills, such as accounting and marketing; **and finding qualified employees with professional work habits**. In terms of environment, business owners indicated that the city needs to take steps making the downtown business area more attractive, as most customer traffic is concentrated on 1st Avenue away from the downtown business district.

Willmar already possesses many resources to help minority business owners overcome the challenges they said they faced. Recommendations include:

- Marketing ESL (English as a Second Language) classes to minority business owners;
- Making these owners aware of the basic business classes available at the local technical college;
- Connecting minority business owners with the Minnesota Workforce Center to help them find, and train, the right workers for the job;
- Integrating minority business owners with the larger Willmar business community by working with the local chamber of commerce to establish venues and events for connecting new and minority business owners with long-standing business owners.

Research showed that most ethnic business owners already see many positives in operating in Willmar. Build on those positives and give them more reasons to stay and expand in the community.

## INTRODUCTION

Walking through the Centre Point Mall in downtown Willmar, two worlds, existing side by side are revealed. The smell of samosas (fried pastry), and stewed goat meat fills the air, men sit in cafes drinking black tea with cloves watching Somali news channels, women sell hijabs and perfumes in their small stores, and dressed up storefront windows showcase traditional Christmas décor and expensive winter sweaters. Feel like eating enchiladas or huaraches? Just walk outside, cross the street and sit in a colorful restaurant, or enter a well-stocked grocery store and buy all the ingredients fresh that you need to make your favorite Mexican dish.

Such is downtown Willmar, population 19,610, a regional trade center in Kandiyohi County in West Central Minnesota about one and half hours away from the Twin Cities Metropolitan Area. The city and the region have rapidly diversified in recent years. From 2000 to 2010 the number of Hispanics/Latinos in the Willmar area increased by 46 percent; in Kandiyohi County the increase was 42.9 percent. At the same time, Minnesota saw a 75 percent increase in the Hispanic/Latino population, while the Midwest as a whole experienced a 49 percent increase (U.S. Census, 2010).\*

A total of 4,710 people of Hispanic origin live in Kandiyohi County. This is 11.2 percent of the county's total population — the third highest percentage of Hispanic residents of Minnesota's 87 counties. Nationally, the 2007 U.S. Business Census showed that the number of all businesses in the United States increased by 18 percent from 2002–2007, while the number of Hispanic-owned businesses increased by 46 percent.

It is harder to make statistical inferences on the growth of the Somali population. U.S. Census data for Kandiyohi County show that the number of Black or African Americans rose by 260.7 percent from 2000 to 2010. Research indicates Somalis may not self-select or ascribe to the “Black or African American” category and may choose the “Some other race category” on the Census form (Kusow, 2006). Nevertheless, it's probably safe to assume that the significant increase in the Black or African American population reflects a dramatic increase in the county's Somali population.

Casual observations in downtown Willmar attest to an influx of Somali immigrants, many of whom have come to work at the nearby Jennie O meat packing plant. All the Somali business owners interviewed had second jobs at the meat packing plant. Figure 1 on the following page summarizes the changes in race and origin in Kandiyohi County between 2000 and 2010.

**\*Note:** The terms "Hispanic" and "Latino" are used interchangeably in this report. The U.S. Census Bureau uses "Hispanic" or "Latino" to refer to persons of Cuban, Mexican, Puerto Rican, South or Central American, or other Spanish culture or origin regardless of race.

	KANDIYOHI COUNTY		PERCENT CHANGE 2000-2010	MINNESOTA PERCENTAGE
	NUMBER	PERCENTAGE		
TOTAL POPULATION:	42,239	100	+2.5	100
WHITE	39,761	93.9	+2	87.4
HISPANIC OR LATINO ORIGIN	4,710	11.2	+42.9	4.7
BLACK OR AFRICAN AMERICAN	1,129	2.7	+ 260.7	6.2
ASIAN & NATIVE HAWAIIAN	322	0.8	+25.8	4.9
AMERICAN INDIAN & ALASKA NATIVE	297	0.7	+45.6	1.9
OTHER RACE	1,364	3.2	-29.6	2.3

**FIG. 1:** Race and Origin, 2010/Source: U.S. Census Bureau

As new residents arrive, they bring their entrepreneurial spirit, and many become business owners. In fact, in a study conducted by University of Minnesota Extension, one-quarter of surveyed new residents (regardless of ethnicity) in West Central Minnesota cited the opportunity to start a new business or purchase an existing business as one of their primary motivations for moving to the region (Tuck & Winchester, 2011). "In Willmar, the Willmar Area Multi-Cultural Business Center (WAM-BC), and the Kandiyohi County Economic development Commission have been working to assist ethnically-owned businesses to grow and expand. The work of these groups, along with the determination of business owners, has meant growth in this sector of the business community. With this growth, the ethnic business community is looking to understand itself and explore its role in the greater Willmar business community and economy.

The goal of this research is to identify the experience owners have in running a business, and their experience with public business resource providers. In a snapshot in time, the research also explored the training needs of business owners and employees, the changes owners were planning on making to their business, the extent of growth they had experienced, the challenges they faced in running a business, and to what extent they were utilizing Internet and computer technology. Additionally, the research wanted to examine the overall community environment that the businesses served. The hope is that various economic development agencies can use this information to more effectively address challenges that communities and owners themselves face in regard to minority-owned businesses.

## METHODOLOGY

To help answer these questions and more, an Extension Community Economics educator (Adeel Ahmed), with the assistance of the Willmar Area Multicultural Business Center (Roberto Valdez), the Kandiyohi County Economic Development Commission (Jean Spaulding), and West Central Interpreting Services (Zack Mahboub), interviewed 15 minority business owners (representing 19 businesses) from the Willmar area from September to October 2012. This was from a total of about 48 minority-owned businesses in the Willmar area. For owners who operated multiple businesses, either in Willmar alone or in multiple communities, the data represents either their primary business in the Willmar area, or their business located in the Willmar area. In total, information regarding 16 businesses is included.

Businesses were selected from a list provided by WAM-BC and were interviewed based on the availability and willingness of the owner. WAM-BC, as well as the West Central Interpreting Services, provided personal connections to local business owners to help arrange the interviews. It was difficult to arrange interviews as the owners tended to be extremely busy, usually running multiple businesses or working another job in addition to the business. Of 22 business owners targeted, 15 interviews were conducted due to timing and scheduling issues. An interview template was used, which consisted of 37, mostly open ended, questions. On average, interviews took 45 minutes and most were conducted on business premises. Additionally, six of the 15 owners interviewed required the use of a translator. Figure 2 summarizes the ethnicities of the business owners interviewed.

BUSINESS OWNER ETHNICITY	NUMBER OF BUSINESS OWNERS
HISPANIC	7
SOMALI	6
OTHER ETHNICITY	2

**FIG. 2:** Ethnicity of Business Owners Interviewed (n=15)

## FINDINGS

### The Minority-Owned Business Community

The minority owned business community in the Willmar area is relatively new. Figure 3 summarizes the number of businesses and the year they were started.

YEAR STARTED	1998	2004	2005	2006	2007	2008	2010	2011	2012
NUMBER OF BUSINESSES	1	1	3	1	2	3	1	1	3

FIG. 3: Year Business Started (n=16)

The business owners interviewed frequently served the niche of being the only one from their ethnic group to offer the particular good or service in the Willmar area. If this wasn't the situation, as in the case of the three restaurant owners, the niche was further defined by specializing in certain types of food within a particular ethnic category, such as huaraches, a popular Mexican dish consisting of an oblong, fried dough base, with a variety of toppings. Businesses that catered to a wider audience, as well as a certain minority, offered a greater variety of goods and services compared with their competition. In some cases, minority business owners were not able to differentiate themselves from other businesses in their particular ethnic group. This is common in the busy marketplaces of developing countries, where vendors who sell very similar products, group together in sections of the marketplace. Below are the type and number of businesses that were included in the interviews. (Note: The number of owners is 15, while the number of businesses on the following list totals 19 because some of those interviewed owned multiple businesses.)

- In-home health services
- Party rental
- Restaurants (6)
- Cafés (2)
- Bakery
- Lodging
- Attorney
- General store – clothing, cosmetics (2)
- Grocery stores (2)
- Construction
- Business services

### Experiences Running a Business

One of the main goals of the research was to determine how much business experience these new ethnic business owners possessed. A number of interview questions were worded to get at this. About half of the business owners had started a business before, while another half concurrently owned another business. When asked why they started the type of business they did, they said they saw a market opportunity, or they had prior experience in a similar business, or professional training related to their current business.

In terms of business planning, 60 percent of the business owners had developed a formal business plan. The ones who had no plan either 1) did not know what a business plan was for, or 2) felt it was not necessary because they thought their business was simple to run. Owners



who thought they did not need a business plan tended to focus only on the day-to-operations of their business and consult with their accountant if they wanted to make any investment in expanding the business. Of the six business owners who needed a translator, 50 percent had a business plan. Thus, if having a business plan is regarded as one of the foundational elements of a successful business, then English language training is a needed element in the training opportunities available in the Willmar area.

### **Experiences with Public Business Resource Providers**

A key reason for undertaking this project was to determine minority business owners' experiences with public business resources and resource providers, such as economic development agencies and small business associations. Interview questions focused on loans, licensing and permitting, and technical government assistance. Many of the business owners conveyed a sense of, "I can do this on my own," in interviews.

Seven of the business owners interviewed had sought assistance from outside agencies; the most often cited was the WAM-BC, which provided a wide range of services. These included helping the businesses win contracts to serve food at an event or festival, training them in QuickBooks, connecting them to a tax accountant, registering and getting the business licensed, and helping them find a new place to locate. Other examples of assistance included an SBA loan to purchase a building, an interest-free loan from Minnesota DEED to a military veteran, business registration assistance from West Central Interpreting Services, and site information from the Kandiyohi County EDC.

Half of the business owners were comfortable with going to a bank for a loan to help run their business. All but two highly valued being debt free and financing growth through savings. The owners who were comfortable with debt referred to their "good relations with local bankers and the business community;" they also expressed confidence in their ability to manage debt. Most of the business owners from the Somali community cited Islamic religious law against paying interest and would rather turn to friends and family for additional financial capital instead of banks. Thus, many of the Somali-owned business owners interviewed had partnered with family members or friends.

In terms of obtaining licensing and permitting for their business, the consensus was that these tasks were very easy and straightforward to complete once they found out where to go and how to do them. The exceptions were two very new owners who had some difficulty with United States Department of Agriculture (USDA) requirements in obtaining licensing to sell and serve food. They thought the USDA requirements were onerous and expensive to implement. One of these business owners also thought that fees associated with "changing ownership" and other clerical fees were high.

### **Changes, Growth and Challenges**

Ten of the businesses reported that they are growing in the broadest sense, while only two reported a decline; the remaining four said they were "stable." In terms of employment growth, eight businesses reported an increase. The businesses interviewed employ on average five workers (full and part time), which includes family, co-owners and themselves. Ironically, six of the owners who reported growth in their business also said that the number of people they employ has not grown in the past two years. These businesses employed fewer workers on

average (four), and utilized family for their business to a larger extent. Only two businesses reported both general growth and growth in employment, and neither of these employed any family members in their business. One of the business owners averse to employing non-family members believed the cost for insurance would increase dramatically if he employed non-family workers. Figure 4 summarizes these results.

	NUMBER OF BUSINESSES	AVERAGE NUMBER OF WORKERS	AVERAGE NUMBER OF NON-FAMILY WORKERS
ALL BUSINESSES INTERVIEWED	16	4.8	3.75
BUSINESSES REPORTING 'STABLE' OR 'NO GENERAL GROWTH'	6	4	3.5
BUSINESSES REPORTING GENERAL, BUT NOT EMPLOYMENT, GROWTH	6	4	2.2
BUSINESSES REPORTING BOTH GENERAL AND EMPLOYMENT GROWTH	2	9	9

**FIG. 4:** General and Employment Growth of Businesses Interviewed

Eight business owners said that the quality of people available to hire was poor. On a scale of 1 to 5 (1 poor, 5 excellent) the average rate was 2. This may be associated with the businesses reporting general growth but not growth in employment. One business owner stressed the inability to fill an opening due to unqualified applicants. Another business owner said he gave up on hiring people and starting using independent contractors for extra work that came his way. A number of owners, when asked what additional training they might want for their employees, replied that they wanted employees to be more responsible for themselves and behave accordingly.

#### **Use of Web-Based Technology**

Even though most of the businesses were not heavy users of technology, they did use it where they could. Only one business used the Internet to sell products online. Others, though they did not sell anything online, made heavy use of PC technology to streamline business processes like scanning and storing documents on a server, and using Skype and a webcam to meet with clients. Another business had several PCs dedicated as Internet kiosks where customers paid \$1 per hour to use the computers. The grocery stores sold phone cards via Internet kiosks in the store as many of their customers were not Internet savvy, but they wanted to call home at a low price. Other common uses of PC and Internet technology were for things like credit card transactions, cash register system, accounting (QuickBooks), payroll software, and office applications like Word and Excel. Business Internet and software use is summarized in Figure 5.

NUMBER OF COMPANIES	USE OF WEB-BASED TECHNOLOGY AND SOFTWARE
2	SELLING PRODUCTS ONLINE THROUGH A VARIETY OF DIFFERENT CHANNELS; ACTIVE WEBSITE; RESEARCHING AND BUYING PRODUCTS FOR BUSINESS USE; PC SOFTWARE, SUCH AS QUICKBOOKS, EXCEL, AND WORD
2	VIDEO CONFERENCING; STORING DOCUMENTS ON SERVERS; IN-STORE WI-FI ACCESS; ACTIVE WEBSITE; RESEARCHING AND BUYING PRODUCTS FOR BUSINESS USE; PC SOFTWARE, SUCH AS QUICKBOOKS, EXCEL, AND WORD
8	ACTIVE WEBSITE; E-NEWSLETTERS; PROMOTING EVENTS; RESEARCHING AND BUYING PRODUCTS FOR BUSINESS USE; SELLING PHONE CARDS; INTERNET KIOSKS; PC SOFTWARE, SUCH AS QUICKBOOKS, EXCEL, AND WORD
1	SIMPLE WEBSITE ONLY; MANAGED PASSIVELY
3	NOTHING MORE THAN A SALES TERMINAL IN STORE

**FIG. 5:** Summary of Internet and Software Use

Five businesses owners did not have a broadband Internet connection and were not planning on obtaining one in the future because they did not feel they needed it to run their business. Of the business owners who did have broadband Internet, most of them were using Charter Cable and were on the whole satisfied with the speed of their Internet connection. Only one business owner wished it were faster.

In terms of training for Internet and PC technology for their business, owners mainly wanted to learn how to better market their website, use social media to market their business, sell their products online either through their website or something like eBay, use accounting and inventory management software, and implement a point-of-sales system in their store. Owners were concerned about having the capacity; in terms of ability, time, and funds; to learn these new skills, and were apprehensive about taking on these additional functions. University of Minnesota Extension had conducted monthly training sessions on the above topics in Willmar from August 2010 to July 2012; only one of the participants in this research had attended this training. The lack of attendance underscores the apprehensiveness and the lack of time these owners have for such face to face training.

### **Challenges within the Community**

Overall, business owners felt Willmar is a great place to live and a decent place to do business. On average, owners gave Willmar a 3.9 (on a scale of 1 to 5, with 1 low, 5 high) as a place to do business and a 4.3 as a place to live. Community strengths they cited included relatively cheap office and retail space rent, a sizeable ethnic population, low competition from other businesses, and the tranquility of the area. For businesses that are expanding or have recently expanded, opportunities in nearby towns were also named as community strength.

Conversely, in terms of weaknesses, most often business owners said that "quality" employees were difficult to find. (By this, they meant qualified employees with good work habits.) Another oft-cited remark was that the city was stagnant and leaders were unwilling to make changes, such as beautification efforts. Others said it is tough to break into the local market; customers'

incomes are low and hence have low buying power, and it is difficult to become a vendor at local festivals and events.

## **DISCUSSIONS AND RECOMMENDATIONS**

It is apparent that the minority business owners interviewed in Willmar, like most business owners, are incredibly self-reliant and hard working. One couple said they were each putting in 130 hours a week into their business and they had two small children. Many others were putting in 40 hours a week in another full-time job in addition to running their business. There is this sense of self determination – of “we are doing this and doing it alone”. These extremely busy schedules make it difficult for these people to find time to attend classes to improve their skills, and these schedules complicate efforts by service providers to help them.

Another major impediment to business owners seeking help is a lack of English language skills. Inability to speak English prevents them from being fully aware of the help and resources that are available for business owners. While new American youth learn English in school, their parents have a bigger challenge in accessing English language learning resources. Willmar Community Education and Recreation (WCER) does offer three levels of both day and evening adult English as a Second Language (ESL) classes. These classes, held near downtown, are well attended and enrollment was full at the time of this research.

To further increase the accessibility of ESL resources to the business community, Willmar might consider establishing a Project English location in the community. This Fargo-Moorhead-based tutoring program helps newcomers to the United States learn to speak English through computer-based tools and volunteer assistance. The software takes care of the core instruction, thus removing the need for a skilled instructor, while an attendant is needed to answer questions that may come up or fix problems with the computers. The computer lab in downtown Willmar could be equipped with computer based learning software, such as Rosetta Stone, and volunteers, or even paid staff, could be recruited to implement such a program.

Many of the business owners commented that they lacked training in basic business functions, such as marketing, accounting, and inventory management. They were essentially learning on the job or had acquired the skills through previous employment. Part of this lack of business knowledge was reflected in the undifferentiated retail businesses that were competing for the same customers over the same products, in the same geographic area. This led to many struggling businesses, and an overheard remark was, “I don’t know how they manage to stay in business?”

Ridgewater College in Willmar offers a variety of classes through its Customized Training and Continuing Education area that can help address the skills gap identified by minority businesses in Willmar. These classes provide training in basic business functions, such as business plan development and accounting, as well as more advanced functions. The city might consider increasing efforts to inform business owners of these educational opportunities, as well as helping business owners overcome barriers to attendance. In the end, the business owners themselves also must make the time to take the classes.

Many owners indicated a difficulty in finding quality employees. Business specialists at the Minnesota Workforce Center in Willmar can help businesses find, and train, the right workers for the job. Another training resource is available through Minnesota State Colleges and

Universities (MnSCU) and the Minnesota Department of Employment and Economic Development's (DEED) Job Skills Partnership. The Job Skills Partnership provides funding for individual businesses to connect with MnSCU institutions to offer customized training opportunities.

Above all, Willmar can do more to recognize minority business owners as part of the business community – particularly the downtown business community. This would also boost the downtown economy, which is struggling. Tactics for accomplishing this might include inviting minority business owners to join the chamber of commerce and providing venues and events for new business owners to connect with long-standing business owners. Research showed that most ethnic business owners already see many positives in operating in Willmar. Build on those positives and give them more reasons to stay and expand in the community.

## REFERENCES

Kusow, A. M. (2006). Migration and racial formations among Somali immigrants in North America. *Journal of Ethnic and Migration Studies*, 32(3), 533-551.

Minnesota Department of Employment and Economic Development. (n.d.). *Minnesota Jobs Skills Partnership Program*. Retrieved from [http://www.positivelyminnesota.com/All\\_Programs\\_Services/Minnesota\\_Job\\_Skills\\_Partnership\\_Program/index.aspx](http://www.positivelyminnesota.com/All_Programs_Services/Minnesota_Job_Skills_Partnership_Program/index.aspx)

Minnesota Department of Employment and Economic Development. (n.d.). *Kandiyohi County demographic and economic profile*. Retrieved from [http://www.co.kandiyohi.mn.us/docs/Admin/2011\\_kandiyohico\\_Demographics.pdf](http://www.co.kandiyohi.mn.us/docs/Admin/2011_kandiyohico_Demographics.pdf)

Project English. (n.d.) *Computer-based English language learning opportunities*. Retrieved from <http://www.projectenglish.us/>

Ridgewater College. (n.d.). *Customized training and continuing education*. Retrieved from <http://ridgewater.augusoft.net/index.cfm>

Tuck, B., & Winchester, B. (2011). *Economic impact of new residents in Big Stone, Chippewa, Lac Qui Parle, Swift, and Yellow Medicine counties*. St. Paul, MN: University of Minnesota Extension. Retrieved from <http://www1.extension.umn.edu/community/brain-gain/docs/2011-NewcomerHH-BEI.pdf>

Willmar Education and Recreation. (n.d.). *Learn English*. Retrieved from <http://www.willmarcer.com/ESL>