

# Small Businesses and the Social Fabric of Urban Neighborhoods

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In the bustling landscapes of our cities, small businesses play an important economic role. But their impact extends beyond economic activities. In many cities, small businesses are vibrant pillars of the community, weaving together commerce, employment, culture, social interaction, and civic pride. In neighborhoods with high concentrations of immigrants, moreover, urban small businesses take on additional significance insofar as they often provide economic and social support for communities of people whose ethnicity, language, or religion differs from that of the majority of the population.

Research shows that urban small businesses are often deeply connected to their environments. In fact, entrepreneurs themselves can participate in the creation of their environments, often collaborating with public officials, community organizations, and other businesses in creating formal and informal associations within a neighborhood. For example, some cities across the U.S. have experimented with Business Improvement Districts (BIDs) as a way of advancing and sustaining the economic and social vibrancy of their communities. Success stories include [New York City](https://www.nyc.gov/site/sbs/neighborhoods/bids.page) (<https://www.nyc.gov/site/sbs/neighborhoods/bids.page>), which hosts 76 BIDs across the city that annually invest over \$187 million into its neighborhoods. BIDs are among the most formal representations of the otherwise informal interactions that build economic vibrancy within small business districts. But even simple connections, like conversations over a cup of coffee, can help create a unique sense of place and community within a neighborhood (Welter & Baker, 2021).

Whether formal or informal, these social connections do not materialize automatically. Rather, they often require

the patient, collaborative efforts of small businesspeople as well as their partners in the public and nonprofit sectors. And in some cases, these efforts stall or fall dormant. Reflecting on this reality led us to wonder: “Why is this?”

A review of past research revealed to us that scholars don’t fully understand the factors that draw urban entrepreneurs into collaborating with others in the community, or constrain them from doing so. So we wondered: What factors enable or constrain small business owners’ decisions to engage in neighborhood development activities? And how are those decisions influenced by the local context?

## Our Research

We examined these questions as part of the first author’s undergraduate honors thesis. We studied the Cedar-Riverside community of Minneapolis, Minnesota. Cedar-Riverside is a historic district for first-generation immigrants to the United States. In the late 1800s, the neighborhood was a home to immigrants from Scandinavia. Later, in the middle of the 20th Century, it housed a bustling arts and music scene in which a young Bob Dylan once participated. Today, it is home to one of the largest populations of East African immigrants in the country. Unlike majority-white Minneapolis, Cedar-Riverside’s residents identify as predominantly Black or African American and often rely on non-English languages at home.

Taken together, these characteristics contribute to the neighborhood’s distinct sense of place. They also informed our decision to conduct a qualitative investigation. Research has shown that immigrant entrepreneurs interact extensively with several different



aspects of their environments, including the social structures of their own ethnic communities and their institutional contexts as well as the economic opportunities in their environments (Kloosterman, 2010). Studying these dynamics calls for a close analysis of the context of their neighborhood and its unique tapestry of demographics, politics, and industry.

We conducted one-on-one interviews with 11 business and community leaders from Cedar-Riverside and its adjacent neighborhoods during the summer of 2020. Simultaneously, Minneapolis was grappling with the recent murder of George Floyd, an unarmed Black man, by a White police officer. The world was in the midst of the COVID-19 pandemic, still searching for a viable vaccine and path forward from social isolation. And yet, for our nation's small businesses, bills still needed to be paid and neighborhoods were still their lifeblood.

Using semi-structured interviews, we aimed to describe the challenges affecting small business owners' ability to interact with community organizations in their neighborhood. Interviewing a mix of community leaders and business owners gave us, in some cases, two perspectives on the same issue to aid our analysis of the barriers between these groups. We consulted organizations of varying sizes in our purposive sampling approach; from a large nearby university to small storefronts in the main retail district. In our conversations with each participant, we asked them about their experiences in the neighborhood, relationships between organizations, and resources available for economic development.

To analyze the results, we applied a "constant comparison" approach to identify important conceptual categories through two rounds of coding. This enabled us to discover a set of emerging themes representing answers to our research questions. We analyzed business-community relationships in a general sense, rather than isolating specific stakeholders, to look for patterns that could more readily translate to other communities.

## What Holds Business Owners Back

### Challenge #1: Entrepreneurs are preoccupied with operational issues.

Small business owners in Cedar-Riverside were limited in their time and resources due to operational constraints. Difficulty finding and retaining employees, managing inventory, maintaining finances, and

understanding new technology were all mentioned as examples of the kinds of daily issues business owners face. Although these challenges were individually small, cumulatively they placed great demand on people's time and mental capacity.

To the extent these issues overwhelm business owners' attention, it heightens the risk that these business owners will be unaware of neighborhood development efforts that are already underway. Representatives of community organizations, many of which offer programs to address business needs, occasionally expressed concerns that their efforts were not reaching stakeholders who could most benefit from the work. One community leader assessed that business owners were "grappling with these profound issues in isolation, and when they come together to talk about what the [neighborhood] needs, it doesn't happen in a particularly cohesive or productive manner."

### Challenge #2: Immigrant-owned businesses face unique barriers to development.

Immigrant business-owners in the Cedar-Riverside community confronted cultural differences as they work to grow their businesses, and this complicated collective action. For example, many Muslim business-owners observe a rule not to take on interest from debt, resulting in the use of a custom lending structure known as Islamic financing. This kind of financing, although growing in availability, is still limited relative to other kinds of financing in the United States. Such differences can make it hard for business owners to find financial or social support.

Business owners also discussed how their food, store or restaurant design, and service expectations seemed to differ from what they called the "mainstream" Minnesota culture, resulting in a limited customer base. Learning to communicate with the general public and market their businesses can also be challenging. For example, it can be hard for immigrant business owners to adopt digital modes of commerce and create an attractive "Internet presence," said one community leader, "especially if English isn't their first language."

### Challenge #3: Inconsistent engagement in neighborhood associations reduces their impact

Successful business associations often require a critical

mass of members to be properly resourced for impact across the community. Our study area included multiple business associations with contrasting levels of support.

Across the study area, small business representatives discussed a general interest in building business-community relationships. In Cedar-Riverside, however, where the main business association had fewer staff and program capacity, entrepreneurs focused more on their own operational challenges and spent less time engaging with the neighborhood group. As a result, this group became less representative of the full community. One business owner remarked that nonprofits like the business association “are doing a great job in their respective areas,” but aren’t always creating a reliable network of resources. This, in turn, seemed to generate a negative feedback loop that further hindered engagement.

We observed greater success with some neighborhood groups at the periphery of Cedar-Riverside, which had nearly universal participation. For these groups, weekly roundtable discussions during periods of civil unrest, and the presence of committees devoted to grant funding, research, and other issues, positively affected members’ resilience and the health of the overall neighborhood. We did not seek to comprehensively evaluate each business association in our study area; however, these themes underscore that business owners need to see a clear “return on investment” from their efforts in order to be willing to invest in and sustain neighborhood groups.

#### **Challenge #4: Communication gaps limit the efficacy of resources available to businesses**

Business representatives discussed being unsure of how to access programs and doubtful of the benefits they would receive relative to their investment of time. Meanwhile, community organization leaders who administer some of those programs indicated that they struggled to offer resources of greater value to businesses, because they did not know how they could address entrepreneurs’ needs. In some conversations, we heard about a lack of trust between different subgroups within the community, creating an environment “prone to a lot of political wrangling.”

Multiple participants identified institutional barriers slowing access to resources. For example, business owners attempting to apply for local COVID-19

emergency grants were confused by the deadline and paperwork associated with the application. “[Applicants] didn’t understand you can only get approved once,” said a loan officer overseeing a pandemic-related emergency loan for small businesses. “It slows the process down for a lot of people getting approved, which was pretty harmful.”

In some cases, community organizations were limited by staff time and expertise to address questions about such matters. Thus, the very organizations attempting to disburse some of the most direct forms of assistance available - such as cash and forgivable loans - were unable to do so as effectively as they sought to. Because business owners and community organization leaders were not exchanging information effectively, moreover, small business owners tended to be unaware of programs that were already available to help them succeed.

### **Conclusion**

Our findings revealed that small business owners face a variety of day-to-day challenges that would seem to call for collective action. At the same time, some of these same challenges had the effect of fragmenting business owners’ attention and resources in ways that made it more difficult for them to engage in community activities. These findings help clarify some of the factors that inhibit entrepreneurs from engaging more fully with their communities.

Although we can’t predict what events may impact small businesses in the coming years, formal and informal community-building efforts can help urban neighborhoods to develop a sense of resilience, buffering individual entrepreneurs from the effects of negative events when they occur. Nonprofits, public officials, and academic institutions can all play a role by listening to their own community’s business owners and providing tactical resources that enable them to engage. Some additional takeaways:

- Simple outreach techniques, such as designating trusted social leaders (e.g., imams in our context) within the community to act as ambassadors, could help to stimulate valuable communications between business owners and existing institutions.
- Liaisons can help bring in operational help from outside the neighborhood, if it is not available from within. For example, local chapters of

nationwide organizations like the Service Corps of Retired Executives (SCORE) or nearby Small Business Development Centers (SBDCs) offer a variety of services that can help small business owners.

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- Key organizations within the community, as well as public agencies, can step up to serve as “anchor institutions,” providing influxes of funding and resources to local business associations or partner with them to accomplish shared goals. This helps reverse the potential for a “downward spiral” of disengagement by business owners, particularly during periods of economic stress.
- Community leaders in areas without a formal business association should consider establishing one to help alleviate operational pressures on businesses. Successful groups can strengthen the relationship between businesses and community organizations, which shortens the feedback loop to improve services for entrepreneurs.
- Business associations can develop into a formal Business Improvement District (BID) where a localized assessment compels each business within their geography to contribute funds at regular intervals, instead of through voluntary membership. This also enables BIDs to provide services such as security, sanitation, and capital improvements. Other formalized structures, such as a Board of Directors, can enhance these organizations’ accountability and transparency within the community.

Steps like these can help lay the foundation for healthy urban neighborhoods. In short, by strengthening the fabric of local social connections, we can help businesses to better fulfill their economic and social potential and help communities to weather adverse events as they arise.

## References

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