

**BUSINESS**

Special Feature

# NATIVE-OWNED BUSINESSES IN WISCONSIN

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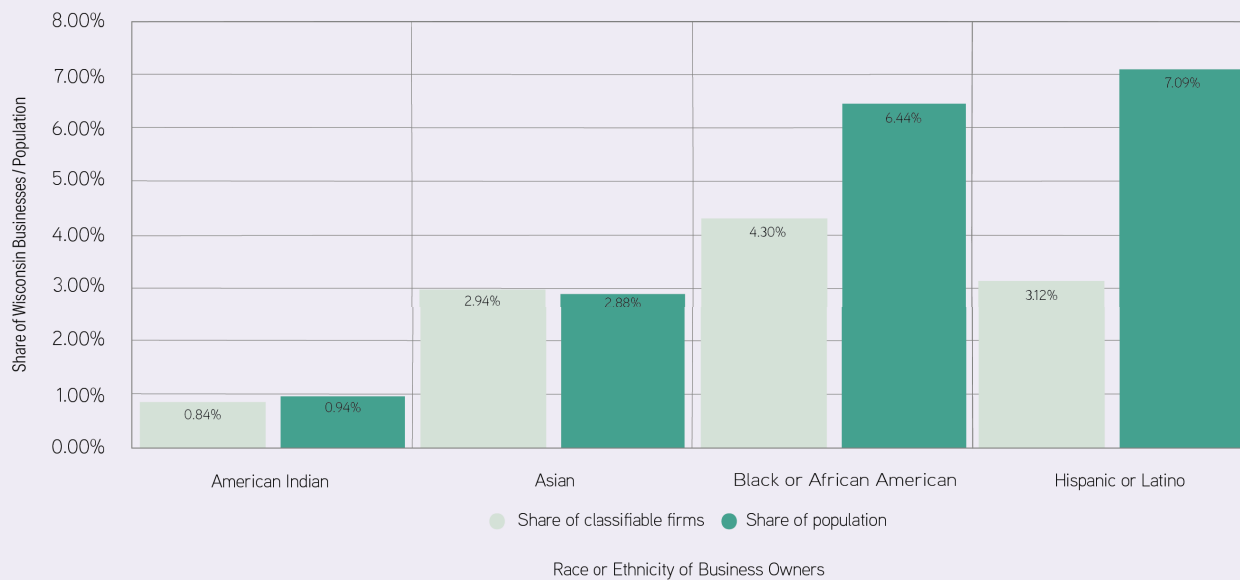
# AT A GLANCE

## NATIVE-OWNED BUSINESSES IN WISCONSIN

- From 1997 to 2012, the number of Native-owned businesses grew modestly from 2,338 to 3,115 (U.S. Census Bureau, 1997; U.S. Census Bureau, 2012).
- The small number of Native-owned businesses is partially linked to their small share of the population. In 2019, the share of Wisconsin's population which identified as American Indian was 0.94% which is slightly greater than the share of Native-owned businesses at 0.84% (U.S. Census Bureau, 2019a; U.S. Census Bureau, 2019b).
- Out of all Native-owned businesses in Wisconsin, 9.41% have employees and 90.59% are nonemployer firms (U.S. Census Bureau, 2019b).
- Native-owned employer firms employ an average of 5.60 employees per firm - the fewest by race and ethnicity. However, Native-owned employers have the highest average payroll receipts relative to all other groups at \$53,400 per worker (U.S. Census Bureau, 2019b).

FIGURE 1

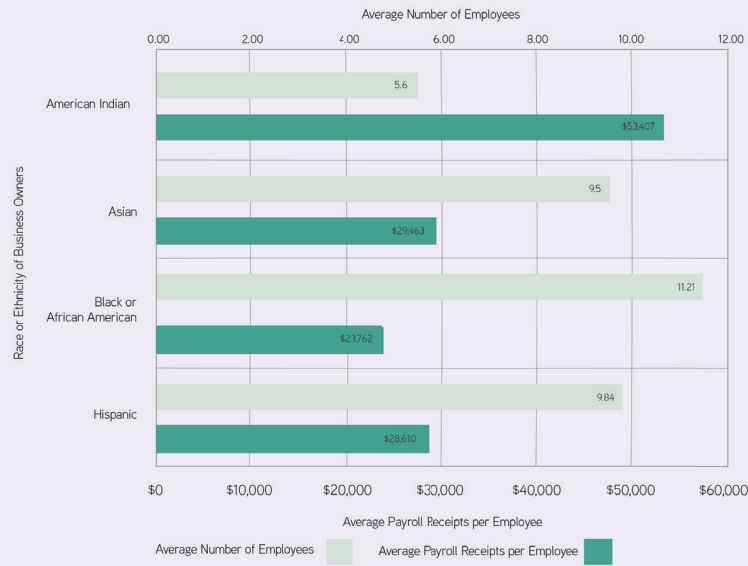
### DIFFERENCE IN TOTAL BUSINESS OWNERSHIP AND SHARE OF POPULATION



Source: Authors' analysis of U.S. Census Bureau, 2019a; U.S. Census Bureau, 2019b

FIGURE 2

NATIVE-OWNED EMPLOYER AND NONEMPLOYER FIRMS

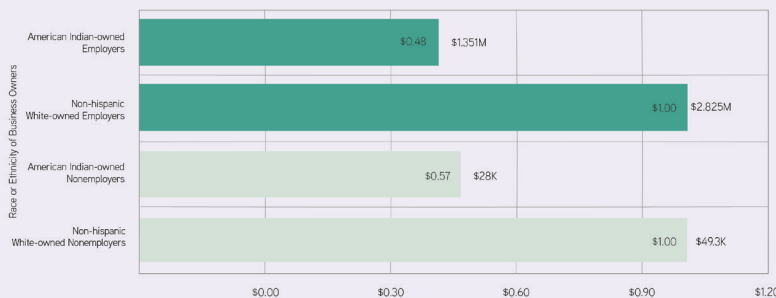


Source: Authors' analysis of U.S. Census Bureau, 2019b

- Native-owned employers generated \$1,351,000 in annual average sales, which is significantly less than that of their non-Hispanic white counterparts who make \$2,825,000. This gap means that for every \$1.00 generated by non-Hispanic white employers, Native-owned employer firms make \$0.48 on average (U.S. Census Bureau, 2017).
- Native-owned nonemployers generate \$28,000 in annual average sales, which is less than that of non-Hispanic white nonemployers at \$49,300. This means that for every \$1.00 generated by non-Hispanic white nonemployer firms, Native-owned nonemployers produce \$0.57 on average (U.S. Census Bureau, 2019b).

FIGURE 3

TOTAL FINANCING RECEIVED BY NATIVE-OWNED BUSINESSES



Source: Authors' analysis of U.S. Census Bureau, 2017; U.S. Census Bureau, 2019b

- The top sectors for Native-owned employers are Construction (25.94% of firms) and Accommodation & Food Services (11.65% of firms). The average sales of these sectors for Native-owned employers are \$1,542,000 and \$608,000, respectively. See Appendix for detailed table and comparison with white-owned employers (U.S. Census Bureau, 2017).
- The top sectors for Native-owned nonemployers are Construction (15.00% of firms) and Professional, Scientific, and Technical Services (15.00% of firms). The average sales of these sectors for Native-owned nonemployers are \$29,600 and \$21,200, respectively. See Appendix for detailed table and comparison with white-owned nonemployers (U.S. Census Bureau, 2018).

# KEY ISSUES FOR NATIVE ENTREPRENEURS AND BUSINESS OWNERS

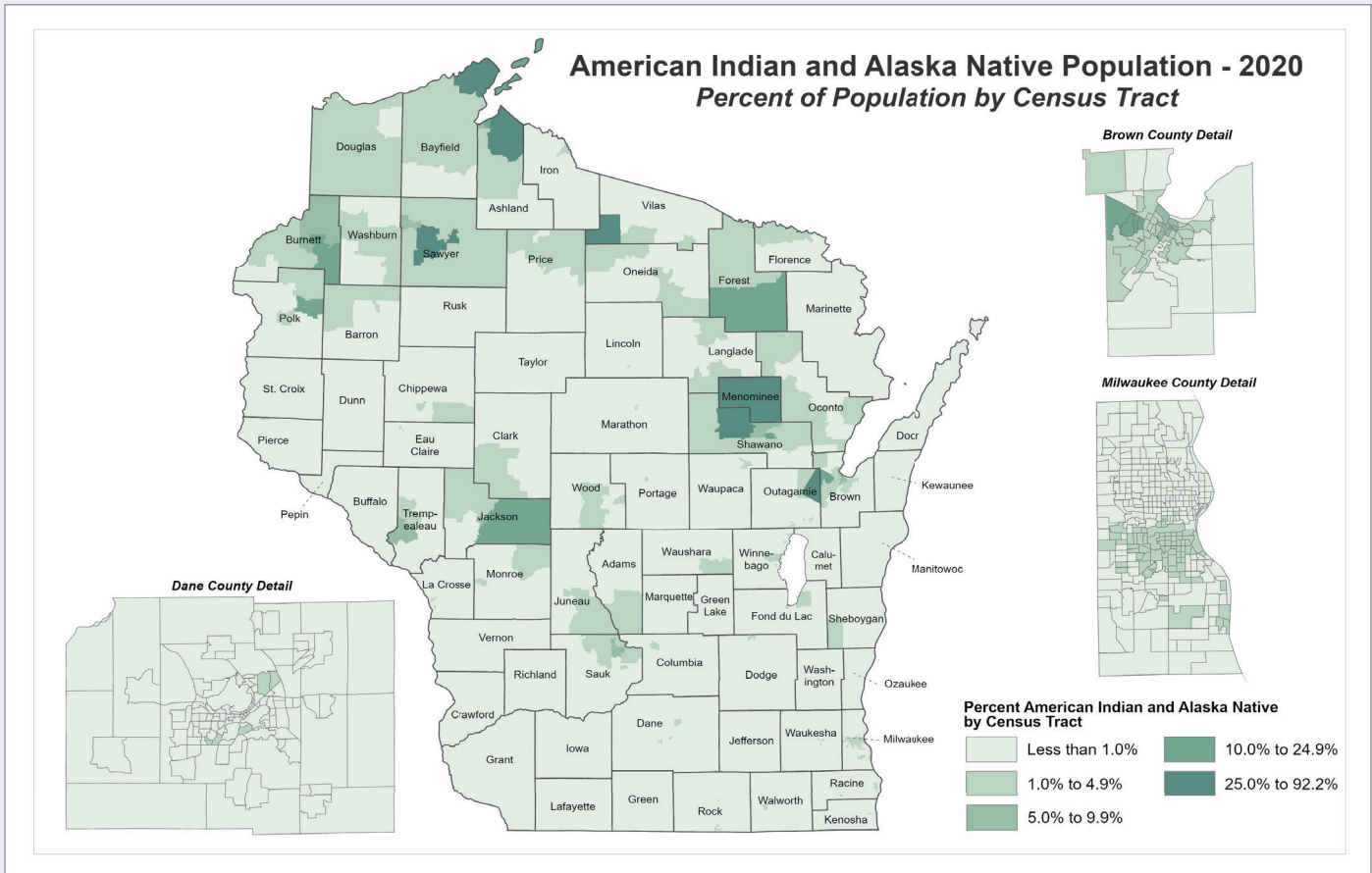
Native entrepreneurship involves many unique factors due to differences between American Indians and other minority groups. American Indians comprise around 1% of Wisconsin's population and, correspondingly, own far fewer businesses than other minority groups. The uniqueness of the Native business environment is driven primarily by geographic factors. Over half of Wisconsin's Native population resides in rural areas, primarily on or near tribal lands, resulting in them having a large presence in the rural counties that are home to reservations. Given their large presence in many rural communities of the state, the social and economic health of certain areas are greatly influenced by the Native-owned businesses in the area.

## LOCATION

Whereas most minority groups tend to be concentrated in diverse metropolitan areas, the rural location of many Native-owned businesses uniquely positions them as both remote and diverse businesses. In general, businesses located in remote areas tend to face challenges associated with geographic isolation from markets as well as connectivity given the digital divide experienced by rural areas (Fetsch, 2015). The counties with the highest share of Native Americans are Menominee, Sawyer, Forest, Ashland, and Bayfield counties, which are all classified as rural (U.S. Census Bureau, 2020b).

Remoteness can stunt the performance and growth of rural businesses by limiting their customer base, potential employees or business partners, and other opportunities for advancement. Being located in a remote area may also lead to higher costs for transportation, infrastructure, maintenance, and more. Taken together, the isolation of rural businesses can raise the costs associated with business ownership while limiting their reach and market presence.

FIGURE 4 | NATIVE POPULATION - 2020 PERCENT OF POPULATION BY CENSUS TRACT



Source: Authors' analysis of U.S. Census Bureau, 2020a

## ACCESS TO FINANCIAL CAPITAL

Native entrepreneurs, like other racial and ethnic minorities, also experience difficulty accessing capital. Relative to national averages, Native Americans have lower levels of personal wealth and homeownership while being more likely to live in poverty and be unemployed. These numbers highlight the limited personal capital that can be accessed by Native entrepreneurs to finance their businesses (Fetsch, 2015). Lower levels of personal wealth and less stable employment can lead to greater difficulties when applying for funding from financial institutions given requirements like income verification, credit score, and collateral. Additionally, there is a lack of banks on tribal lands, so Native Americans are likely to turn to higher-cost lending like payday loans. Even formal financial institutions not located on tribal lands are more likely to lend at higher-interest rates to Native entrepreneurs (Fetsch, 2015). Overall, difficulties associated with wealth-building and accessing funding from formal institutions create major obstacles for Native-owned businesses attaining an adequate amount of capital to start and sustain their business.

## HUMAN CAPITAL

In addition to low levels of financial capital, Native entrepreneurs also experience lower levels of human capital within their community as measured by formal education attainment. Formal training and education can support entrepreneurship as it contributes to entrepreneurs' understanding of business concepts. Another factor that shapes human capital within Native communities is the level of entrepreneurial activity. When there are lower levels of business ownership within a community, there are fewer opportunities for budding entrepreneurs to gain exposure to entrepreneurial knowledge and skills, as well as networking and mentorship. Coupled with low levels of educational attainment and employment, low rates of business ownership result in Native entrepreneurs being less likely to attain necessary entrepreneurial knowledge and skills required for operating a business (Fetsch, 2015, Erdmann, 2016). To support entrepreneurship in Native communities, efforts can focus on expanding entrepreneurial instruction and guidance in both education settings as well as through community organizations to motivate greater entrepreneurship. Additionally, broader policies that work to improve the education system and labor market in and around Native communities would similarly help facilitate greater success in entrepreneurship.

## DRIVERS OF ENTREPRENEURSHIP

While levels of education, entrepreneurship, employment, and more vary from community to community, a 2012 study on entrepreneurial activity among American Indians gives valuable insight into the state of entrepreneurship on tribal lands. Franklin, Morris, and Webb (2012) found that American Indian nations have higher levels of total early-stage entrepreneurial activity (TEA) in comparison to the rest of the U.S. The majority of the TEA was characterized

as factor-driven entrepreneurship, which addresses the immediate needs of the community and reflects an economy in the beginning stages of development. The next step of entrepreneurial activity after factor-driven is innovation-driven which reflects more developed economies as entrepreneurs offer non-essential products or services to the area. The research also reports that factor-driven entrepreneurship may reflect the state of the labor market since it can take the form of self-employment for individuals that turn to entrepreneurship out of necessity when they have limited opportunities in the formal economy (Franklin, Morris, & Webb, 2012). This pattern may explain why, in Wisconsin, Native-owned businesses are especially underrepresented among businesses with paid employees. While it is important to consider ways to support self-employed individuals without paid employees, it may also be worthwhile to encourage riskier, innovation-driven entrepreneurship that can lead to businesses with greater potential for growth and employment.

Given the requirements, risks, and rarity of innovation-driven entrepreneurship, Native entrepreneurs may be hesitant to pursue it. This hesitation may be compounded by the anticipation of experiencing discrimination as business owners. In addition to these notions, the pressure felt by Native business owners that they cannot afford to fail given the potential negative impact on themselves as well as the surrounding community can instill risk-averse attitudes among potential Native entrepreneurs (Fetsch, 2015). Together these factors may result in a lower entrepreneurial propensity within Native communities. Hesitancy to pursue entrepreneurship can be countered by providing more resources that encourage and guide budding entrepreneurs, such as mentorship or entrepreneurial education. In interviews with successful Native business owners in Wisconsin, Erdmann (2016) found that all respondents cited their internal motivation as a driving force behind their entrepreneurial success. Therefore, while there are ways to mitigate discouraging attitudes, some of it just depends on the characteristics of individuals.

Another factor that may impact entrepreneurial activity among Native populations is differences in cultural norms. Mentioned in the report by Franklin, Morris, and Webb (2012), the collectivist values found within some Native communities can limit entrepreneurship. Often driven in part by an individualistic approach and economic priorities, entrepreneurship can conflict with the communal orientation held by some Native Americans. These opposing ideals may also explain the difference between the factor-driven vs. innovation-driven found in Native communities as the former addresses unmet needs felt by the entire community whereas the latter serves more individualistic, opportunity-oriented goals (Franklin, Morris, & Webb, 2012). Of course, with all demographics, these norms vary by tribe; however, when considering the factors that contribute to entrepreneurial activity, it is important to note that the values held by community members shape entrepreneurial intent.

# MOVING FORWARD

To support Native communities, primarily on or near tribal lands, we suggest increasing measures to build all types of capital, which are covered in detail in our corresponding policy brief (see McDermott, Conroy, & Kures, 2024). However, when developing community-specific initiatives, it is important to account for the advantages and disadvantages found within Native communities. Given evidence that much of entrepreneurial activity may be driven by community needs, programming that is socially minded may be most appropriate. Broad measures that aid in the economic development of Native communities can facilitate a shift to innovation-focused entrepreneurship; however, this shift may need to happen over the long run as it requires a restructuring of economies. Therefore, focusing on the short run, community-specific efforts can look at ways to lower barriers to entry for Native-owned ventures as well as decrease the risk aversion felt by Native entrepreneurs. These two goals can be supported by building capital in Native communities.

Financial capital is important for overcoming obstacles faced by Native entrepreneurs, especially given the lower levels of wealth in Native communities. Access to financing can be expanded by securing funding through mission-driven lenders, such as CDFIs or community-specific funds, as well as reevaluating the formal banking procedures that tend to exclude Native entrepreneurs as potential borrowers. Some Wisconsin-based initiatives that work towards this goal are: Woodland Financial Partners, Wisconsin Native Loan Fund, and the First American Capital Corporation founded by the American Indian Chamber of Commerce.

Additionally, building human capital in Native communities is important as it gives budding entrepreneurs more information and guidance about starting and operating a venture. It can be built through an investment in education, entrepreneurial training programs, community organizations with a focus in business development, and mentorship or other networking opportunities. Since many Native communities are located in rural areas, another way to build human capital would be to improve or invest in broadband infrastructure. Broadband is important to provide entrepreneurs with many important online resources, such as detailed information on business start-up and development, guidance on navigating legal and financial institutions, online workshops and educational opportunities, and other specific programming that looks to support entrepreneurs and business owners. Furthermore, broadband can build virtual social capital by connecting entrepreneurs with a larger network of potential mentors, business partners, clients, and a larger consumer base as a whole. Given challenges with the existing infrastructure, the Lac du Flambeau tribe in Wisconsin took on building their own network to address the connectivity issues faced by their community, including tribal businesses (Bumgardner, 2024).

Through the transmission of valuable information as well as access to opportunities and business contacts, social capital can provide entrepreneurs with an easier time of accessing financial capital, business networks and mentorship, and other resources to support their ventures. Efforts focused on supporting Native entrepreneurship can prioritize building social capital. Higher exposure and engagement with existing entrepreneurial activity can motivate budding entrepreneurs as it offers an example of successful ventures as well as potential mentors. Additionally, Erdmann (2016) found that the relationship between successful Native entrepreneurs and their family and community played a significant role in supporting them and their venture. As previously mentioned, the communal orientation of Native communities, which can work against the onset of new entrepreneurial activity, could potentially work towards the success of established ventures. If residents tend to act in ways that benefit their community, then it's possible that efforts can leverage these collectivist ideals to foster a supportive ecosystem for Native businesses to thrive. Similarly, tribal policies that implement preferential treatment of Native-owned businesses also improved the success of said businesses. Therefore, social capital through business networks as well as greater community support could drive the success and growth of Native entrepreneurs and businesses.

When implementing these efforts, it is important to remember that each Native community can look different as American Indians are not monolithic, especially when considering differences across tribes in terms of size, geography, culture, economies, and more. Wisconsin has 11 federally-recognized tribes, all of which having their own distinct history, culture, governance, resources, and more. While we mainly focus on the specific barriers experienced by Native entrepreneurs and businesses in or near tribal lands in rural areas, it is also important to note that 45% of Wisconsin's Native population lives in urban areas. Relative to that of Native entrepreneurs in rural areas, the experience of Native entrepreneurs and businesses in urban areas may be more similar to that of other minority groups. Therefore, our recommendations for urban Native entrepreneurs could bear more resemblance to those proposed in the policy brief which consider communities of color that tend to be located in more metropolitan areas. These efforts would mainly focus on ways to provide culturally aware guidance and instruction on ways to build more financial and human capital in urban Native communities, as well as build social capital through facilitating valuable connections by ways of networking and mentorship (see McDermott, Conroy, & Kures, 2023).



# APPENDIX

Employer table<sup>1</sup> – (Source: Authors' analysis of U.S. Census Bureau, 2017)

Native-Owned Employer Businesses by Sector Wisconsin 2017				
Sector	Share of Native-Owned Employers	Share of White-Owned Employers	Average Sales of Native-Owned Employers	Average Sales of White-Owned Employers
Construction	25.94% 69 businesses	14.83% 13,466 businesses	\$1,542,000	\$2,293,000
Accommodation and food services	11.65% 31 businesses	10.75% 9,763 businesses	\$608,000	\$894,000
Manufacturing	7.52% 20 businesses	7.62% 6,921 businesses	\$5,496,000	\$8,821,000
Other services (except public administration)	5.26% 14 businesses	7.64% 6,938 businesses	\$649,000	\$594,000
Transportation and warehousing	4.51% 12 businesses	4.86% 4,414 businesses	\$275,000	\$1,894,000
Retail trade	4.14% 11 businesses	11.06% 10,040 businesses	\$3,749,000	\$4,659,000
Total for all sectors	266 businesses	90,793 businesses	\$1,351,000	\$2,825,000

Nonemployer table<sup>2</sup> – (Source: Authors' analysis of U.S. Census Bureau, 2018)

Native-Owned Nonemployer Businesses by Sector Wisconsin 2018				
Sector	Share of Native-Owned Nonemployers	Share of White-Owned Nonemployers	Average Sales of Native-Owned Nonemployers	Average Sales of White-Owned Nonemployers
Construction	15.00% 150 businesses	11.70% 36,500 businesses	\$29,600	\$71,800
Professional, scientific, and technical services	15.00% 150 businesses	13.78% 43,000 businesses	\$21,200	\$36,900
Retail trade	10.00% 100 businesses	11.70% 36,500 businesses	\$24,000	\$35,900
Transportation and warehousing	10.00% 100 businesses	5.77% 18,000 businesses	\$54,700	\$68,100
Administrative and support and waste management and remediation services	10.00% 100 businesses	7.05% 22,000 businesses	\$16,400	\$23,800
Other services (except public administration)	10.00% 100 businesses	9.94% 31,000 businesses	\$20,800	\$30,300
Arts, entertainment, and recreation	8.00% 80 businesses	6.73% 21,000 businesses	\$10,100	\$17,500
Health care and social assistance	7.00% 70 businesses	6.09% 19,000 businesses	\$13,800	\$29,500
Real estate and rental and leasing	4.00% 40 businesses	12.02% 37,500 businesses	\$62,200	\$94,800
Educational services	4.00% 40 businesses	3.01% 9,400 businesses	\$9,400	\$11,700
Agriculture, forestry, fishing and hunting	3.00% 30 businesses	2.05% 6,400 businesses	\$15,000	\$48,000
Accommodation and food services	3.00% 30 businesses	1.70% 5,300 businesses	\$48,200	\$52,200
Manufacturing	2.00% 20 businesses	2.15% 6,700 businesses	\$36,300	\$50,000
Wholesale trade	2.00% 20 businesses	1.79% 5,600 businesses	\$48,200	\$78,700
Finance and insurance	2.00% 20 businesses	3.21% 10,000 businesses	\$39,000	\$80,200
Total for all sectors	1,000 businesses	312,000 businesses	\$28,400	\$48,400

<sup>1</sup> Not enough data to include: Agriculture, forestry, fishing and hunting; Mining, quarrying, and oil and gas extraction; Utilities; Wholesale trade; Information; Finance and insurance; Real estate and rental and leasing; Professional, scientific, and technical services; Administrative and support and waste management and remediation service; Educational services; or Health care and social assistance.

<sup>2</sup> Not enough data to include: Mining, quarrying, and oil and gas extraction; Utilities; or Information.

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